This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 10, 2026

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Purchaser.

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 OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES AND IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS OR, EXCEPT AS DESCRIBED HEREIN, CORPORATIONS. SEE "LEGAL MATTERS – TAX EXEMPTION" HEREIN.

The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "LEGAL MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

Ratings: Moody's: "A2"

NEW ISSUE-Book-Entry-Only

$6,380,000
JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10
(A political subdivision of the State of Texas located within Jefferson County)
UNLIMITED TAX BONDS,
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Jefferson County Water Control & Improvement District No. 10 (the "District") and are not obligations of the State of Texas, Jefferson County, the City of Nederland or any entity other than the District.

Dated Date: October 1, 2026 **Due: August 15, as shown below**
Interest Accrues from Delivery Date: October 20, 2026

Interest on the Bonds will accrue from the Delivery Date, expected on or about October 20, 2026, and will be payable on February 15 and August 15 of each year commencing February 15, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The initial bonds will be issued to the Purchaser and 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 and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOK Financial, Dallas, Texas (see "THE BONDS - PAYING AGENT/REGISTRAR").

MATURITY SCHEDULE

Maturity August-15		Principal	Interest Rate	Price or Yield [(a)]	CUSIP [(b)]	Maturity August-15		Principal	Interest Rate	Price or Yield [(a)]	CUSIP [(b)]
2027		$ 1,715,000				2037	(c)	$ 170,000			
2028		1,745,000				2038	(c)	150,000			
2029		175,000				2039	(c)	150,000			
2030		175,000				2040	(c)	150,000			
2031		175,000				2041	(c)	150,000			
2032		175,000				2042	(c)	150,000			
2033		175,000				2043	(c)	150,000			
2034		175,000				2044	(c)	150,000			
2035		175,000				2045	(c)	150,000			
2036	(c)	175,000				2046	(c)	150,000			

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Purchaser (as herein defined) for offers to the public and which subsequently may be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Service, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Associations and are included solely for the convenience of the Purchaser of the Bonds. Neither the District nor Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Bonds maturing on or after August 15, 2036, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, of August 15, 2035, or any date thereafter, at the par value there of plus accrued interest form the most recent interest payment date to the date of redemption (see "THE BONDS - REDEMPTION PROVISIONS").

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

The Bonds are offered by the Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Purchaser, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Germer PLLC, Bond Counsel. Delivery of the Bonds through DTC is expected on or about October 20, 2026.

Bids Due Thursday, September 17, 2026, at 10:15 A.M. Houston Time

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance the Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement 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 Rule 15c2-12.

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District at its office at 3707 Central Blvd., Nederland, Texas, 77627.

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

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SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by ________________________ (the "Purchaser") paying the interest rates shown on the cover page hereof, 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, Texas Government Code (the "IBA" method).

PRICES AND MARKETABILITY

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Purchaser two (2) days prior to the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has 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 Purchaser or wholesaler. Otherwise, the District has no understanding with the Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Purchaser.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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 laws of any other jurisdiction. The District assumes no responsibility for registration or qualifiction of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

The District has made an application for municipal bond guaranty insurance from Assured Guaranty Municipal Corp. and Build America Mutual Assurance Company. The purchase of such insurance, including payment of all associated costs, including the premium charged by the insurer and fees charged by any rating company, will be at the option and expense of the Initial Purchaser.

MUNICIPAL BOND RATING

Moody's Investors Service ("Moody's") has assigned a municipal bond rating of "A2" to the issue of Bonds without credit enhancement. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein.

THE DISTRICT

Description.................................... The Jefferson County Water Control and Improvement District No. 10 is a political subdivision of the State of Texas, created under and pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapter 245, Acts of the 54th Legislature, Regular Session, 1955. At the time of creation, the District contained approximately 333 acres. Through a series of subsequent annexations by election and petition, the District has expanded to a size of approximately 1,500 acres. See "THE DISTRICT."

Location.. The District is located north of and adjacent to the City of Nederland and about 1 mile south of the City of Beaumont, in southeast Texas. The District is bounded on the east by portions of the Kansas City Southern Railroad and portions of State Highway 347 and on the west by U.S. Highway 69. The District lies within the boundaries of Beaumont Independent School District and Nederland Independent School District and is within the extraterritorial jurisdiction of the City of Nederland. See "THE DISTRICT."

Status of Development.................... Development of the District began in the 1950's. Residential development in the District consists of a number of subdivisions. Older subdivisions in the District include Central Gardens, Central Heights, Holiday Heights, Hollywood Addition and Delmonte Addition. Newer subdivisions built since the late eighties include Highland North and Forest Central One. Recent subdivisions from 2003 to present include Spurlock Chase, Azlyn Place, Willow Run, and Ryan's Crossing and Stillwater Estates. Stillwater Estates will be opening a new section with 14 residential lots and there is a developing 7-acre residential Subdivision off Price Street. Home values in the older portions of the District range in market value from $105,000 to $190,000. Homes in the newer subdivisions are priced from $200,000 to $600,000. There are 2 homes in the District that are valued above $1.6M.

The District has numerous large apartment buildings with over 100 units. A newly constructed 157 room apartment complex "The Logan" located on HWY 69 is valued at $22 million dollars. The same developer of this apartment complex is currently building an even larger (58 buildings) luxury apartment complex that is now 50% complete.

Retail Development within the District consists of small centers with convenience oriented stores, 4 service stations, 4 restaurants, a retail/wholesale fireworks distribution center and various other businesses. Only a small amount of retail space is vacant within the District.

Office/professional development includes the Dupont Employee Credit Union, an employment staffing service and professional offices.

Industrial and Light Industrial Development within the District consists of Golden Triangle Industrial Park, Kerr Industrial Park, Varitech Industrial Park, MSV Properties, and portions of Caldwell Industrial Park. The light industrial areas are located on HWY 347 north part of the District and HWY 69 north part of the District. Commercial businesses include Linde Welding and Gas, Rawson Relevant, Vallen Electrical Supply, Kinder Morgan, United Rental Equipment, Republic Environmental Services, Structural Technologies, Hydro Piping, Nemsco, Triangle Seafood, Will Scot Trailer Rental, Hatfield and Company, Mobile Mini, Swicegood Music, Ironclad and Ace Image Uniform Service, Sunbelt Equipment Rental, Axis Equipment Rental Saybolt Laboratory, Camin Laboratory United States Environmental Services. Entergy Texas recently built a large Entergy Power Station to provide stable/high power to the Beaumont New Ammonia Facility.

The District recently annexed 173 acres that are currently under development for industrial use, by Beaumont New Ammonia. Beaumont New Ammonia has completed construction of the largest blue ammonia facility of its kind in Texas. Total investment for Beaumont New Ammonia includes spending on upsized utilities and available land to allow for doubling to 2.2 million tons annual capacity in the future. The new current facility supports 70 new full-time jobs. The facility went into production December 2025.

Industrial development consists of Beaumont New Ammonia, LLC, Air Liquide USA LLC., TNT Crane & Rigging Inc., ChemTreat Inc., MSV Limited and Southwest Stainless.

Approximately 30 developable acres comprised of several tracts within the District do not have taxable improvements constructed thereon. Such acres are not planned for development currently.

Principal Property Owner............. Beaumont New Ammonia, LLC is the largest taxpayer in the District, with land, improvements and personal property representing $1,043,333,350 of the District's 2026 Certified Taxable Assessed Valuation. The facility manufactures low carbon ammonia. See "TAXING PROCEDURES – PROPERTY SUBJECT TO TAXATION BY THE DISTRICT" and "TAX DATA – PRINCIPAL TAXPAYERS.""

Payment Record............................. The District has never defaulted on the debt service payments on its Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT - OUTSTANDING BONDS."

THE BONDS

Description.................................... Jefferson County Water Control & Improvement District No. 10 Unlimited Tax Bonds, Series 2026 in the aggregate principal amount of $6,380,000. The Bonds mature on August 15 in the years 2027 through 2046, in the principal amounts and accruing interest at the rates shown on page 2 hereof. See "THE BONDS."

The Bonds are being issued pursuant to an order authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board") as fully registered bonds. The Bonds will be issued in denominations of $5,000 principal amount or integral multiples of $5,000. Interest on the Bonds will accrue for the delivery date (the "Delivery Date") to the Purchaser (defined herein) and will be payable on February 15 and August 15 of each year commencing on February 15, 2027) and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. See "THE BONDS."

Redemption.................................... The Bonds maturing on or after August 15, 2036, are subject to redemption in whole or from time to time in part at the option of the District prior to their maturity dates on August 15, 2035, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - REDEMPTION PROVISIONS."

Use of Proceeds.............................. Proceeds from the sale of the Bonds will be used for the purpose of paying for and financing the design, construction and equipping of a wastewater treatment plant, wastewater collection system improvements and water distribution system improvements of the District.

Authorized but Unissued Bonds…… On November 4, 2025, voters of the District authorized the issuance of $28,500,000 principal amount of unlimited tax bonds for the purposes identified in Use of Proceeds above. After the issuance of this first installment of the voted bonds, there will be $22,120,000 in authorized but unissued debt remaining. The District expects to issue the balance of the voted bonds over additional deliveries following approval from the Texas Commission on Environmental Quality.

Authority for Issuance................... The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality, the Bond Order, the Texas Constitution, the general laws of the State of Texas and the election held November 4, 2025, within the District. After the issuance of the Bonds, the District will have remaining authorized but unissued bonds. See "THE BONDS - AUTHORITY FOR ISSUANCE - ISSUANCE OF ADDITIONAL DEBT" and "INVESTMENT CONSIDERATIONS - FUTURE DEBT."

Source of Payment.......................... Principal of and interest on the Bonds are payable solely from the proceeds of a direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Nederland, Jefferson County, Texas, the State of Texas or any entity other than the District. See "THE BONDS - SOURCE OF PAYMENT."

Municipal Bond Rating.................. Moody's Investor Service, Inc. ("Moody's") has assigned an "A2" rating to the District. The fee associated with the rating assigned to the District by Moody's will be paid by the District.

Municipal Bond Insurance.. The District has made an application for municipal bond guaranty insurance from Assured Guaranty Municipal Corp. and Build America Mutual Assurance Company. The purchase of such insurance, including payment of all associated costs, including the premium charged by the insurer and fees charged by any rating company, will be at the option and expense of the Initial Purchaser.

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 and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").

Qualified Tax Exempt Obligations.................................. The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2026 is not reasonably expected to exceed $10,000,000. See "LEGAL MATTERS - QUALIFIED TAX EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."

Bond Counsel................................ Germer PLLC, Beaumont, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."

Financial Advisor.......................... HilltopSecurities Inc., Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

Paying Agent/Registrar................. BOK Financial, Dallas, Texas.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

TABLE 1 – SELECTED FINANCIAL INFORMATION

2026 Certified Taxable Assessed Value	$	1,537,733,029	(a)
Gross Direct Long-Term Debt Outstanding as of September 1, 2026	$	7,780,000	
The Bonds	$	6,380,000	
Estimated Overlapping Debt	$	15,629,115	(b)
Gross Direct Long-Term Debt and Estimated Overlapping Debt	$	29,789,115	(c)
Ratio of Gross Direct Long-Term Debt :			
2026 Certified Taxable Assessed Valuation		0.51%	
Ratio of Gross Direct Long-Term Debt and Estimated Overlapping Debt to:			
2026 Certified Taxable Assessed Valuation		1.94%	
Funds Available for Debt Service			
Bond Fund Cash & Investment as of June 30, 2026	$	1,728,204	
General Fund (Water and Sewer System) Cash & Investment as of June 30, 2026	$	834,635	
Average Annual Debt Service Requirement (2026-2046)	$	942,947	
Maximum Annual Debt Service Requirement Beyond Current Year (2027)	$	2,816,727	
Tax Rates:			
District's Fiscal 2026 Debt Service Tax Rate	$	0.196292	(d)
District's Fiscal 2026 Fire Tax Rate	$	0.025067	(d)
Total	$	0.221359	
Debt Service Tax Rate Required to Pay Average Annual Debt Service (2027-2046) based upon:			
2026 Taxable Appraised Valuation at a 95% Collection Rate	$	0.0646	
Debt Service Tax Rate Required to Pay Maximum Annual Debt Service (2027) based upon the			
2026 Taxable Appraised Valuation at a 95% Collection Rate	$	0.1929	

(a) As certified by the Jefferson County Appraisal District (the "Appraisal District"). Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX DATA - TAX ROLL INFORMATION" and "TAXING PROCEDURES".
(b) See "FINANCIAL INFORMATION - ESTIMATED OVERLAPPING DEBT." Includes the Bonds. Preliminary, subject to change.
(c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT - DEBT SERVICE REQUIREMENTS."
(d) The District set the tax year 2025 tax rate for the 2026 fiscal year on September 21, 2025. "THE BONDS - AUTHORITY FOR ISSUANCE" and "TAX DATA - DEBT SERVICE TAX." The tax rate for Fiscal Year 2027 will be set on September 17, 2026 at the same meeting as the sale of the Bonds.

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PRELIMINARY OFFICIAL STATEMENT

$6,380,000
JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10
(A political subdivision of the State of Texas located within Jefferson County)

UNLIMITED TAX BONDS,
SERIES 2026

This Official Statement provides certain information in connection with the issuance by Jefferson County Water Control & Improvement District No. 10 (the "District") of its $6,380,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, particularly Chapters 49 and 51 of the Texas Water Code, as amended an order (the "Order") adopted by the Board Directors of the District (the "Board"). Issuance of the Bonds has been approved by the Texas Commission on Environmental Quality (the "TCEQ").

This Official Statement includes descriptions, among others, of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from The District offices at 3707 Central Blvd., Nederland, Texas 77627.

THE BONDS

DESCRIPTION

The Bonds are dated October 1, 2026, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of delivery to the Purchaser thereof (the "Purchaser") and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on each February 15 and August 15, commencing February 15, 2027. The initial Bonds will be issued to the Purchaser, and the definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of 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.

In the event the Book-Entry-Only System is discontinued, 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 last business day of the month next preceding each interest payment date to the address of such Registered Owner 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 Owner at the risk and expense of such Registered Owner.

AUTHORITY FOR ISSUANCE

On November 4, 2025, voters of the District authorized the issuance of $28,500,000 principal amount of Unlimited Tax Bonds (the "Authorized Unlimited Tax Bonds") for the purpose of paying for and financing the design, construction and equipping of a wastewater treatment plant, wastewater collection system improvements and water distribution system improvements of the District. The Series 2026 Unlimited Tax Bonds will be the initial delivery of the Authorized Unlimited Tax Bonds.

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality, the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 51 of the Texas Water Code, as amended. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

PAYING AGENT/REGISTRAR

The Board has selected BOK Financial, Dallas, Texas (the "Paying Agent/Registrar") as the initial Paying Agent and Registrar for the Bonds. The designated payment office for the Bonds is located in Dallas, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar.

REGISTRATION AND TRANSFER

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the register at its designated payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered in the name of Cede & Co. and will not be transferred. See "- BOOK-ENTRY-ONLY SYSTEM."

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after August 15, 2036 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on August 15, 2035, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

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

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

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

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, 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 and the financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

General

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 Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy). All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

SOURCE OF PAYMENT

The Bond Order provides for the levy and annual assessment and collection in due time, form, and manner, of a tax on all taxable property in the District, without limit as to rate or amount, sufficient to pay the principal of and interest on the Bonds as the same becomes due and payable. The Bond Order further provides such tax for the payment of the Bonds shall be at a rate from year to year as will be ample and sufficient to provide funds each year to pay the principal of and interest on said Bonds while Outstanding; full allowance being made for delinquencies and costs of collection. The taxes levied, assessed, and collected for and on account of the Bonds are to be accounted for separate and apart from all other funds of the District and the taxes assessed and collected for the Bonds are to be deposited in an account maintained on the District's books and records and known as "Series 2026 Unlimited Tax Bond Fund". The moneys deposited to the credit of such Fund are to be maintained at an official depository of the District's funds; and such taxes levied, and to be assessed and collected annually, for the Bonds are pledged to the payment of the Bonds.

Defeasance: The Bond Order provides that any Bonds shall be deemed paid and shall no longer be considered outstanding within the meaning of the Bond Order when payment of principal of and interest on such Bond to its stated maturity, or (if notice of redemption shall have been given, irrevocably provided for or duly waived) to the redemption date shall have been made or shall have been provided for under the provisions of the Bond Order. Such payment may be provided for by deposit of any combination of (1) money in an amount sufficient to make such payment, and (2) Government Securities (as defined in the Order).

The District reserves the right, subject to satisfaction of the requirements of (1) and (2) above to substitute other "Governmental Securities: for the "Governmental Securities" originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District monies in excess of the amount required for such defeasance.

Construction Fund: The construction fund is the capital improvements fund of the District. The Bond Order requires the District to deposit into the Series 2026 Construction Fund proceeds of the sale of the Bonds remaining after deposit of the amounts required for paying cost of issuance of the Bonds. The Series 2026 Construction Fund may be applied solely (i) to pay the costs necessary or appropriate to accomplish the purposes for which the Bonds were issued and (ii) to the extent the proceeds of any series of bonds deposited to the Series 2026 Construction Fund and investment income attributable thereto are in excess of the amounts required for such purposes, then in the discretion of the District to transfer such unexpended proceeds or income to the District's interest and sinking fund or to apply the same to one or more other lawful purposes for which surplus construction funds may be used as approved by the TCEQ.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

> "(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State of Texas and all agencies, subdivisions, and instrumentalities of the state including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies, and bodies politic."
>
> "(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them."

Pursuant to the Public Funds Collateral Act (Chapter 2257, Texas Government Code), the Bonds are eligible to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or will be acceptable to such institutions for investment purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes. No representation is made concerning the eligibility of the Bonds to secure public funds or their legality as investments by institutions in states other than Texas.

ISSUANCE OF ADDITIONAL DEBT

The District is authorized to issue remaining Authorized Unlimited Tax Bonds approved by voters in the November 4, 2025 election and additional bonds necessary to provide those improvements and facilities for which the District was created, with approval of the TCEQ and, in the case of bonds payable from taxes, the District's voters. Additional tax or tax and revenue bonds may be authorized by District voters in the future. The Board is further empowered to borrow money for any lawful corporate purpose and to issue bond anticipation or tax anticipation notes pursuant to the requirements of Chapter 49 and 51, Texas Water Code and related statutes and codes.

The Bond Order imposes no limitation on the amount of additional bonds that may be issued by the District. Any additional bonds issued by the District may be unlimited tax bonds, similar to the Bonds. See "INVESTMENT CONSIDERATIONS - FUTURE DEBT."

AMENDMENTS TO THE BOND ORDER

The District may, without the consent of or notice to any Registered Owner, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to or rescind any of the provisions of the Bond Order; provided that, without the consent of the Registered Owners of all of the Bonds then outstanding, no such amendment, addition or rescission may (1) change the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond is payable or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds held by persons other than the District required for consent to any such amendment, addition or rescission. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

DEFAULTS AND REMEDIES

The Bond Order provides that, in addition to all other rights and remedies of any Registered Owners provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Order including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform such covenants.

The Bond Order provides no additional remedies to a Registered Owner. Specifically, the Bond Order does not provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year-to-year by the Registered Owners and may prove time consuming, costly and difficult to enforce. The Bonds are not secured by an interest in any improvements financed with Bond proceeds or any other property of the District. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be delayed, reduced or otherwise affected or limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of a political subdivision. See "INVESTMENT CONSIDERATIONS - BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS."

BOND INSURANCE

The District has applied for municipal bond insurance on the Bonds. The payment of all associated costs, including the premium charged by the insurer and any fees charged by any rating company, will be at the option and expense of the Initial Purchaser. The purchasers of the Bonds should be aware of the following.

BOND INSURANCE RISKS

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 Bond shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such pay ments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. 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 revenues pledged in the Bond Order. In the event the bond insurer becomes obligated to make payments with r espect 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.

In the event bond insurance is purchased, the long-term rating on the Bonds will be dependent in part on the financial strength of the bond insurer and its claims 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 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 "SALE AND DISTRIBUTION OF THE BONDS – MUNICIPAL BOND RATING" herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the District nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial 18 strength or projected financial strength of any potential bond insurer is given.

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used for the purpose of paying for and financing the construction and equipping of public works, including the wastewater collection, transportation and treatment facilities of the District and for renovating, improving, expanding, upgrading, making additions to, rehabilitating and equipping existing District wastewater facilities.

TABLE 2 – USE AND DISTRIBUTION OF BOND PROCEEDS

Construction Costs	
Developer Contribution Items	
None	
District Items	
Sanitary Sewer Collection System Improvements	$ 734,010
Water Distribution System Improvements	2,332,900
Contingencies (Items No. 1-3)	418,090
Engineering (Items No. 1-3)	2,515,000
Total District Items	$ 6,000,000
Total Construction Costs	$ 6,000,000
Non-Construction Costs	
Legal Fees	$ 42,000
Fiscal Agent Fees	37,350
Bond Discount (3%)	191,400
Bond Issuance Expenses	55,420
Bond Application Report Costs	31,500
Attorney General Fee (0.10% or $9,500 Max.)	6,380
TCEQ Bond Issuance Fee (0.25%)	15,950
Total Non-Construction Costs	$ 380,000
TOTAL BOND ISSUE REQUIREMENT	$ 6,380,000

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THE DISTRICT

GENERAL

The District is duly created and existing under and pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapter 245, Acts of the 54th Legislature, Regular Session, 1955 (the "Enabling Act"). The District is organized and operates as a Water Control and Improvement District under Chapters 49 and 51 of the Texas water Code. The District's Enabling Act has been codified into the Special District and Local Laws Code, Chapter 9051 (Act of May 27, 2015, 84th Legislature, Regular Session, SB 1162) (collectively, with the Enabling Act, the "Act").

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may provide solid waste disposal and collection and is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Nederland, the TCEQ and the voters of the District. On January 15, 1983, the District held an election at which it became authorized to operate a fire department and to levy a maintenance tax of up to $0.03 per $100 valuation on taxable property within the District. At an election held November 5, 2019 the maintenance tax levy for the fire department was increased to $0.08 per $100 valuation of taxable property in the District.

The TCEQ exercises continuing supervisory jurisdiction over the District.

DESCRIPTION AND LOCATION

The Jefferson County Water Control and Improvement District No. 10 is a political subdivision of the State of Texas, created under and pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapter 245, Acts of the 54th Legislature, Regular Session, 1955. At the time of creation, the District contained approximately 333 acres. Through a series of subsequent annexations by election and petition, the District has expanded to a size of approximately 1,150 acres.

The District is located north of and adjacent to the City of Nederland and about 1 mile south of the City of Beaumont, in southeast Texas. The District is bounded on the east by portions of the Kansas City Southern Railroad and portions of State Highway 347 and on the west by U.S. Highway 69. The District lies within the boundaries of Beaumont Independent School District and Nederland Independent School District and is within the extraterritorial jurisdiction of the City of Nederland.

ANNEXATION

Special legislation was adopted in the State of Texas to create the District pursuant to Chapter 245, Acts of the 54th Texas Legislature, Regular Session, 1955 (the "Enabling Legislation"). The Enabling Legislation was amended in 1995* to add Section 3A which provides as follows:

> Sec. 3A. TERRITORY NOT SUBJECT TO ANNEXATION. Territory contained within the District may not be annexed, either in whole or in part, by a municipality unless the annexation is approved by a majority of the voters voting in a single election called and held jointly in the municipality and the District for that purpose.

*Chapter 371, Acts of the 74th Texas Legislature, Regular Session, 1995

Subsequently, during the 84th Legislative Session, the District's enabling legislation has been codified into Chapter 9051 the Special District and Local Laws Code (Act of May 17, 2015, 84th Legislature, Regular Session, SB 1162). Chapter 9051.052 provides:

ANNEXATION OF DISTRICT TERRITORY BY MUNICIPALITY: Territory contained in the District may not be annexed, either wholly or partly, by a municipality, unless the annexation is approved by a majority of voters in a single election held jointly in the municipality and the District for that purpose.

The District is located within the extraterritorial jurisdiction of the City of Nederland, Texas which City would be authorized to annex territory in whole or in part within the District under provisions of the Texas Local Government Code; however, due to the aforementioned special legislation, the District is not subject to annexation by the City of Nederland until an election is held as noted above.

STATUS OF DEVELOPMENT

Development of the District began in the 1950's. Residential development in the District consists of a number of subdivisions. Older subdivisions in the District include Central Gardens, Central Heights, Holiday Heights, Hollywood Addition and Delmonte Addition. Newer subdivisions built since the late eighties include Highland North and Forest Central One. Recent subdivisions from 2003 to present include Spurlock Chase, Azlyn Place, Willow Run, and Ryan's Crossing and Stillwater Estates. Stillwater Estates will be opening a new section with 14 residential lots and there is a developing 7-acre residential Subdivision off Price Street. Home values in the older portions of the District range in market value from $105,000 to $190,000. Homes in the newer subdivisions are priced from $200,000 to $600,000. There are 2 homes in the District that are valued above $1.6M.

The District has numerous large apartment buildings with over 100 units. A newly constructed 157 room apartment complex "The Logan" located on HWY 69 is valued at $22 million dollars. The same developer of this apartment complex is currently building an even larger (58 buildings) luxury apartment complex that is now 50% complete.

Retail Development within the District consists of small centers with convenience oriented stores, 4 service stations, 4 restaurants, a retail/wholesale fireworks distribution center and various other businesses. Only a small amount of retail space is vacant within the District.

Office/professional development includes the Dupont Employee Credit Union, an employment staffing service and professional offices.

Industrial and Light Industrial Development within the District consists of Golden Triangle Industrial Park, Kerr Industrial Park, MSV Properties, and portions of Caldwell Industrial Park. The light industrial areas are located on HWY 347 north part of the District and HWY 69 north part of the District. Commercial businesses include Linde Welding and Gas, Vallen Electrical Supply, Kinder Morgan, United Rental Equipment, and Triangle Seafood, Will Scot Trailer Rental, Ironclad and Ace Image Uniform Service, Sunbelt Equipment Rental, Axis Equipment Rental Saybolt Laboratory, Camin Laboratory United States Environmental Services. Entergy Texas recently built a large Entergy Power Station to provide stable/high power to the Beaumont New Ammonia Facility.

The District recently annexed 173 acres that are currently under development for industrial use, by Beaumont New Ammonia. Beaumont New Ammonia has completed construction of the largest blue ammonia facility of its kind in Texas. Total investment for Beaumont New Ammonia includes spending on upsized utilities and available land to allow for doubling to 2.2 million tons annual capacity in the future. The new current facility supports 70 new full-time jobs. The facility went into production December 2025.

MANAGEMENT OF THE DISTRICT

DIRECTORS AND OFFICERS

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

Name	District Board Title	Term Expires
Stephen Savant	President	May 2030
Jereme Havard	Vice President	May 2030
John Wagner	Secretary	May 2028
Allan Zumo	Director	May 2028
Billy Willson	Director	May 2030

GENERAL MANAGER

The District has hired Mr. Tommy McDonald as general manager. Mr. McDonald oversees the operation and maintenance of the District's system and directs the other employees of the District. Contracts for certain necessary services not provided by District staff are described below.

TAX APPRAISAL

The Jefferson County Appraisal District (the "Appraisal District") has the responsibility of appraising taxable property within the District. See "TAXING PROCEDURES."

TAX ASSESSOR/COLLECTOR

The District has contracted with Jefferson County to perform the assessment and tax collection function.

ENGINEER

The District's consulting engineer for the design and construction of District facilities financed with Bond proceeds is LEAD Engineering.

FINANCIAL ADVISOR

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

Bond Counsel/Attorney

The District has engaged Germer PLLC as Bond Counsel in connection with the issuance of District bonds. The fees of Germer PLLC, as Bond Counsel, are contingent upon the sale and delivery of the Bonds.

Auditor

The District's audited financial statements for the year ended June 30, 2025, were prepared by Marino CPA Firm. See "APPENDIX A" for a copy of the District's June 30, 2025, audited financial statements.

PRINCIPAL PROPERTY OWNER

Beaumont New Ammonia, LLC is the largest taxpayer in the District, with land, improvements and personal property representing $1,043,333,350 of the District's 2026 Certified Taxable Assessed Valuation. The facility manufactures low carbon ammonia. See "TAXING PROCEDURES – Property Subject to Taxation by the District" and "TAX DATA – Principal Taxpayers."

THE SYSTEM

Regulation

According to the Engineer, the District's water, wastewater and storm drainage improvements that have been financed with proceeds from outstanding bonds have been designed and the corresponding plans and specifications prepared in accordance with accepted engineering practices and the approval and permitting requirements of the TCEQ and Jefferson County.

Water Supply and Distribution

The District currently has a contract with the Lower Neches Valley Authority (the "Authority") to purchase water at the rate of $.3750 cents per thousand gallons. The Authority has agreed in perpetuity to supply water to the District. The contract enables the Authority to adjust water rates annually. The District's water plant production facilities include mixing, flocculation, clarification and filter units capable of treating up to 2,000,000 gallons per day. The District has two 600,000 gallon ground storage units, 2 elevated storage tanks with 400,000 gallon and 250,000 gallon capacity respectively.

Currently, the District does not have emergency water interconnects. However, the District is located adjacent to the City of Nederland infrastructure in three locations making an emergency tie in connection readily available. The District does have an auxiliary generator which provides a power source to the water plant and office in the event of a power failure.

Wastewater Collection and Treatment Facilities

The District's existing wastewater treatment facility is a facultative lagoon system. The facility is permitted for an Average Daily Flow of 750,000 gallons per day and an average 2-hour peak flow of 2,225 gallons per minute. The effluent is currently discharged into Rodair Gully, thence to Taylor's Bayou. The wastewater treatment plant daily average is 350,000 gallons per day. From a hydraulic standpoint, the facility is only 46% loaded. Due to operational and regulatory concerns, the District has a new Texas Commission on Environmental Quality (TCEQ) wastewater permit that requires disinfection of the effluent and a new outfall location at the Neches River. The effluent will be pumped via 2-mile force main to the Neches River. The effluent will begin disinfection and change outfall location at the end of the third quarter of 2026. The 2026 Bond will feature the funding of a new wastewater treatment plant that will utilize the newly installed disinfection chamber and Neches River outfall location.

Storm Drainage and the 100 Year Flood Plain

The older areas of the District have roadside ditches to convey storm water to the major drainage channels. The newer areas are curb and gutter and have a major storm water conveyance to the outfall channels. The area north and east of Highway 347 drains generally via roadside ditches toward the Neches River. The area south and west of the Highway drains generally to Rodair Gulley and then to Taylor's Bayou.

The entire District lies above the 100-year flood plain under existing conditions within the watershed in accordance with the currently effective flood insurance rate maps issued for Jefferson County by the Federal Emergency Management Agency. A portion of the District is within the 500 – year flood plain.

Waterworks and Sewer System Operating Statement

Proprietary Fund: The District has outstanding general obligation bonds which together with 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 following statement sets forth in condensed form the Proprietary Fund as derived from the District's audited financial statements for the periods ending June 30, 2021 through 2026. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

TABLE 3 – WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

	For Fiscal Year Ended June 30					
Operating Revenues	Unaudited 2026	2025	2024	2023	2022	2021
Service Revenues	$ 1,810,904	$ 1,814,883	$ 1,783,149	$ 1,499,991	$ 1,439,670	$ 1,460,255
Tap Connection Fees	6,644	9,000	7,000	12,500	14,900	21,200
Interest of Investments	15,224	21,625	27,052	23,057	2,574	2,048
Penalty and Interest	30,465	30,849	34,432	30,772	28,740	28,493
Other Revenues	16,656	7,047	175,914	36,277	84,915	6,129
Total Revenues	$ 1,879,893	$ 1,883,404	$ 2,027,547	$ 1,602,597	$ 1,570,799	$ 1,518,125
Operating Expenses						
Payroll Expenditures	$ 672,315	$ 725,423	$ 603,677	$ 705,671	$ 542,657	$ 674,218
Professional Fees	51,415	51,847	54,624	63,987	38,042	46,435
Purchased & Contract Services	123,470	128,417	172,019	125,557	138,233	105,605
Consumable Supplies, Materials	300,668	263,760	269,816	314,167	185,677	210,424
Recurring Expenses & Repairs	661,021	407,518	429,169	297,449	304,695	270,238
Total Expenses	$ 1,808,889	$ 1,576,965	$ 1,529,305	$ 1,506,831	$ 1,209,304	$ 1,306,920
Available for Debt Service	$ 71,004	$ 306,439	$ 498,242	$ 95,766	$ 361,495	$ 211,205
Revenue Bond Debt Service	$ 58,737	$ 59,320	$ 59,797	$ 60,170	$ 60,445	$ 60,620
Customer Count	1,737	1,744	1,626	1,591	1,625	1,597

Unaudited information provided by the City.

FINANCIAL INFORMATION

TABLE 4 - FINANCIAL INFORMATION

2026 Certified Taxable Valuation	$ 1,537,733,029	(a)
District Debt		
Outstanding Ad Valorem Tax Bonds (as of 9/1/2026)	$ 7,780,000	
Plus the Bonds	6,380,000	
Gross Debt Outstanding	$ 14,160,000	(b)
Ratio of Gross Direct Debt to 2026 Certified Taxable Assessed Valuation	0.92%	
Ratio of Gross Direct Debt and Overlapping Debt to 2026 Certified Taxable Assessed Valuation	8.13%	

Area of the District - 1,459 acres

Estimated 2026 Population - 6,104(c)

(a) As certified by the Jefferson County Appraisal District (the "Appraisal District"). Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX DATA – TAX ROLL INFORMATION" and "TAXING PROCEDURES."
(b) Includes the Bonds. Preliminary, subject to change.
(c) Estimated population based on 3.5 persons per connection.

INVESTMENTS OF THE DISTRICT

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short term U.S. Treasuries and agencies, 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.

TABLE 5 – INVESTMENTS OF THE DISTRICT

Debt Service	
Wells Fargo	$1,728,204
Total	$1,728,204
General Fund (Water and Sewer System)	
Wells Fargo	$ 834,242
Imprest Cash	392
LOGIC	0
Total	$ 834,635
Special Revenue System (Fire Department)	
Savings	$ 51,865
Wells Fargo	225,212
Total	$ 277,077
Capital Projects (Construction)	
Wells Fargo	$ 140
LOGIC	245,988
Total	$ 246,128

OUTSTANDING BONDS

The following table lists the original principal amount and the current principal of the outstanding ad valorem tax supported bonds.

TABLE 6 – OUTSTANDING BONDS (AS OF SEPTEMBER 1, 2026)

Series	Original Principal Amount	Principal Currently Outstanding
2015A	$ 1,000,000	$ 50,000
2018	5,440,000	3,725,000
2020	1,710,000	480,000
2024	3,700,000	3,525,000
Total	$ 11,850,000	$ 7,780,000
The Bonds		$ 6,380,000
The Bonds and Remaining Outstanding Bonds		$ 14,160,000

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DEBT SERVICE REQUIREMENTS

The following sets forth the actual debt service requirements for the Outstanding Bonds and the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

TABLE 7 – DEBT SERVICE REQUIREMENTS

Tax Year End	Outstanding Debt			The Bonds [(a)]			Total	% of Principal
30-Sep	Principal	Interest	Total	Principal	Interest	Total	Requirements	Retired
2026	$ 550,000	$ 319,825	$ 869,825	$ -	$ -	$ -	$ 869,825	
2027	570,000	282,575	852,575	1,715,000	249,152	1,964,152	2,816,727	
2028	515,000	266,775	781,775	1,745,000	218,300	1,963,300	2,745,075	
2029	480,000	252,188	732,188	175,000	131,050	306,050	1,038,238	37.63%
2030	490,000	237,838	727,838	175,000	122,300	297,300	1,025,138	
2031	620,000	220,563	840,563	175,000	113,550	288,550	1,129,113	
2032	465,000	202,325	667,325	175,000	104,800	279,800	947,125	
2033	465,000	185,938	650,938	175,000	96,050	271,050	921,988	
2034	490,000	168,947	658,947	175,000	87,300	262,300	921,247	59.91%
2035	505,000	151,047	656,047	175,000	78,550	253,550	909,597	
2036	525,000	132,525	657,525	175,000	71,550	246,550	904,075	
2037	540,000	113,381	653,381	170,000	64,550	234,550	887,931	
2038	560,000	93,388	653,388	150,000	57,750	207,750	861,138	
2039	600,000	72,050	672,050	150,000	51,750	201,750	873,800	83.15%
2040	230,000	56,400	286,400	150,000	45,750	195,750	482,150	
2041	240,000	47,000	287,000	150,000	39,750	189,750	476,750	
2042	250,000	37,200	287,200	150,000	33,375	183,375	470,575	
2043	260,000	27,000	287,000	150,000	27,000	177,000	464,000	
2044	270,000	16,400	286,400	150,000	20,250	170,250	456,650	96.24%
2045	275,000	5,500	280,500	150,000	13,500	163,500	444,000	
2046	-	-	-	150,000	6,750	156,750	156,750	100.00%
	$ 8,900,000	$ 2,888,863	$ 11,788,863	$ 6,380,000	$ 1,633,027	$ 8,013,027	$ 19,801,890	

(a) Interest on the Series 2026 Bonds has been estimated for the purpose of illustration.

WATERWORKS AND SEWER SYSTEM REVENUE OBLIGATIONS

The District has issued Utility System Revenue Bonds, Series 2017 to the Texas Water Development Board. The bonds are paid from the net revenues derived from the operation and ownership of the District's water and wastewater system. The principal amount currently outstanding is $640,000 with a final maturity date of August 15, 2037.

OTHER OBLIGATIONS

The District has no unfunded debt outstanding at this time.

Pension Fund: The District provides pension benefits for all of its full-time employees through the Texas County and District Retirement System ("TCDRS"), a State-wide administered pension plan. The District makes annual contributions to the plan equal to the amounts accrued for pension expense. For more detailed information concerning the retirement plan, see APPENDIX A, "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2025" – Note 3 – Pension Liability.

ESTIMATED OVERLAPPING DEBT AND TAXES

The following table indicates the general obligation indebtedness, defined as outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and of those entities located within the District's boundaries, and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding bonds payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional bonds since the compilation. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation maintenance and/or general revenue purposes in addition to taxes for the payment of debt service, and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures.

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District tax lien is on a parity with tax liens of other taxing authorities. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT - ESTIMATED OVERLAPPING DEBT"), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

TABLE 8 – OVERLAPPING DEBT OF THE DISTRICT

	2026 Taxable Assessed Value	2026 Tax Rate	Total G.O. Debt as of July 31, 2026	Estimated % Applicable	District's Overlapping G.O. Debt as of July 31, 2026
Jefferson County WC&ID 10	$ 1,537,733,029	$ 0.2927 [a]	$ 14,160,000 [a]	100.00%	$ 14,160,000 [a]
Beaumont ISD	15,619,243,960	0.9350	153,290,000	0.22%	337,238
Jefferson County	34,666,770,142	0.3570	7,100,000	1.18%	83,780
Jefferson County DD #7	15,044,284,656	0.2930	9,725,000	2.66%	258,685
Nederland ISD	3,565,096,460	0.8990	130,980,000	9.68%	12,678,864
City of Nederland	1,811,461,859	0.4510	25,995,000	0.04%	10,398
Port of Beaumont Nav Dist	15,171,701,454	0.0800	61,750,000	0.07%	43,225
Sabine-Neches Nav Dist	34,118,408,109	0.0880	187,875,000	1.18%	2,216,925
Total Direct and Overlapping Funded Debt					$ 29,789,115
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					1.94%

(a) Includes the Bonds.

TAX DATA

DEBT SERVICE TAX

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, an ad valorem tax upon all taxable property within the District adequate to provide funds to pay the principal of and interest on the Bonds. See "TAXING PROCEDURES."

MAINTENANCE TAX

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance by the District of a Fire Department, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted September 21, 2023, and voters of the District authorized the Board to assess a maintain the maintenance tax levy not to exceed $0.08 per $100 of taxable value to fund the operation and maintenance of a Fire Department ("Fire Fund"). A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "DEBT SERVICE TAX" above.

The following statement of tax rate distribution and tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector and Supplemental Schedules from Audits. Reference is made to such statements and records for further and complete information. See "TAX ROLL INFORMATION" below.

HISTORICAL TAX RATE DISTRIBUTION AND TAX COLLECTIONS

TABLE 9- HISTORICAL TAX RATE

Fiscal Year Ended 6/30	Tax Rate	Fire Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	$ 0.3254	$ 0.0800	$ 0.2454	$ 1,191,934	97.32%	98.57%
2023	0.3086	0.0743	0.2343	1,201,141	97.29%	100.10%
2024	0.2927	0.0771	0.2156	1,266,078	97.85%	97.55%
2025	0.2311	0.0640	0.1671	1,233,996	97.35%	98.80%
2026	0.2386	0.0432	0.1954	1,943,079	98.24% [a]	98.46% [a]

(a) Tax collections as of June 30, 2026.

TAX ROLL INFORMATION

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see TAXING PROCEDURES - VALUATION OF PROPERTY FOR TAXATION"). The following represents the composition of property comprising the 2022 through 2026 Certified Appraised Valuations by fiscal year.

TABLE 10 – TAX ROLL INFORMATION

Fiscal Year Ended June 30	Land	Improvements & Personal Property	Gross Appraised Value	Abatements and Exemptions	Taxable Appraised Value
2022	$ 58,743,214	$ 426,146,443	$ 484,889,657	$ 72,603,262	$ 412,286,395
2023	65,958,614	470,031,484	535,990,098	79,842,692	456,147,406
2024	115,024,663	547,042,264	662,066,927	84,185,616	577,881,311
2025	122,522,166	809,345,693	931,867,859	87,434,444	844,433,415
2026	122,238,216	1,526,858,005	1,649,096,221	111,363,192	1,537,733,029

PRINCIPAL TAXPAYERS

The following table represents the ten principal taxpayers, the type of property, the taxable appraised value of such property, and such property's taxable appraised value as a percentage of the 2026 Certified Taxable Appraised Valuation of $1,537,733,029 that applies to the fiscal year ending June 30, 2027.

TABLE 11 – PRINCIPAL TAXPAYERS

Name of Taxpayer [(a)]	Nature of Property	2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation[(b)]
Beaumont Ammonia LLC	Chemical Plant	$ 1,043,333,350	67.85%
Logan Apartments	Apartments	21,856,198	1.42%
Chemtreat Inc	Chemical Plant	13,346,752	0.87%
Air Liquide USA LLC	Welding Equipment & Gases	12,248,791	0.80%
Spurlock Apartments LP	Multi-Family Housing	10,915,959	0.71%
Energy Transfer GC NGL Pipelines LP	Pipelines	9,034,984	0.59%
MSV Limited	Commercial Property	7,450,005	0.48%
Allegiance Crane & Equipment LLC	Equipment Company	5,637,718	0.37%
GCJC Partners LLP	Storage Building	4,866,043	0.32%
Entergy Texas Inc	Utility	4,769,906	0.31%
		$ 1,133,459,706	73.71%

(a) See "PRINCIPAL PROPERTY OWNERS" and "INVESTMENT CONSIDERATIONS - MAXIMUM IMPACT ON DISTRICT TAX RATES."

(b) Approximately 73.71% of the District's total taxable value is concentrated in its ten largest taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the District resulting in less local tax revenue or future increase in ad valorem tax rates.

TAX ADEQUACY FOR DEBT SERVICE

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the tax base of the District occurred beyond the 2026 Certified Taxable Appraised Valuation of $1,537,733,029. The calculations contained in the following tables merely represent the tax rates required to pay principal of and interest on the Outstanding Bonds and the Bonds, when due, assuming no further increase or any decrease in taxable values, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT - DEBT SERVICE REQUIREMENTS."

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TABLE 12 – TAX ADEQUACY

Principal and Interest Requirements (2026)	$	869,825	(a)
$0.05960 Tax Rate at 95% Collection Produces		870,664	
Average Principal and Interest Requirements (2027-2044)	$	942,947	(a)
$0.06460 Tax Rate at 95% Collection Produces		943,707	
Maximum Principal and Interest Requirements (2027)	$	2,816,727	(a)
$0.19290 Tax Rate at 95% Collection Produces		2,817,973	

(a) Includes the Bonds.

TAXING PROCEDURES

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT

The valuation and assessment of taxable property within the District is governed by the Texas Property Tax Code (the "Property Tax Code"). The Property Tax Code establishes in each county an appraisal district and an appraisal review board. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, and school districts that participate in the appraisal district and of the county and, if entitled to vote, conservation and reclamation districts such as the District. The board of directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. All taxing units within Jefferson County, including the District, are included in the Jefferson County Appraisal District. The District must use the appraisal roll as approved by the Jefferson County Appraisal Review Board. The District is responsible for the levy and collection of its taxes, unless the Board of Directors of the District, or the qualified voters of the District or of Jefferson County vote to transfer such functions to the Appraisal District or another taxing unit.

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT

General: Except for certain exemptions provided by Texas law, all property with a tax situs in the District is subject to taxation by the District; however, no effort is made by the District to collect taxes on tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: 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; non-profit cemeteries; farm products owned by the producer; county fair associations; property used to control pollution; and property owned by qualified charitable, non-profit religious, veterans, youth, or educational organizations. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is entitled to an exemption from $5,000 up to $12,000 of appraised value. The exemptions claimed for Tax Year 2026 are as follows: $7,099,943 value that is exempt from taxation and $3,754,619 lost due to veterans exemptions.

Freeport Goods: A person is entitled to an exemption from taxation by the District of the appraised value of that portion of the person's inventory or property consisting of freeport goods. Freeport goods are defined as goods, wares, ores and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into Texas to be forwarded out of Texas, and that are detained in Texas for assembling, storing, manufacturing, processing or fabricating for 175 days or less. During the current tax year, the District has 5 accounts that qualify for the freeport exemption totaling $1,165,484.

Residential Homestead: The Board may exempt up to twenty percent (20%) of the market value of residential homesteads in the District from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt, then the tax assessor and collector may continue to levy and collect taxes against the exempted value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of certain persons who are disabled or at least sixty-five (65) years old, to the extent of $3,000 of assessed value or more. The exemptions claimed for Tax Year 2026 are as follows: $56,396,615 homestead exemption; $18,487,170 over age 65 exemption and $1,108,026 disabled person's exemption.

Tax Abatement: The City or County may formally designate an area as a reinvestment zone. Thereafter, the City, the County, the School District and other taxing entities, at the option and discretion of the 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 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. The terms of all tax abatement agreements must by substantially the same. The District had no property subject to such abatement agreements.

VALUATION OF PROPERTY FOR TAXATION

Generally, all taxable property in the District must be appraised by the Jefferson County Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. 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 10 percent annually regardless of the market value of the property. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture, wildlife management, and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. In either case, if the use of land changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming, for some greenhouses used for growing wholesale flowers in urban areas, and for recreational, park, and scenic land. Also, upon application of the owner, houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be appraised at the price for which they would sell as a unit to a purchaser who would continue the owner's business.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised 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.

DISTRICT AND TAXPAYER REMEDIES

The chief appraiser must give written notice before the Appraisal Review Board meeting to each owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the lesser of the amount of taxes due on the portion of the taxable value of the property that is not in dispute or the amount of taxes due on the property under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. The District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, the grant in whole or in part of a partial exemption, or a determination that land qualifies for special-use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

LEVY AND COLLECTION OF TAXES

By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person who is sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns and occupies the property as his residential homestead. The date of the delinquency must be postponed if the tax bills are mailed after January 10 of any year. Delinquent taxes are subject to a six percent (6%) penalty for the first month of delinquency, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1, and a twelve percent (12%) total penalty if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of one percent (1%) per month during the period they remain outstanding. In addition, the District may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee that exceeds 20% of the amount of delinquent tax, penalty, and interest collected. In prior years the District has engaged a delinquent tax attorney and imposed such penalty.

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each state and local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law.

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 (a taxpayer may redeem residential homestead and agricultural property within two years and all other property within six months after the purchaser's deed issued at the foreclosure sale is filed in the County records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - TAX COLLECTIONS AND FORECLOSURE REMEDIES." Personal property under certain circumstances is subject to seizure and sale for payment of delinquent taxes, penalty, and interest.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), enacted on August 9, 1989, 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 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.

TEXAS PROPERTY TAX REFORM AND TRANSPARENCY ACT OF 2019

Senate Bill 2, also known as the Texas Property Tax Reform and Transparency Act of 2019, took effect on January 1, 2020 and reformed the property tax system in Texas in three ways: (1) lowering the tax rate a taxing unit can adopt without voter approval and requiring a mandatory election to go above the lowered rate; (2) making numerous changes to procedures by which taxing entities adopt a tax; and (3) making changes to the property tax appraisal process.

THE CALCULATIONS OF THE NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE DO NOT LIMIT OR IMPACT THE ABILITY OF THE DISTRICT TO SET ITS DEBT SERVICE TAX RATE IN EACH YEAR SUFFICIENT TO PAY DEBT SERVICE ON ALL OF THE TAX-SUPPORTED DEBT OBLIGATIONS OF THE DISTRICT, INCLUDING THE BONDS. Additionally, the Texas Property Tax Reform and Transparency Act of 2019 and calculation of the "no-new-revenue tax rate and a voter-approval tax rate" do not limit or impact the ability of the District to set its $0.08 per $100 Fire Department rate (the "Fire Funds") as said rate was adopted by the voters at the election held September 21, 2023.

INVESTMENT CONSIDERATIONS

GENERAL

The Bonds are obligations solely of the District and are not obligations of the City of Nederland, Jefferson County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners taxes levied on taxable property within the District in an amount sufficient to service the District's debt, or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS - SOURCE OF PAYMENT." The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the Bonds of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will occur or that property in the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property. See "REGISTERED OWNERS' REMEDIES" below.

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS

A substantial percentage of the taxable value of the District results from the current market value of (a) industrial improvements and (b) single-family residences. The market value of all taxable improvements in the District is related to general economic conditions affecting industrial tracts, commercial tracts and single-family residences. In addition, since the District is located approximately 16 miles from the central downtown business district of the City of Beaumont, the maintenance of District taxable property values are, to a great extent, a function of the Beaumont metropolitan and regional economies. A downturn in the economic conditions of Beaumont could adversely affect taxable value of property within the District.

DEPENDENCE ON PRINCIPAL TAXPAYERS FOR PAYMENT OF TAXES

Approximately $1,133,459,706 or 73.71% of the 2026 Certified Taxable Appraised Valuation of the property within the District is owned by the ten (10) principal taxpayers. Approximately $1,065,064,548 or 69.26% of the 2026 Certified Taxable Appraised Valuation of the property within the District is owned by the top two (2) principal taxpayers. Failure to collect taxes in a timely manner could result in an increase in future years of the District's ad valorem tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund for such purposes. See " TAX DATA - PRINCIPAL TAXPAYERS."

TAX COLLECTIONS AND FORECLOSURE REMEDIES

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time consuming and expensive collection procedures or market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA - OVERLAPPING TAXES"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within six months of the filing of the purchaser's foreclosure deed in County records, unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of the filing of the purchaser's foreclosure deed in County records).

Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. Further additional tax or tax and revenue bonds may be authorized by the District voters in the future. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of tax bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to issuance guidelines established by the TCEQ. See "THE BONDS - Issuance of Additional Debt."

Registered Owners' Remedies

Remedies available to registered owners of Bonds in the event of a default by the District in one or more of its obligations under the Bond Order are limited. Although Texas law and the Bond Order provide that the registered owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. The Bond Order does not provide for acceleration of maturity of the Bonds, appointment of a trustee to protect the interest of the registered owners or any other additional remedy in the event of a default by the District. The Bonds are not secured by an interest in the improvements financed with Bond proceeds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property. Further, the registered owners themselves cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights of the registered owners and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors' rights generally or by a State of Texas statute reasonably required to attain an important public purpose. See "Bankruptcy Limitation to Registered Owners" below.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application. A municipal utility district such as the District which meets certain requirements is entitled to file a voluntary petition in bankruptcy under Chapter 9 of the Federal Bankruptcy Code. Texas law requires a municipal utility district such as the District to obtain the approval of the TCEQ as a condition to seeking relief under the federal Bankruptcy Code.

If a bankruptcy court finds a petitioning district is eligible to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, the district may file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, reduce or eliminate the principal amount of the outstanding bonds, defer or rearrange the debt service schedule, reduce or eliminate the interest rate on the bonds, modify or abrogate collateral or security arrangements, substitute in whole or in part other securities for the bonds, and otherwise compromise and modify the rights and remedies of the bondholders against a district.

A district may not be forced into bankruptcy involuntarily.

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 "LEGAL MATTERS - Tax Exemption."

Marketability of the Bonds

The District has no understanding with the Purchaser 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 may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Weather Events

The District is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate and 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 property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the District would be adversely affected.

The District also experienced damages related to the Texas Winter Storm in fiscal year 2020-2021. The District was reimbursed by TWCA in fiscal year 2021-2022 for expenditures associated with the Texas Winter Storm in the amount of $16,823. The District estimates that is has approximately $20,523 in expenditures associated with the Texas Winter Storm to be reimbursed in full by TDEM in fiscal year 2022-2023. The District also lost one of its main generators during the Winter Storm and replaced it in fiscal year 2022-2023.

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

LEGAL MATTERS

LEGAL OPINIONS

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 obligations of the District payable from the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel effect, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. Bond Counsel's opinion will also address the matters described below under "TAX EXEMPTION." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS (except "BOOK-ENTRY-ONLY" for which no opinion is expressed)," "THE DISTRICT - GENERAL," "TAXING PROCEDURES," "LEGAL MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except COMPLIANCE WITH PRIOR UNDERTAKINGS, for which no opinion is expressed) solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

TAX EXEMPTION

The delivery of the Bonds is subject to an opinion of Germer PLLC, Bond Counsel, to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds (1) is excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be subject to the alternative minimum tax imposed on individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and, as described above, will assume continuing compliance with certain provisions of the Bond Order described herein under the heading of "THE BONDS - SPECIFIC TAX COVENANTS." Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation (other than a "S" corporation or a qualified mutual fund, real estate investment trust (REIT), financial asset securitization investment trust (FASIT), or real estate mortgage investment conduit (REMIC)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the

District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of interests in a FASIT, S corporations with "subchapter C" earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN BONDS

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

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

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

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS

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

The District has designated the Bonds as "qualified tax-exempt obligations" and represents the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the one-hundred percent (100%) disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, twenty percent (20%) of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds will not be deductible pursuant to Section 291 of the Code.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District, or the titles of the then present officers of the Board.

PREPARATION OF OFFICIAL STATEMENT

SOURCES AND COMPILATION OF INFORMATION

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the statutes, resolutions, 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.

FINANCIAL ADVISOR

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

CONSULTANTS

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering descriptions of the water, wastewater and storm drainage facilities of the District, in particular that information included in the sections entitled "THE DISTRICT - GENERAL, DESCRIPTION AND LOCATION, AND STATUS OF DEVELOPMENT," and "THE SYSTEM" has been provided by LEAD Engineering, has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the District's assessed value has been provided by the Jefferson County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in appraising the values of property in Jefferson County including the District.

Auditor: The District's audited financial statements for the year ended June 30, 2025, were audited by Marino CPA Firm. See "APPENDIX A" for a copy of the District's June 30, 2025, audited financial statements. The audited summary of the District's General Operating Fund as it appears in "THE SYSTEM - WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT" has been derived from audited financial statements.

UPDATING THE OFFICIAL STATEMENT

If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser, provided, however, that the obligation of the District to the Purchaser to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Purchaser, unless the Purchaser notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the District’s obligations hereunder will extend for an additional period of time as provided by Rule 15c2-12 (but not more than 90 days after the date the District delivers the Bonds).

CERTIFICATION OF OFFICIAL STATEMENT

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specific events to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format as prescribed by the MSRB. Information will be public available upon the MSRB electronic municipal market access system at www.emma.msrb.org.

ANNUAL REPORTS

The District will provide certain updated financial information and operating data which is customarily prepared by the District and is publicly available to the MSRB on an annual basis. The information to be updated includes quantitative financial information and operating data with respect to the District of the general type included in this type included in this Official Statement included in Tables 1, 3-7 and 9-11 and under the heading the "DISTRICT", "MANAGEMENT OF THE DISTRICT" and "THE SYSTEM" and of the general type included in APPENDIX A to this Official Statement. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2026. The District will provide the updated information to the MSRB. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District 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, then the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report of 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt 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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under Annual Reports above.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means 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) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to 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 material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. 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 so provided.

Compliance with Prior Undertakings

During the last 5 years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

MISCELLANEOUS

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.

/s/
President, Board of Directors

ATTEST:

/s/
Secretary, Board of Directors

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APPENDIX A

Financial Statements of the District for the fiscal year ended June 30, 2025

The information contained in this appendix includes the Annual Audit Report of Jefferson County Water Control & Improvement District No. 10 and certain supplemental information for the fiscal year ended June 30, 2025. Other supplemental information not considered relevant to this financing has been omitted; however, complete audit reports and supplemental information are available upon request.

November 6, 2025

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Jefferson County Municipal Water District
Nederland, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Jefferson County Water Control and Improvement District # 10 (the "District") as of and for the year ended June 30, 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–10 and 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marino CPA Firm

Beaumont, TX

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS§
COUNTY OF JEFFERSON§

I, **STEPHEN SAVANT, PRESIDENT** of the
(Name of duly Authorized District Representative)

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the ____ day of ______________, 2025 its annual audit report for the fiscal year or period ended June 30, 2025 and that copies of the annual audit have been filed in the district office, located at

3707 CENTRAL BOULEVARD, NEDERLAND, TX

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Natural Resource Conservation Commission in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: __________________, 20___ By:________________________________

Stephen Savant, President

Sworn to and subscribed to before me this _____ day of ________________, 20_____.

____
(Signature of Notary)

(Seal)

My commission expires on _____________________, _________, Notary Public in and for the State of Texas.

JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10
Management's Discussion and Analysis
June 30, 2025

As management of the Jefferson County Water Control & Improvement District No. 10, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

Financial Highlights

- The assets of the Jefferson County Water Control & Improvement District No. 10 exceeded its liabilities as of June 30, 2025, by $16,467,462 (net position). Of this amount, $1,496,659 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The Jefferson County Water Control & Improvement District No. 10 total net position increased by $5,963,897. The District had expenses associated with governmental activities totaling $774,670 and general revenues and grants were $2,249,025.
- As of June 30, 2025, the Jefferson County Water Control & Improvement District No. 10 water and sewer fund reported ending net position of $17,810,620, an increase of $6,356,429 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Jefferson County Water Control & Improvement District No. 10 basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Jefferson County Water Control & Improvement District No. 10 finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Jefferson County Water Control & Improvement District No. 10 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 Jefferson County Water Control & Improvement District No. 10 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the District include fire protection and general administration. The business-type activities of the District include a water and sewer system.

The government-wide financial statements can be found on pages 9-11 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 Jefferson County Water Control & Improvement District No. 10, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental funds. Governmental funds are used to account for essentially the same functions 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 governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Jefferson County Water Control & Improvement District No. 10 maintains three governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the three funds, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Proprietary funds. The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations. The Water and Sewer Fund is considered a major enterprise fund of the District.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the Special Revenue and Water and Sewer Funds to demonstrate compliance with the budget as well as a schedule of pension plan funding progress.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Jefferson County Water Control & Improvement District No. 10, assets exceeded liabilities $16,467,462 at the close of the most recent fiscal year.

JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10
NET POSITION
June 30, 2025

	Governmental Activities		Business Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 6,731,225	$ 4,078,718	$ 1,535,438	$ 1,442,683	$ 8,266,663	$ 5,521,401
Capital assets,net	1,682,448	1,651,636	16,757,955	10,621,284	18,440,403	$ 12,272,920
Total Assets	8,413,673	5,730,354	18,293,393	12,063,967	26,707,066	17,794,321
Deferred Outflows of Resources	-	-	16,404	26,004	16,404	26,004
Total Deferred Outflows of Resources	-	-	16,404	26,004	16,404	26,004
Current liabilities	755,361	852,359	382,822	376,792	1,138,183	1,229,151
Long-term liabilities outstanding	9,001,470	5,828,621	84,317	174,373	9,085,787	6,002,994
Total Liabilities	9,756,831	6,680,980	467,139	551,165	10,223,970	7,232,145
Deferred Inflows of Resources	-	-	32,038	84,615	32,038	84,615
Total Deferred Inflows of Resources	-	-	32,038	84,615	32,038	84,615
Net Position:						
Net Investment in Capital Assets	(7,869,022)	(4,871,985)	16,072,955	9,891,284	8,203,933	5,019,299
Restricted	6,237,957	3,610,235	528,913	508,602	6,766,870	4,118,837
Unrestricted	287,907	311,124	1,208,752	1,054,305	1,496,659	1,365,429
Total Net Position	$ (1,343,158)	$ (950,626)	$ 17,810,620	$ 11,454,191	$ 16,467,462	$ 10,503,565

The largest portion of the District's net position represents its restricted assets (e.g. debt service and construction funds). The District uses these restricted funds to cover its annual debt payments and construction projects; therefore, these assets are not available for future spending.

An additional portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, and infrastructure); less any related debt used to acquire those assets that remain outstanding. The District uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

The remaining balance of unrestricted net position $1,496,659 may be utilized to meet the government's on-going obligations to citizens and creditors.

Although the District reports its net investment in capital assets, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10
CHANGES IN NET ASSETS
For the year ending June 30, 2025

	Governmental Activities		Business Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	$ -	$ -	$ 1,830,930	$ 1,966,063	$ 1,830,930	$ 1,966,063
Operating grants	5,639,919	295,080	-	-	5,639,919	295,080
General revenues						
Investment income	236,596	145,292	21,625	27,052	258,221	172,344
Taxes	1,206,607	1,247,345	-	-	1,206,607	1,247,345
Other	21,066	13,131	30,849	34,432	51,915	47,563
Transfers	(6,722,050)	(833,772)	6,722,050	833,772	-	-
Total Revenues	382,138	867,076	8,605,454	2,861,319	8,987,592	3,728,395
Expenses						
Fire protection	239,425	221,727	-	-	239,425	221,727
Water and sewer	-	-	2,234,705	2,220,278	2,234,705	2,220,278
General and adminstration	224,901	16,894	-	-	224,901	16,894
Interest	310,344	202,017	14,320	16,372	324,664	218,389
Other	-	-	-	-	-	-
Total Expenses	774,670	440,638	2,249,025	2,236,650	3,023,695	2,677,288
Contributed Capital	-	-	-	-	-	-
Increase (Decrease) in net assets	(392,532)	426,438	6,356,429	624,669	5,963,897	1,051,107
Net position- 7/1	(950,626)	(1,377,064)	11,454,191	10,829,522	10,503,565	9,452,458
Prior period adjustment	-	-	-	-	-	-
Net position- 6/30	$ (1,343,158)	$ (950,626)	$ 17,810,620	$ 11,454,191	$ 16,467,462	$ 10,503,565

The District's total net position was increased by $5,963,897 during the current fiscal year. Governmental activities decreased the District's net position by $392,532. The business-type activities increased net position by $6,356,429.

Financial Analysis of the Government's Funds

As noted earlier, the Jefferson County Water Control & Improvement District No. 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Jefferson County Water Control & Improvement District No. 10 governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Jefferson County Water Control & Improvement District No. 10 financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2025, the Jefferson County Water Control & Improvement District No. 10 governmental funds reported an ending fund balance of $6,582,816, an increase of $2,656,317 in comparison with the prior year. The primary reasons for this increase include transfers totaling $3,149,279. The fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for future debt service requirements, public safety, and/or capital projects.

Proprietary funds. The District's proprietary fund provides the same information found in the government-wide financial statements, but in more detail.

Capital Asset and Debt Administration

Capital assets. The Jefferson County Water Control & Improvement District No. 10 investment in capital assets for its governmental and business activities as of June 30, 2025, amounts to $18,440,403 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, construction in progress and machinery and equipment.

JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10
CAPITAL ASSETS

	Govermental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 166,684	$ 166,684	$ 201,389	$ 201,389	$ 368,073	$ 368,073
Construction in Progress	-	-	6,565,857	1,517,359	6,565,857	1,517,359
Buildings	1,153,431	1,092,839	812,811	812,811	1,966,242	1,905,650
Other Improvements	-	-	23,852,161	22,336,465	23,852,161	22,336,465
Machinery and Equipment	974,674	960,447	779,017	755,938	1,753,691	1,716,385
Total Capital Assets	2,294,789	2,219,970	32,211,235	25,623,962	34,506,024	27,843,932
Less Accumulated Depreciation	612,341	568,334	15,453,280	15,002,678	16,065,621	15,571,012
Capital Assets net of Depreciation	$ 1,682,448	$ 1,651,636	$ 16,757,955	$ 10,621,284	$ 18,440,403	$ 12,272,920

Additional information on District capital assets can be found in Note 6.

Long-term debt. At June 30, 2025, the District had $10,179,791 of long-term bonds outstanding. $9,494,791 represents Unlimited Tax Bonds backed by the full faith and credit of the District. $685,000 represents a revenue bond to be paid from future water and wastewater revenues.

	Govermental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Certificates of obligations	9,510,000	6,540,000	-	-	9,510,000	6,540,000
Accretion on bonds	(15,209)	(16,379)	-	-	(15,209)	(16,379)
Revenue bonds	-	-	685,000	730,000	685,000	730,000
Total	9,494,791	6,523,621	685,000	730,000	10,179,791	7,253,621

Additional information regarding the District's long-term debt can be found in Note 5.

Economic Factors and Next Year's Budgets and Rates

The Board of Directors increased water and sewer rates by 15% in July 2023 to meet increased operating expenses. The rates were last increased by 20% in the third quarter of 2016 to meet revenue bond requirements. Prior to 2016, the most recent rate increase was in the fourth quarter of 2012 to meet increased operating expenses.

In 2016, the District signed an Agreed Order with the Texas Commission on Environmental Quality to make necessary improvements at the wastewater treatment plant. The District's wastewater treatment plant, which consists of a pond and rock reed filter system, experienced frequent recurring permit violations. These mandatory improvements were initially financed by a $1 million revenue bond through the Texas Water Development Board and were to include adding a disinfection chamber and construction of a rock reed filter pilot study. After partial construction of the rock reed filter pilot study, it was determined with the help of consultants that the most economic and long-term solution would be to reroute the effluent to the Neches River.

The voters passed a general obligation bond in the amount of $1.35 million in 2013 for Water Plant Improvements which included a SCADA system and new clarifier. The new clarifier was completed in July 2019. The SCADA system completed construction in June 2025.

The voters passed a general obligation bond in the amount of $5.44 million on November 7, 2017 for water and wastewater system repairs and upgrades. Repairs and upgrades funded by this bond include smoke testing, point repairs, filter system rehabilitation, water plant electrical upgrades, replacement of the bolted ground storage tank, rehabilitation of the steel ground storage tank, rehabilitation of the 250,000 gallon elevated storage tank, rehabilitation of the 400,000 gallon elevated storage tank, and a new lift station for the Central Heights subdivision. The District received funding on October 4, 2018. Projects completed include smoke testing (completed November 2018) and the majority of point repairs (completed December 2019). The new clearwell and rehabilitation of the filter system began in January 2020 and were completed in April 2022. The water plant electrical upgrades were completed in June 2025 with the construction of the SCADA system. The steel ground storage tank construction was completed August 2023. The 250,000 gallon and 400,000 gallon elevated storage tanks rehabilitation completed August 2023, replacement of the bolted ground storage tank was completed in June 2025.

The Texas Water Development Board granted principal forgiveness funds in the amount of $500,000 to the District in 2019. These funds were used to build a new control lab building for the water plant employees. The new control lab building is at a higher elevation to ensure that it will not be affected by flooding from future hurricanes or tropical storms. The contract was awarded in September 2020 and construction was completed in March 2022.

The voters passed a general obligation bond in the amount of $3.7 million in November 2023 with funding received in August 2024 for wastewater effuluent discharge to reroute to Neches River in compliance with TCEQ. The District received federal grant funding under the American Rescue Plan Act (ARPA) for wastewater plant improvements, construction expected to be completed by December 2026.

Requests for Information

This financial report is designed to provide a general overview of the Jefferson County Water Control & Improvement District No. 10 finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, 3707 Central Blvd, Nederland, Texas 77627.

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BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 399,406	$ 622,555	$ 1,021,961
Accounts receivable, net:			
Taxes (net allowance of $33,210)	65,959	-	65,959
Accounts	-	122,701	122,701
Other	4,585	83,790	88,375
Inventory	-	95,691	95,691
Prepaid expense	23,618	49,540	73,158
Restricted assets:			
Debt service	1,388,671	-	1,388,671
Construction	4,844,701	-	4,844,701
Customer deposits	-	196,222	196,222
Revenue	-	332,691	332,691
Due from other funds	4,285	32,248	36,533
Capital assets:			
Land	166,684	201,389	368,073
Construction in progress	-	6,565,857	6,565,857
Other capital assets, net of accumulated depreciation	1,515,764	9,990,709	11,506,473
TOTAL ASSETS	8,413,673	18,293,393	26,707,066
DEFERRED OUTFLOWS OF RESOURCES			
Difference between projected and actual earnings on pension plan	-	10,405	10,405
Change of assumptions	-	(12,911)	(12,911)
Contributions subsequent to the measurement date	-	18,910	18,910
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	16,404	16,404
LIABILITIES			
Accounts payable	49,446	62,026	111,472
Accrued liabilities	999	8,574	9,573
Interest payable	122,911	-	122,911
Compensated absences	-	71,000	71,000
Due to other funds	32,005	-	32,005
Payable from restricted assets	-	196,222	196,222
Debt payable - current	550,000	45,000	595,000
Debt payable - noncurrent (net)	9,001,470	640,000	9,641,470
Net OPEB liability	-	25,887	25,887
Net pension liability	-	(581,570)	(581,570)
TOTAL LIABILITIES	9,756,831	467,139	10,223,970
DEFERRED INFLOWS OF RESOURCES			
Change of assumptions	-	14,944	14,944
Differences between expected and actual experience	-	17,094	17,094
TOTAL DEFERRED INFLOWS OF RESOURCES	-	32,038	32,038
NET POSITION			
Net Invesment in			
Capital assets	(7,869,022)	16,072,955	8,203,933
Restricted for:			
Debt service	1,388,671	-	1,388,671
Construction	4,849,286	-	4,849,286
Customer deposits	-	196,222	196,222
Revenue bond	-	332,691	332,691
Unrestricted	287,907	1,208,752	1,496,659
TOTAL NET POSITION	$ (1,343,158)	$ 17,810,620	$ 16,467,462

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

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges For Services	Operating Grant Contributions	Capital Grant Contributions
Primary government:				
Governmental activities:				
Public safety	$ 239,425	$ -	$ 7,674	$ -
Administrative and general	224,901	-	5,632,245	-
Interest on long term debt	310,344	-	-	-
Total governmental activities	774,670	-	5,639,919	-
Business-type activities:				
Water and sewer	2,234,705	1,830,930	-	-
Miscellaneous	0	-	-	-
Interest on long term debt	14,320	-	-	-
Total business-type activities	2,249,025	1,830,930	-	-
Total primary government	3,023,695	1,830,930	5,639,919	-

General revenues:
Property taxes
Investment earnings
Capital Projects Grant
Refunding Bond Premium
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (231,751)	$ -	$ (231,751)
5,407,344	-	5,407,344
(310,344)	-	(310,344)
4,865,249	-	4,865,249
-	(403,775)	(403,775)
-	-	-
-	(14,320)	(14,320)
-	(418,095)	(418,095)
4,865,249	(418,095)	4,447,154
1,206,607	-	1,206,607
236,596	21,625	258,221
-	-	-
-	-	-
21,066	30,849	51,915
1,464,269	52,474	1,516,743
(6,722,050)	6,722,050	-
(5,257,781)	6,774,524	1,516,743
(392,532)	6,356,429	5,963,897
(950,626)	11,454,191	10,503,565
$ (1,343,158)	$ 17,810,620	$ 16,467,462

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

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 399,406	$ 1,388,671	$ -	$ 1,788,077
Investments	-	-	4,844,701	4,844,701
Receivables (net of allowance				
for uncollectible):			4,585	4,585
Taxes (net allowance of $33,210)	28,373	37,586	-	65,959
Prepaid expenses	23,618	-	-	23,618
Due from other funds	2,710	1,575	-	4,285
TOTAL ASSETS	454,107	1,427,832	4,849,286	6,731,225
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	1,192	-	48,254	49,446
Accrued expenses	999	-	-	999
Due to other funds	-	728	31,277	32,005
Deferred revenue	28,373	37,586	-	65,959
TOTAL LIABILITIES	30,564	38,314	79,531	148,409
FUND BALANCES				
Restricted for:				
Debt service	-	1,389,518	-	1,389,518
Fire protection	423,543	-	-	423,543
Capital projects	-	-	4,769,755	4,769,755
TOTAL FUND BALANCE	423,543	1,389,518	4,769,755	6,582,816
TOTAL LIABILITIES AND FUND BALANCES	$ 454,107	$ 1,427,832	$ 4,849,286	$ 6,731,225

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

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION FOR GOVERNMENTAL ACTIVITIES
JUNE 30, 2025

Governmental fund balance as reported on the balance sheet for governmental funds.	$	6,582,816
When capital assets that are to be used in governmental funds are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole.		
Cost of capital assets, net of accumulated depreciation		1,682,448
Long-term liabilities of the District's governmental activities aren't due and payable in the current period, therefore are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position.		
Accretion on bonds		1,170
General obligation bonds payable		(9,552,640)
Accrued interest expense		(122,911)
Deferred property tax revenue is recorded as a liability in the governmental funds. However, that revenue should have been recognized in the prior years when reported using full accrual.		
Deferred property tax revenues		65,959
Total net position as reported on the Statement of Net Position for governmental activities.	$	(1,343,158)

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

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
General property taxes	$ 336,058	$ 873,997	$ -	$ 1,210,055
Penalties and interest	2,832	10,771	-	13,603
Grants and contributions	7,674	-	5,632,245	5,639,919
Interest	9,969	9,069	225,021	244,059
TOTAL REVENUES	356,533	893,837	5,857,266	7,107,636
EXPENDITURES				
Current:				
Fire protection	163,418	-	-	163,418
Capital outlay	106,818	-	26,279	133,097
Debt service:				
Principal	-	550,000	-	550,000
Interest and fiscal charges	-	271,617	-	271,617
TOTAL EXPENDITURES	270,236	821,617	26,279	1,118,132
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	86,297	72,220	5,830,987	5,989,504
OTHER FINANCING SOURCES (USES)				
Bond Issuance Costs	-	(183,908)	-	(183,908)
Proceeds of Refunding Bonds	-	-	-	-
Refunding Bond Premium	-	-	-	-
Transfers	-	-	(3,149,279)	(3,149,279)
TOTAL OTHER FINANCING SOURCES (USES)	-	(183,908)	(3,149,279)	(3,333,187)
NET CHANGE IN FUND BALANCES	86,297	(111,688)	2,681,708	2,656,317
FUND BALANCES - JULY 1	337,246	1,501,206	2,088,047	3,926,499
FUND BALANCES - JUNE 30	$ 423,543	$ 1,389,518	$ 4,769,755	$ 6,582,816

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

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances for total governmental funds.	$ 2,656,317
When capital assets that are to be used in governmental funds are purchased, those costs are reported as expenditures in the governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Current year depreciation expense	(66,007)
Current year asset additions	133,097
Current year asset disposals	(32,000)
The issuance of debt provides current resources to governmental funds while, the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Accretion of bonds	(1,170)
Principal paid	730,000
Bond Issuance Costs	(183,908)
Bond Issuance Funds transferred to Capital Projects	(3,572,771)
Interest expense on long-term liabilities of governmental debt are not due and payable in the current period and accordingly are not reported as current period expenditures. Accrued interest expense on the long-term debt of the governmental activities is reported in the Statement of Activities.	
Accrued interest on bonds payable - prior year	74,545
Accrued interest on bonds payable - current year	(122,911)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Prior year deferred revenue	(69,405)
Current year deferred revenue	65,959
When funds are expended for goods and services not used during the fiscal year, those costs are reported as expenditures in the governmental funds. However, in the Statement of Activities, the costs of those services are allocated over the period in which they provide economic benefit.	
Prepaid expenses - prior year	19,330
Prepaid expenses - current year	(23,608)
Change in net assets of governmental activities	$ (392,532)

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

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2025

	Business-type Activities Water & Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 622,555
Accounts receivable, net:	
Accounts	122,701
Other	83,790
Due from other funds	32,248
Inventories	95,691
Prepaid Expenses	49,540
TOTAL CURRENT ASSETS	1,006,525
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents	196,222
Cash for revenue bond	332,691
Capital assets:	
Construction in progress	6,565,857
Land	201,389
Other capital assets, net of accumulated depreciation	9,990,709
TOTAL NONCURRENT ASSETS	17,286,868
TOTAL ASSETS	18,293,393
DEFERRED OUTFLOWS OF RESOURCES	
Differences between expected and actual experience	10,405
Change of assumptions	(12,911)
Contributions subsequent to the measurement date	18,910
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,404
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	62,026
Accrued liabilities	8,574
Compensated absences	71,000
Due to other funds	-
Payables from restricted assets:	
Interest payable	-
Customer deposits	196,222
TOTAL CURRENT LIABILITIES	337,822
LONG-TERM LIABILITIES	
Net pension liability	(581,570)
Net OPEB liability	25,887
Revenue bond payable	685,000
TOTAL LONG-TERM LIABILITIES	129,317
TOTAL LIABILITIES	467,139
DEFERRED INFLOWS OF RESOURCES	
Change of assumptions	14,944
Differences between expected and actual experience	17,094
TOTAL DEFERRED INFLOWS OF RESOURCES	32,038
NET POSITION	
Net Investments in Capital Assets	16,072,955
Restricted for:	
Customer Deposits	196,222
Revenue bond	332,691
Unrestricted	1,208,752
TOTAL NET POSITION	$ 17,810,620

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

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Business-type Activities
	Water and Sewer Fund
OPERATING REVENUES	
Service fees	$ 1,814,883
Tap connection fees	9,000
Miscellaneous	7,047
TOTAL OPERATING REVENUES	1,830,930
OPERATING EXPENSES	
Personnel	725,423
Professional services	51,847
Purchased and contract services	128,417
Consumables supplies and materials	263,760
Recurring expenses and repairs	407,518
Depreciation	657,740
TOTAL OPERATING EXPENSES	2,234,705
OPERATING INCOME	(403,775)
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	21,625
Interest expense	(14,320)
Penalties and interest on service accounts	30,849
Gain (loss) on sale of assets	-
Other revenue	-
Other expense	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	38,154
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(365,621)
CAPITAL CONTRIBUTIONS, GRANTS AND TRANSFERS	
Transfers in	6,722,050
CHANGE IN NET POSITION	6,356,429
NET POSITION - JULY 1	11,454,191
PRIOR PERIOD ADJUSTMENT	-
NET POSITION - JUNE 30	$ 17,810,620

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

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	$ (403,775)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	657,740
Change in assets and liabilities:	
Decrease in accounts receivable	20,531
Increase in inventories	(8,740)
Increase in accounts payable	19,157
Decrease in accrued liabilities	(16,654)
Increase in compensated absences	160
Increase in prepaid expenses	(15,662)
Increase in customer deposits	4,867
Increase in due from other funds	(27,434)
Decrease in deferred inflows	(52,577)
Decrease in deferred outflows	9,600
Net cash provided by operating activities	187,213
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	6,722,050
Net cash (used) by non-capital financing activities	6,722,050
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment of revenue bond	(45,000)
Decrease in OPEB Liability	(1,900)
Decrease in net pension liability	(43,156)
Payment for capital improvements	(6,794,411)
Net cash (used) by capital and related financing activities	(6,884,467)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	21,625
Interest expense	(14,320)
Penalties and interest	30,849
Net cash provided by investing activities	38,154
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,950
CASH AND CASH EQUIVALENTS - JULY 1	1,088,518
CASH AND CASH EQUIVALENTS - JUNE 30	$ 1,151,468

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

C. 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,* as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resource, measurement focus, and the modified accrual basis of accounting.* Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes and all other revenue items are considered to be measurable and available only when cash is received by the District.

The District has the following major governmental funds:

Special Revenue – The District maintains a general governmental fund which assists a volunteer fire department and is funded out of Ad Valorem Taxes. This fund only pays for minor equipment, repairs and the occupancy expenses of the volunteer fire department.

Debt Service Fund – To account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and other costs. The primary source of revenue is property taxes.

Capital Projects Fund – To account for financial resources designated to construct or acquire capital facilities and improvements. Such resources are derived principally from proceeds of the sale of bonds.

The District has the following major proprietary funds:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges. The predominant function of the District's operations is maintained within the water and sewer operating fund. The water and sewer operating fund is accounted for as an enterprise activity.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-like activities and Enterprise Funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the primary 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.

The costs of normal maintenance repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	20 – 50
Improvements other than buildings	2 – 30
Equipment	3 – 30

Note 1 - Summary of Significant Accounting Policies (continued)

E. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type activities. Bond issuance costs are expensed in the year the bond is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

F. Short-Term Interfund Receivable/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

G. Budget

The Board of Directors adopts an annual non-appropriated budget for all the funds in accordance with the accounting principles applicable to those funds. Budgetary accounting is followed as a means of controlling spending by the Board of Directors. The budget is completed annually based on fiscal year, and maintained monthly with revisions as necessary to assure continued operations. There are no significant differences in the accounting used in the budgetary process versus the normal accounting system for the governmental funds. However, a reconciliation between the budgeted proprietary fund accounting system is needed to convert to the GAAP basis of accounting for depreciation.

H. Inventory

Inventory is valued at cost, determined by actual physical count. Consumable supplies are considered an expense when purchased.

I. Compensated Absences

Only two types of absences are compensated:

(A) Vacations

After one Year	5 days
2 to 4 Years	10 days
5 to 9 Years	15 days
10 to 15 Years	20 days
15 or more Years	25 days

Note 1 - Summary of Significant Accounting Policies (continued)

I. Compensated Absences (continued)

Unused vacation leave of no more than the number of days earned in the current year can be carried over to the District's next fiscal year. The maximum allowable accumulation of unused vacation leave is 25 days. Unused vacation is paid upon termination.

Sick leave is provided at a rate of 1.5 days per month per year of service, accumulative to a maximum of 120 days. Upon retirement an employee is paid for ½ of unused sick leave up to 60 days. Additionally, if an employee has 12 years or more of service, that employee is eligible to be paid for ½ of unused sick leave up to 60 days upon termination.

This year an accrual for vacation and sick leave is being recorded as follows:

	Vacation	Sick
Balance - July 1, 2024	$ 29,814	$ 41,026
Additions	-	1,504
Deletions	(1,344)	-
Balance - June 30, 2025	$ 28,470	$ 42,530

J. Cash and Cash Equivalents

Cash includes amounts in demand and time deposit accounts. For the purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

K. Investments

All certificates of deposits and investments in other securities and instruments are considered to be investments. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

L. Pledge of Revenues

The unlimited tax bonds are payable from the proceeds of an Ad Valorem Tax levied upon all taxable property subject to taxation within the District, without limitations as to rate or amount and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operations of the District's waterworks and sanitary sewer system. The revenue bond is payable from future water and sewer revenues.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures, accordingly, actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Government-Wide Net Position / Fund Balances – Governmental Funds

The District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The restricted net position as of June 30, 2025 is $6,766,870.

Committed - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by majority vote by quorum of the District's Board of Directors.

Assigned Fund Balance – The portion of fund balance that the Jefferson County Water Control & Improvement District intends to use for specific purposes. The Board of Directors assigns amounts by a majority vote by quorum of the District's Board of Directors.

Unassigned Fund Balance – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Additionally, the District restricts enough cash to refund customer deposits received.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

P. Pensions

For purposes of measuring the net pension liability, 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' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TCDRS. Investments are reported at fair value.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1 - Summary of Significant Accounting Policies

The combined financial statements of the Jefferson County Water Control & Improvement District No. 10 (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Creation of the District – Jefferson County Water Control & Improvement District No. 10 (the District) was created April 15, 1955, by Section 59, Article XVI, 54^{th} Legislature of the State of Texas. The Board of Directors held its first meeting on June 2, 1955, and the first bonds were sold on August 15, 1956.

The District has adopted Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but 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 is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. As required by generally accepted accounting principles, these financial statements present the activities of the District which is considered to be the primary government as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government activities,* which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities,* which rely to a significant extent on fees and charges for funding.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual funds are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, changes in the Net OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Note 2 - Cash Deposits with Financial Institutions

All cash assets (except two Volunteer Fire Department accounts at DuGood Credit Union) are held by the District's depository, Wells Fargo of Texas, NA as of June 30, 2025, pertinent data follows:

Name of Depository Bank:	Wells Fargo of Texas, N.A.	
Amount of FDIC coverage	$	250,000
Bond or other securities pledged - June 30, 2025	$	2,651,287
Cash Balances - June 30, 2025	$	2,901,287

A. Cash and Investments

The following are components of the District's Cash and Investments at June 30, 2025:

Cash: Cash balances are maintained in separate cash accounts. Cash is collateralized by securities pledged by the depository bank to cover the uninsured cash balances. During the year, no instances of cash deposit balances in excess of collateral occurred. The carrying amount of the District's deposits with Wells Fargo Bank of Texas, NA was $2,881,165 at June 30, 2025 (after reconciliation).

Cash deposits and temporary investments held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are:

Category 1: Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Deposits which are collateralized with the securities held by financial institutions, trust departments, or agents in the entity's name.

Category 3: Deposits that are not collateralized.

Based on these three levels of risk, the District's deposits are classified as Category 1.

Note 2 - Cash Deposits with Financial Institutions (continued)

The bank balances are insured by the Federal Depository Insurance Corporation (FDIC) and additional collateral is pledged by Wells Fargo of Texas, NA, in the District's name. The District does not carry any bank balance over and above the insured and secured amount.

Investments: The carrying amount of the District's investments with Logic Investment Pool was $4,901,729 at June 30, 2025. These investments are in government securities fully backed by the United States government.

Investments held at a financial institution can be categorized according to three levels of risk.

These three levels of risk are:

Category 1: Investments that are insured, registered, or held by the entity or by its agent in the entity's name.

Category 2: Investments that are uninsured and unregistered held by the counter party's trust department or agent in the entity's name.

Category 3: Uninsured and unregistered investments held by the counter party, its trust department, or its agent, but not in the entity's name.

Based on these three levels of risk, the District's investments are classified as Category 3.

Note 3 – Pension Liability

PLAN DESCRIPTION: The District provides retirement, disability, and death benefits for all of its employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 500 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, with the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 7 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits 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 contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the 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 contributions and the employer-financed monetary credits to a monthly annuity purchase rate prescribed by the TCDRS Act.

FUNDING POLICY: The employer has elected the annually determined contribution rate (ADCR) plan 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.

Note 3 – Pension Liability (continued)

Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 3.23% for the months in the accounting year of 2024, and 3.65% for the months of the accounting year in 2025.

The contribution rate payable by the employee members for the calendar year 2025 (as well as 2024) is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

ACTUARIAL ASSUMPTIONS: The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2024. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice. The following are the key assumptions and methods used for GASB 68 calculations:

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 reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
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	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and aother assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: Employer contributions reflect that the current service matching rate was increased to 175%. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule. 2024: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

Note 3 – Pension Liability (continued)

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 assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return(2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	6.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index (3)	4.00%	6.80%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships	Alerian MLP Index	2.00%	4.95%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	8.15%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. Treasury	2.00%	1.10%

(1) Target asset allocation adopted at the March 2025 TCDRS Board meeting.
(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions.
(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.
(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

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

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments

Note 3 – Pension Liability (continued)

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

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

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

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

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Note 3 – Pension Liability (continued)

SENSITIVITY ANALYSIS: The following presents the net pension liability of the district, calculated using the discount rate of 7.60%, as well as what the Jefferson County Water Control and Improvement District #10 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	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	$2,696,498	$2,376,498	$2,111,405
Fiduciary net position	2,958,068	2,958,068	2,958,068
Net pension liability / (asset)	(261,570)	(581,570)	(846,663)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS: At June 30, 2025, the District reported an asset of ($581,570) for its net pension asset. The net pension asset was measured as of December 31, 2024.

Changes in Net Pension Liability / (Asset)

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a)-(b)
Balances as of December 31, 2023	$ 2,174,613	$ 2,713,027	$ (538,414)
Changes for the year:			
Service cost	77,573	-	77,573
Interest on total pension liability (1)	167,946	-	167,946
Effect of plan changes (2)	23,663	-	23,663
Effect of economic/demographic gains or losses	19,013	-	19,013
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(2,591)	(2,591)	-
Benefit payments	(83,719)	(83,719)	-
Administrative expenses	-	(1,610)	1,610
Member contributions	-	40,776	(40,776)
Net investment income	-	275,942	(275,942)
Employer contributions	-	17,010	(17,010)
Other (3)	-	(767)	767
Balances as of December 31, 2024	$ 2,376,498	$ 2,958,068	$ (581,570)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Reflect plan changes adopted effective in 2025.

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

Note 3 – Pension Liability (continued)

For the year ended June 30, 2025, the District recognized pension income of $36,952.

Pension Expense / (Income)

	January 1, 2024 to December 31, 2024
Service cost	$ 77,573
Interest on total pension liability [1]	167,946
Effect of plan changes	23,663
Administrative expenses	1,610
Member contributions	(40,776)
Expected investment return net of investment expenses	(205,037)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(28,433)
Recognition of assumption changes or inputs	(1,929)
Recognition of investment gains or losses	(32,336)
Other [2]	767
Pension expense / (income)	$ (36,952)

[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 December 31, 2024, 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 experience	$ 37,719	$ 12,675
Change of assumptions	-	-
Net difference between projected and actual earnings	28,873	-
Contributions made subsequent to measurement date [3]	N/A	Employer determined

[3] Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end.

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

Note 3 – Pension Liability (continued)

Year ended December 31:		
2025	$	(54,767)
2026		46,211
2027		(31,180)
2028		(14,181)
2029		-
Thereafter[4]		-

[4] Any Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Other Post-Employment Benefits (OPEB) – Retiree Death Benefit

Plan Description – The District participates in the retiree Group Term Life program for the Texas County & District Retirement System (TCDRS), which is statewide, multi-employer, public retirement system.

Benefits Provided – 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 employees that have elected participation in the retiree Group Term Life 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 employers that have elected participation in the retiree Group Term Life program. The OPEB benefit is a fixed $5,000 lump-sum benefit. There are no future increases assumed in the $5,000 benefit amount. The benefit terms are established under the TCDRS Act. Participation in the retiree Group Term Life program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The District's contribution rate for the retiree Group Term Life program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to $5,000.

Other Post-Employment Benefits (OPEB) – Retiree Death Benefit (continued)

Actuarial Assumptions

All actuarial assumptions 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 where required to be different by GASB 75.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Level Percent of Salary
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	See Table 1. Note that salary increases do not affect benefits but are used in the allocation of costs under the actuarial cost method.
Investment Rate of Return (Discount Rate)	4.08% 20 Year Bond GO Index published by bondbuyer.com as of December 26, 2024.
Cost-of-Living Adjustment	Does not apply

Discount Rate

The TCDRS GTL program is treated as 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.

Discount Rate	December 31, 2023	December 31, 2024
Discount Rate [(1)]	3.26%	4.08%
Long-term expected rate of return, net of investment expense [(1)]	Does not apply	Does not apply
Municipal bond rate [(1)]	3.26%	4.08%

[(1)] *The OPEB plan has been determined to be an unfunded OPEB plan; therefore only the municipal bond rate applies.*

Other Post-Employment Benefits (OPEB) – Retiree Death Benefit (continued)

SENSITIVITY ANALYSIS: The following table shows the Total OPEB Liability of the employer, calculated using the discount rate of 4.08%, as well as what the Jefferson County Water Control and Improvement District #10 Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.72%) or 1 percentage point higher (4.72%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease	Current Discount Rate	1% Increase
	3.08%	4.08%	5.08%
Total OPEB Liability	$30,807	$25,887	$22,171

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS: At June 30, 2025, the District reported a liability of $25,887 for its net OPEB Liability. The net OPEB liability was measured as of December 31, 2024.

Changes in Total OPEB Liability

	Changes in Total OPEB Liability
Balances as of December 31, 2023	$ 27,787
Changes for the year:	
Service cost	1,352
Interest on total OPEB liability [1]	932
Changes of benefit terms [2]	-
Effect of economic/demographic experience	849
Effect of assumptions changes or inputs [3]	(3,926)
Benefit payments	(1,107)
Other	-
Balances as of December 31, 2024	$ 25,887

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*

[2] *No plan changes valued.*

[3] *Reflects change in discount rate.*

Other Post-Employment Benefits (OPEB) – Retiree Death Benefit – (continued)

For the year ended June 30, 2025, the District recognized pension expense of $1,136.

OPEB Expense / (Income)

OPEB Expense / (Income)		January 1, 2024 to December 31, 2024
Service cost	$	1,352
Interest on total OPEB liability [1]		932
Effect of plan changes		-
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		17
Recognition of assumption changes or inputs		(1,165)
Other		-
OPEB expense / (income)	$	1,136

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Inflows / Outflows of Resources		Deferred Inflows of Resources		Deferred Outflows of Resources
Differences between expected and actual experience	$	845	$	1,287
Change of assumptions		7,373		1,900
Contributions made subsequent to measurement date		N/A		Employer determined

Note 4 – Property Tax

Property taxes are attached as an enforceable lien on the property as of January 1. Taxes are levied on October 1, and payable by January 31. Taxes paid after January 31st are subject to a penalty and interest. Taxes are considered delinquent after June 30th and are subject to attorney fees in addition to penalty and interest. The District's taxes are billed and collected by the county. The county maintained a bond in the amount of $100,000 for the fiscal year ended June 30, 2025, for money collected for Jefferson County Water Control & Improvement District No. 10. The District's property tax revenues are recognized as collected.

Tax Rate 2025
Tax rate per $100 valuation – 23.8596 cents assessed at 100% fair market value. The 23.8596 cents included 4.3162 cents per $100 valuation for maintenance of the fire department. The remainder was used for the debt service of the following bonds:

On July 21, 2015, the District issued $1,325,000 in Unlimited Tax Bonds, Series 2015.

Note 4 – Property Tax (continued)

On November 12, 2015, the District issued $1,000,000 in Unlimited Tax Bonds, Series 2015A.

On October 4, 2018, the District issued $5,440,000 in Unlimited Tax Bonds, Series 2018.

On December 15, 2020, the District issued $1,710,000 in Unlimited Tax Refunding Bonds, Series 2020 used to defease the Unlimited Tax Bonds, Series 2010.

On November 7, 2023, the District issued $3,700,000 in Unlimited Tax Bonds, Series 2024.

Valuation	$814,959,661	Gross Taxes	$1,883,095

Gross Valuation	$	921,634,460
Exemptions	$	(87,434,444)
Adjustments	$	(19,240,355)
Net Taxable	$	814,959,661

Note 5 – Long-Term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Purpose	
Governmental Activities	$ 9,510,000
Business-type Activities	-
	$ 9,510,000

Note 5 – Long-Term Debt (continued)

General Obligation Bonds payable at June 30, 2025 are comprised of the following individual issues:

$ 1,325,000 Certificates of Obligation Series 2015 due in annual installments from $35,000 to $95,000 through August 2035, interest rates ranging from 3.25% to 5.00%. Funded from the Debt Service Fund.		590,000
$ 1,000,000 Certificates of Obligation Series 2015A due in annual installments from $35,000 to $75,000 through August 2035, interest rates ranging from 2.00% to 3.50%. Funded from the Debt Service Fund.		375,000
$ 5,400,000 Certificates of Obligation Series 2018 due in annual installments from $195,000 to $380,000 through August 2038, interest rates ranging from 2.00% to 3.50%. Funded from the Debt Service Fund.		4,195,000
$ 2,750,000 Certificates of Obligation Series 2010 due in annual installments from $117,300 to $404,600 through August 2030, interest rate of 2.00%. Funded from the Debt Service Fund.		650,000
$ 3,700,000 Certificates of Obligation Series 2024 due in annual installments from $85,000 to $275,000 through August 2044, interest rate of 4.00%. Funded from the Debt Service Fund.		3,700,000
Total General Obligation Bonds	$	9,510,000

Revenue Bonds

The District issued a revenue bond to upgrade the Wastewater Treatment Plant Facilities to meet TCEQ requirements. Principal and interest payments on this bond issue are paid from fees collected for water and sewer services from our residents. The District issued the revenue bond in the amount of $1,000,000. Revenue bonds currently outstanding are as follows:

Purpose		
Governmental Activities	$	-
Business-type Activities		685,000
	$	685,000

Revenue bond payable at June 30, 2025 is comprised of the following individual issue:

$ 1,000,000 Revenue Bond due in annual installments from $ -0- to $60,000 through August 2038, interest rates ranging from 0.09% to 2.41%. Funded from Water and Sewer Revenues.	$	685,000

Note 5 – Long-Term Debt (continued)

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending	Governmental Activities		Business-type Activities	
June 30,	Principal	Interest	Principal	Interest
2026	550,000	329,288	45,000	13,737
2027-2030	2,380,000	1,148,402	200,000	46,953
2031-2034	2,325,000	1,074,465	210,000	31,092
2035-2039	2,730,000	562,392	230,000	11,193
2040-2045	1,525,000	189,500	-	-
Total	$ 9,510,000	$ 3,304,047	$ 685,000	$ 102,975

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Govermental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Certificates of obligations	9,510,000	6,540,000	-	-	9,510,000	6,540,000
Accretion on bonds	(15,209)	(16,379)	-	-	(15,209)	(16,379)
Premium on bonds	56,679	-	-	-	56,679	-
Revenue bonds	-	-	685,000	730,000	685,000	730,000
Total	9,551,470	6,523,621	685,000	730,000	10,236,470	7,253,621

Note 6 – Capital Assets

A summary of changes in the capital assets for the primary government for the year ended June 30, 2025 follows:

	July 1, 2024	Additions	Deletions	July 1, 2025
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 166,684	$ -	$ -	$ 166,684
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	166,684	-	-	166,684
Capital assets being depreciated:				
Buildings	1,092,845	60,592	-	1,153,437
Machinery and equipment, capital leased	147,981	-	32,000	115,981
Machinery and equipment	812,460	46,227	-	858,687
Total Capital Assets Being Depreciated	2,053,286	106,819	32,000	2,128,105
Less accumulated depreciation:				
Buildings	230,492	25,134	-	255,626
Machinery and equipment, capital leased	81,609	16,842	22,000	76,451
Machinery and equipment	256,233	24,031	-	280,264
Total Accumulated Depreciation	568,334	66,007	22,000	612,341
Total Capital Assets, Being Depreicated, Net	1,484,952	40,812	10,000	1,515,764
Governmental Activities Capital Assets, Net	$ 1,651,636	$ 40,812	$ 10,000	$ 1,682,448

Note 6 – Capital Assets (continued)

A summary of changes in the capital assets for the primary government for the year ended June 30, 2025 follows (continued):

	July 1, 2024	Additions	Deletions	July 1, 2025
Business Type Activities:				
Capital assets, not being depreciated:				
Land	$ 201,389	$ -	$ -	$ 201,389
Construction in Progress	1,517,359	5,467,187	418,689	6,565,857
Total Capital Assets Not Being Depreciated	1,718,748	5,467,187	418,689	6,767,246
Capital assets being depreciated:				
Buildings	812,811	-	-	812,811
Improvements other than buildings	22,336,465	1,702,234	186,538	23,852,161
Machinery and equipment	755,938	43,678	20,599	779,017
Total Capital Assets Being Depreciated	23,905,214	1,745,912	207,137	25,443,989
Less accumulated depreciation:				
Buildings	426,916	18,493		445,409
Improvements other than buildings	13,986,502	604,706	186,538	14,404,670
Machinery and equipment	589,260	34,540	20,599	603,201
Total Accumulated Depreciation	15,002,678	657,739	207,137	15,453,280
Total Capital Assets, Being Depreicated, Net	8,902,536	1,088,173	-	9,990,709
Business-type Activities Assets, Net	$ 10,621,284	$ 6,555,360	$ 418,689	$ 16,757,955

Construction in progress for the enterprise fund as of June 30, 2025 is $6,565,857 incurred for wastewater treatment plant enforcement and improvements, SCADA electrical improvements, waterlines improvement, lift station upgrades, and outfall project.

Depreciation expense was charged to functions/programs of the District as follows:

Government Activities:		
Public safety	$	66,007
Business-type Activities:		
Water and sewer	$	657,739

Note 7 – Commitments

Construction in progress in the business-type activities pertains to wastewater treatment plant enforcement and improvements (including disinfection system and rerouting effluent to the Neches River), SCADA electrical improvements, waterlines improvement, lift station upgrades.
The District has sent a request to the Texas Water Development Board to reprogram remaining funds from the 2016 Clear Water State Revolving Fund into a Planning, Acquisition, and Design Project. This request was granted by the Texas Water Development Board in Fall 2020. The District will use the remaining funds from the $1,000,000 revenue bond for engineering and consulting for the wastewater treatment plant disinfection system, rerouting effluent to the Neches River, Central Heights lift station and force main, Stillwater lift station and force main, and a new force main to service lift station #1 and #2 to wastewater treatment plant.

- In November 2023 the Stillwater Lift Station was installed.
- The Neches River Project is ongoing-all permits and easements have been acquired.
- Voters passed the November 2023 Neches River $3.7M Bond Project

On November 7, 2017, the voters approved a $5.44 million bond for water and wastewater system repairs and upgrades. The District completed the smoke testing portion of the project in November 2018 and completed the majority of point repairs in December 2019. The new Clearwell and the filter rehabilitation started in January 2020 and were completed in April 2022. Ground and elevated storage tank rehabilitations and replacement projects are underway in Fall 2022 and completed August 2023.

- Inhouse point repairs on smoke tests are ongoing.
- The 2007 bolted tank will be replaced with a new bolted tank in 2025.
- SCADA Electrical Improvements started in 2024 and expected completion in Spring 2025.

On May 9, 2019, the Texas Water Development Board approved a $500,000 Principal Forgiveness Loan for the District to build a new control building. The contract for the control building was awarded in September 2020, and construction was completed in March 2022.

On November 7, 2023, the voters approved a $3.7 million bond for Neches River Outfall project, bond funding expected August 2024.

Note 8 – Interest Capitalization

Interest capitalization is essentially limited to the business-type activities of governmental entities. Interest costs are capitalized when incurred by the proprietary fund on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets may be used as an offset when determining the amount of interest to be capitalized.

Note 9 – Risk Management

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. During the year, all liability coverage policies for these risks were contracted with the Texas Water Conservation Association, Risk Management Fund, which is a Trust Pool. The District also maintains liability coverage on the volunteer fire department, the officers of the Board of Directors and key employees. The District has had no significant reduction in insurance coverage from prior years.

Note 10 – Annexation

On July 18, 2019, the District voted to annex approximately 11.6 acres of land into the District.

Note 11 – ARPA Grent

The District was awarded American Rescue Plan Act (ARPA) grant funds for two projects total $6.6 million. Funding administered through Jefferson County, for Neches River Outfall and WWTP Sludge Removal. Phase I of Neches River Outfall project construction to begin in September 2024.

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