

PRELIMINARY OFFICIAL STATEMENT

DATED: JANUARY 16, 2026

Ratings:

Moody's: "A1" (Underlying)
(see "OTHER INFORMATION
– Ratings", "BOND
INSURANCE", and "BOND
INSURANCE RISKS" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$16,000,000*

FRANKLIN COUNTY WATER DISTRICT (Franklin County) UNLIMITED TAX BONDS, SERIES 2026

Dated Date: January 15, 2026

Due: August 15, as shown on page 2

Interest Accrual Date: Delivery Date

PAYMENT TERMS. . . Interest on the \$16,000,000* Franklin County Water District Unlimited Tax Bonds, Series 2026 (the "Bonds") will accrue from the Delivery Date (defined below), will be payable on February 15, 2027, and semiannually thereafter on August 15 and February 15 of each year until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. 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 within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "The Bonds – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly XVI, Section 59, of the Texas Constitution, Chapter 719, Acts of the 59th Legislature, Regular Session, 1965 (Article 8280-341, V.A.T.C.S., as amended), the applicable provisions of Chapter 49, Texas Water Code, as amended, approval by the Texas Commission on Environmental Quality (the "TCEQ"), a District election held on November 5, 2024, and a resolution authorizing the issuance of the Bonds (the "Resolution"). The Bonds are direct obligations of the District, payable from a direct and continuing annual ad valorem tax levied on all taxable property within the District, without legal limit as to rate or amount, as provided in the Resolution. Neither the State, Franklin County, Texas nor any political subdivision or municipality other than the District shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State or Franklin County, Texas or any municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds. (see "THE BONDS – Authority for Issuance" and "THE BONDS – Security and Source of Payment").

PURPOSE. . . Proceeds from the sale of the Bonds will be used for the purpose of (1) providing funds for the construction, improvements, remediation, and repairs to the District's Franklin County Dam and structures and facilities, and (2) payment of contractual obligations for professional services in connection therewith (to wit: consulting, engineering, financial advisory, and legal) (see "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Proceeds").

CUSIP PREFIX: [TBD]

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

MUNICIPAL BOND INSURANCE. . . The District has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Bonds. If a commitment for an insurance policy is obtained and the Initial Purchaser (defined herein) determines to purchase a policy in connection with its bid, the associated premium will be the responsibility of the Initial Purchaser (see "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

LEGALITY. . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser (defined herein) and subject to the approving opinion of the Attorney General of the State and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel for the District (see "Appendix C – Form of Bond Counsel's Opinion"). Certain matters will be passed upon by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, in its capacity as Disclosure Counsel for the District.

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on or about February 24, 2026 (the "Delivery Date").

BIDS DUE TUESDAY, JANUARY 27, 2026 AT 9:30 AM, CENTRAL TIME

* Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP Prefix: [TBD] ⁽¹⁾**

<u>Amount</u>	<u>Maturity 15-Aug</u>	<u>Initial Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 120,000	2028			
385,000	2029			
400,000	2030			
420,000	2031			
445,000	2032			
465,000	2033			
490,000	2034			
515,000	2035			
540,000	2036			
565,000	2037			
595,000	2038			
625,000	2039			
655,000	2040			
690,000	2041			
725,000	2042			
760,000	2043			
795,000	2044			
835,000	2045			
880,000	2046			
920,000	2047			
970,000	2048			
1,015,000	2049			
1,070,000	2050			
1,120,000	2051			

(Interest to accrue from the Delivery Date)

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OPTIONAL REDEMPTION OF THE BONDS . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption of the Bonds”).

* Preliminary, subject to change.

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

No dealer, broker, salesman or other person has been authorized by the District or the Initial Purchaser to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Initial Purchaser. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Municipal Advisor or the Initial Purchaser. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

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

NONE OF THE DISTRICT, ITS MUNICIPAL ADVISOR, OR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY- ONLY SYSTEM. THE INITIAL PURCHASER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE INITIAL PURCHASER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT PURSUANT TO THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER FEDERAL SECURITIES LAWS, BUT THE INITIAL PURCHASER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

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

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	Franklin County Water District (the “District”) is a political subdivision of the State of Texas (the “State”). The District was created in 1965 as a county-wide district in Franklin County, Texas (the “County”) pursuant to Article 16, Section 59 of the Texas Constitution and a Special Act of the Texas Legislature, Chapter 719, Acts of the 59th Legislature, Regular Session, 1965, Article 8280-341, V.A.T.C.S., as amended. The District encompasses the entire County. The County is located in northeast Texas, one county removed from Oklahoma and three counties removed from Arkansas. Mount Vernon, the County seat, is on Interstate Highway 30 seventy-two miles southwest of Texarkana and ninety-six miles northeast of Dallas. The County and the District encompass 188,012 acres (294 square miles).
THE BONDS	The \$16,000,000* Franklin County Water District Unlimited Tax Bonds, Series 2026 are issued as serial Bonds maturing on August 15 in each of the years 2028 through 2051, unless the Initial Purchaser designates one or more consecutive maturities as one or more term bonds (the “Term Bonds”) (see “THE BONDS – Description of the Bonds”).
PAYMENT OF INTEREST	Interest on the Bonds will accrue from the Delivery Date and is payable on February 15, 2027, and semiannually thereafter on August 15 and February 15 of each year until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds”).
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly XVI, Section 59, of the Texas Constitution, Chapter 719, Acts of the 59th Legislature, Regular Session, 1965 (Article 8280-341, V.A.T.C.S., as amended), the applicable provisions of Chapter 49, Texas Water Code, as amended, approval by the Texas Commission on Environmental Quality (the “TCEQ”), a District election held on November 5, 2024, and a resolution authorizing the issuance of the Bonds (the “Resolution”). The Bonds are direct obligations of the District, payable from a direct and continuing annual ad valorem tax levied on all taxable property within the District, without legal limit as to rate or amount (see “THE BONDS – Authority for Issuance”).
SECURITY FOR THE BONDS	The Bonds are direct obligations of the District, payable from a direct and continuing annual ad valorem tax levied on all taxable property within the District, without legal limit as to rate or amount (see “THE BONDS – Security and Source of Payment for the Bonds”).
OPTIONAL REDEMPTION OF THE BONDS	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In the event the Initial Purchaser elects to aggregate two or more consecutive maturities of the Bonds as Term Bonds, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Resolution, which provisions will be included in the final Official Statement (see “THE BONDS – Optional Redemption of the Bonds”).
NOT QUALIFIED TAX-EXEMPT OBLIGATIONS	The District will not designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions.
TAX STATUS	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for the purpose of (1) providing funds for the construction, improvements, remediation, and repairs to the District's Franklin County Dam and structures and facilities, and (2) payment of contractual obligations for professional services in connection therewith (to wit: consulting, engineering, financial advisory, and legal).
RATINGS	The Bonds have been rated “A1” by Moody’s Investors Service (“Moody’s”) without regard to credit enhancement (see “Other Information – Ratings”).

* Preliminary, subject to change.

MUNICIPAL BOND INSURANCE The District has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Bonds. If a commitment for an insurance policy is obtained and the Initial Purchaser (defined herein) determines to purchase a policy in connection with its bid, the associated premium will be the responsibility of the Initial Purchaser (see “BOND INSURANCE” and “BOND INSURANCE RISKS” herein).

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 within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).

PAYMENT RECORD The District has never defaulted on the payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Tax Year	Fiscal Year Ended 12/31	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2021	2022	10,641	\$ 1,493,113,166	\$ 140,317	\$ 1,475,000	0.10%	\$ 139
2022	2023	10,737	1,834,588,506	170,866	1,235,000	0.07%	115
2023	2024	10,912	2,117,206,861	194,026	995,000	0.05%	91
2024	2025	10,912	2,395,502,590	219,529	755,000	0.03%	69
2025	2026	10,912	2,674,282,651	245,077	16,505,000 ⁽³⁾	0.62% ⁽³⁾	1,513

(1) Source: U.S. Census Bureau.

(2) As reported by Franklin County Appraisal District.

(3) Includes the Bonds. Preliminary, subject to change.

For additional information regarding the District, please contact:

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Directors	Length of Service to District	Term Expires
Gary Morrow President / Precinct No. 4	2 Years 8 Months	5/1/2027
Rodney Newsom Vice President / At-Large	18 Years 8 Months	5/1/2027
Dillon McAdoo Secretary / Precinct No. 3	2 Years 8 Months	5/1/2027
G. W. Sharp Director / Precinct No. 1	1 Year 1 Month	5/1/2029
Bob Stinson Director / Precinct No. 2	2 Years	5/1/2029

KEY PERSONNEL

Name	Position	Length of Service to District
Dana Reeves	General Manager	2 Years 9 Months
Lucas Rolf	Operation Manager	2 Years 3 Months

CONSULTANTS AND ADVISORS

Certified Public Accountants	Fox Byrd & Company, P.C. Dallas, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Municipal Advisor	Hilltop Securities Inc. Dallas, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$16,000,000*

**FRANKLIN COUNTY WATER DISTRICT
(Franklin County)
UNLIMITED TAX BONDS, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$16,000,000* Franklin County Water District Unlimited Tax Bonds, Series 2026 (the “Bonds”). The Bonds will be authorized for issuance pursuant to a resolution (the “Resolution”) to be adopted by the Board of Directors of the Franklin County Water District (the “District”). Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein.

There follows in this Preliminary Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District’s Municipal Advisor, Hilltop Securities Inc., Dallas, Texas.

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

DESCRIPTION OF THE DISTRICT . . . The District is a conservation and reclamation district, a body corporate and politic and governmental agency of the State of Texas (the “State”), created as a water district pursuant to Article 16, Section 59, of the Texas Constitution and Chapter 719 of the 59th Legislature Regular Session 1965 (Art. 8280-341, V.A.T.C.S), as amended. The District was created for the purposes of protecting the watershed of Lake Cypress Springs (also known as Franklin County Dam) and the water impounded therein. All powers of the District shall be exercised by a Board of five (5) Directors. Each Director shall serve a term of office as herein provided, and thereafter until his successor shall be elected or appointed and qualified. Members of the Board of Directors of the District serve for four-year terms. A directors’ election shall be held in accordance with Chapter 49, Subchapter D, Texas Water Code and the Election Code to elect the appropriate number of directors. One director represents the District as a whole and is elected at-large. A candidate for the at-large directorship must be a qualified voter who resides in the District. One director represents each of the county commissioners’ precincts in Franklin County. The director for a precinct is elected by qualified voters residing in the precinct. A candidate for a precinct’s directorship must be a qualified voter who resides in the precinct. Operations of the District are under the supervision and direction of the General Manager.

WATER CUSTOMERS . . .As of December 31, 2025, the District had three wholesale customers and one water rights holder connected with the City’s system. These entities (none of which are residential users) are as follows:

City of Mount Vernon
City of Winnsboro
Cypress Springs Special Utility District
City of Mount Pleasant (water rights holder)

For the year ended December 31, 2025, the estimated wholesale customers usage was 3,000 (unaudited) acre-feet of surface water.

PLAN OF FINANCING

PURPOSE OF THE BONDS. . . Proceeds from the sale of the Bonds will be used for the purpose of (1) providing funds for the construction, improvements, remediation, and repairs to the District's Franklin County Dam and structures and facilities, and (2) payment of contractual obligations for professional services in connection therewith (to wit: consulting, engineering, financial advisory, and legal).

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* Preliminary, subject to change.

USE OF BOND PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds

Par Amount of Bonds	
Net Premium / Discount	
Total Sources of Funds	

Uses of Funds

Deposit to Project Fund	
Costs of Issuance	
Underwriter's Discount	
Total Uses of Funds	

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated January 15, 2026. The Bonds 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 initial delivery thereof (the "Delivery Date"), will be payable on February 15, 2027, and semiannually thereafter on August 15 and February 15 of each year until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. 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 beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE. . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly XVI, Section 59, of the Texas Constitution, Chapter 719, Acts of the 59th Legislature, Regular Session, 1965 (Article 8280-341, V.A.T.C.S., as amended), the applicable provisions of Chapter 49, Texas Water Code, as amended, approval by the Texas Commission on Environmental Quality (the "TCEQ"), a District election held on November 5, 2024, and a resolution authorizing the issuance of the Bonds (the "Resolution"). The Bonds are direct obligations of the District, payable from a direct and continuing annual ad valorem tax levied on all taxable property within the District, without legal limit as to rate or amount

SECURITY AND SOURCE OF PAYMENT. . . The Bonds are direct obligations of the District, payable from a direct and continuing annual ad valorem tax levied on all taxable property within the District, without legal limit as to rate or amount. Neither the faith and credit nor the taxing power of the State or Franklin County, Texas or any municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds.

TAX RATE LIMITATION. . . The District's tax rate for debt service on the Bonds is unlimited as to rate or amount. The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax payment of unlimited tax bonds, all subject to voter approval. The District does not have the authority to levy a tax for maintenance and operations as it has not voted a maintenance tax. On November 6, 2007, voters of the District authorized the levy of a tax for paying principal of and interest on the Bonds and any additional tax bonds which may be issued in the future.

OPTIONAL REDEMPTION OF THE BONDS... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all of the Bonds are to be redeemed, the District may select the maturities of the Bonds to be redeemed. If less than all of the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given as described below, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice

will be of no force and effect, the District will not redeem such Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

DEFEASANCE . . . The Resolution provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Resolution provides that "Defeasance Securities" means: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the District authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or to take any action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the defeasance of the Bonds, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of such banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENT . . . The District may amend the Resolution without the consent of or notice to any registered owner in any manner not detrimental to the interests of the registered owners in order to (i) cure any ambiguity, defect or omission that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Resolution and that shall not materially adversely affect the interests of the holders, (iv) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of

federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions as shall not be inconsistent with the provisions of the Resolution and that shall not in the opinion of Bond Counsel materially adversely affect the interests of the holders. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may (1) make any change in the maturity of any of the outstanding Bonds; (2) reduce the rate of interest borne by any of the outstanding Bonds; (3) reduce the amount of the principal of, or redemption premium, if any, on any outstanding Bonds; (4) modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

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 DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each stated maturity of the Bonds in the aggregate principal amount of each 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 Bonds. 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 and www.dtc.org.

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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds 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 Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to 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 dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the District, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Municipal Advisor.

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District with respect to the Bonds, printed Bonds will be issued to the holders and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Dallas, Texas. In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued with respect to the Bonds, printed Bonds will be issued to the registered owners of the Bonds and thereafter such printed Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date; provided, however, that such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

PAYMENT PROVISIONS . . . In the event the Book-Entry-Only System should be discontinued, interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or upon earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

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

REPLACEMENT BONDS . . . If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the District and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BONDHOLDERS' REMEDIES... The Resolution establishes specific events of default with respect to the Bonds, and provides that if the District defaults in the payment of principal or interest on the Bonds when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution and the continuation thereof for a period of 60 days after notice of default is given by the District by any owner, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Resolution covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Resolution covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

BOND INSURANCE

The District has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. If the District obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Bonds (the "Policy"), and if the Initial Purchaser determines to purchase the Policy, the final Official Statement will disclose certain information regarding the Insurer and the Policy. If the Initial Purchaser chooses to purchase the Policy, the following risk factors related to municipal bond insurance policies generally apply.

BOND INSURANCE RISKS

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

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS – Bondholders' Remedies "). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bonds holders.

In the event the 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 ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the District. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. The District has not made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . S&P Global Ratings, a division of Standard and Poor's Financial Services LLC, Moody's Investor Services, Inc. and Fitch Ratings (the "Rating Agencies") have in the past downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of Franklin County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and

use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – District and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentation of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER...The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage."

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years for a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM PROPERTY TAXATION - District Application of Property Tax Code" herein.

DISTRICT AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the District, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION - Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The 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. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The portion of the District's overall tax rate used to pay current expenses is herein referred to as the maintenance and operations tax rate and the portion of the tax rate used for funding debt service in the current year is referred to herein as the debt service tax rate. As a general matter, the District's maintenance and operations tax rate cannot increase by more than 3.5% from one year to the next, subject to various exceptions, including the de minimis rate described above. Such limitation does not apply to the District's debt service tax rate.

The District's tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures for the next year, and (2) a rate to fund debt service for the next year. **The District has not historically levied a tax for maintenance and operations.**

Under State law, the Franklin County assessor-collector must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the District to the District by August 1 or as soon as practicable thereafter. The District must then calculate its annual voter-approval tax rate and no-new-revenue tax rate (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the District and the Crane County tax assessor-collector. The District must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If the District fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the District for the preceding tax year.

The Property Tax Code provides that if a District adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

The District may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until the Franklin County Appraisal District has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the District has held a public hearing on the proposed tax increase.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the District's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the District's tax-supported debt obligations, including the Bonds (see "THE BONDS - Tax Rate Limitations" herein).

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

2025 LEGISLATIVE SESSIONS . . . The regular session of the 89th Texas Legislature (the "Legislature") commenced on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions,

at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the “2025 Legislative Sessions”). The Governor called a first special session, which began on July 21, 2025 and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025 and ended on September 4, 2025.

The District is still in the process of reviewing legislation passed during the 2025 Legislative Sessions. At this time, the District cannot make any representations as to the full impact of such legislation. Further, the District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

PENALTIES AND INTEREST. . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the District’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

DISTRICT APPLICATION OF TAX CODE . . . The District only grants state-mandated exemptions and does not grant local-option exemptions.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are levied by the District against the non-exempt value of residence homesteads for the payment of debt.

The District grants an exemption to the market value of the residence homestead of disabled veterans..

The District does not permit split payments, and discounts are not allowed.

Franklin County Tax Assessor-Collector collects taxes for the District.

The District does not tax freeport property.

The District does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The District has not adopted a tax abatement policy.

The District does not participate in a Tax Increment Reinvestment Zone.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Franklin County Appraisal District (including totally exempt property)		\$ 3,083,736,311
Less Exemptions/Reductions at 100% Market Value:		
Circuit Breaker	\$ 75,466,844	
Homestead Cap Loss	166,918,856	
Exempt Property	133,269,550	
Under \$500/\$2500	333,370	
Freeport	815,190	
Solar/Wind Power	261,580	
Vehicle Leased for Personal Use	3,079,580	
TCEQ/Pollution Control	4,588,550	
Community Housing	1,287,320	
Disabled Veteran	23,432,820	
		<u>\$ 409,453,660</u>
2025/26 Taxable Assessed Valuation		\$ 2,674,282,651
General Obligation Debt Payable from Ad Valorem Taxes (as of January 15, 2026)		\$ 755,000
The Bonds ⁽¹⁾		<u>16,000,000</u>
Total General Obligation Debt Payable from Ad Valorem Taxes (as of January 15, 2026)		\$ 16,755,000
General Obligation Interest and Sinking Fund (as of December 31, 2025)		\$ 209,576
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		0.03%
Estimated 2026 Population - 10,912		
Per Capita Taxable Assessed Valuation - \$245,077		
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$69		

(1) Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended December 31,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,755,714,187	56.93%	\$ 1,631,797,437	58.68%	\$ 1,399,995,754	58.36%
Real, Residential, Multi-Family	5,558,213	0.18%	4,367,269	0.16%	4,185,938	0.17%
Real, Vacant Lots/Tracts	90,627,294	2.94%	77,894,900	2.80%	60,035,769	2.50%
Real, Qualified Open-Space Land	19,218,680	0.62%	18,404,460	0.66%	17,675,180	0.74%
Real, Farm and Ranch Improvements	95,856,693	3.11%	84,638,290	3.04%	36,862,180	1.54%
Real, Rural Land, Non-Qualified Ag Land	543,234,890	17.62%	449,008,141	16.15%	403,981,938	16.84%
Real, Commercial	133,385,982	4.33%	115,533,253	4.15%	78,293,499	3.26%
Real, Industrial	159,110	0.01%	162,550	0.01%	21,165,730	0.88%
Real, Oil and Gas, Minerals	25,147,542	0.82%	17,661,430	0.64%	23,923,820	1.00%
Real and Tangible Personal, Utilities	130,909,930	4.25%	117,964,760	4.24%	109,895,460	4.58%
Tangible Personal, Commercial	105,164,900	3.41%	105,467,820	3.79%	102,206,000	4.26%
Tangible Personal, Industrial	27,127,310	0.88%	24,196,260	0.87%	21,587,770	0.90%
Tangible Personal, Mobile Homes	16,005,790	0.52%	14,102,220	0.51%	11,932,850	0.50%
Real Property, Residential Inventory	2,022,870	0.07%	1,951,680	0.07%	2,399,710	0.10%
Totally Exempt Property	133,602,920	4.33%	117,654,294	4.23%	104,823,190	4.37%
Total Appraised Value Before Exemptions	\$ 3,083,736,311	100.00%	\$ 2,780,804,764	100.00%	\$ 2,398,964,788	100.00%
Less: Total Exemptions/Reductions	409,453,660		385,302,174		281,757,927	
Taxable Assessed Value	<u>\$ 2,674,282,651</u>		<u>\$ 2,395,502,590</u>		<u>\$ 2,117,206,861</u>	

Category	Taxable Appraised Value for Fiscal Year Ended December 31,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,226,124,057	60.11%	\$ 947,141,070	59.81%
Real, Residential, Multi-Family	6,459,542	0.32%	4,783,120	0.30%
Real, Vacant Lots/Tracts	57,635,149	2.83%	43,265,410	2.73%
Real, Qualified Open-Space Land	16,198,330	0.79%	17,416,610	1.10%
Real, Farm and Ranch Improvements	29,659,970	1.45%	27,349,930	1.73%
Real, Rural Land, Non-Qualified Ag Land	313,248,930	15.36%	206,230,090	13.02%
Real, Commercial	62,388,190	3.06%	56,466,753	3.57%
Real, Industrial	20,683,030	1.01%	20,491,860	1.29%
Real, Oil and Gas, Minerals	14,889,840	0.73%	3,385,120	0.21%
Real and Tangible Personal, Utilities	105,757,480	5.18%	98,014,180	6.19%
Tangible Personal, Commercial	86,965,915	4.26%	76,063,890	4.80%
Tangible Personal, Industrial	21,115,170	1.04%	21,164,190	1.34%
Tangible Personal, Mobile Homes	9,391,880	0.46%	6,039,480	0.38%
Real Property, Residential Inventory	2,295,150	0.11%	227,090	0.01%
Totally Exempt Property	66,879,410	3.28%	55,673,260	3.52%
Total Appraised Value Before Exemptions	\$ 2,039,692,043	100.00%	\$ 1,583,712,053	100.00%
Less: Total Exemptions/Reductions	205,103,537		90,598,887	
Taxable Assessed Value	<u>\$ 1,834,588,506</u>		<u>\$ 1,493,113,166</u>	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Tax Year	Fiscal Year Ended 12/31	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2021	2022	10,641	\$ 1,493,113,166	\$ 140,317	\$ 1,475,000	0.10%	\$ 139
2022	2023	10,737	1,834,588,506	170,866	1,235,000	0.07%	115
2023	2024	10,912	2,117,206,861	194,026	995,000	0.05%	91
2024	2025	10,912	2,395,502,590	219,529	755,000	0.03%	69
2025	2026	10,912	2,674,282,651	245,077	16,505,000 ⁽³⁾	0.62% ⁽³⁾	1,513

(1) Source: U.S. Census Bureau.

(2) As reported by Franklin County Appraisal District.

(3) Includes the Bonds. Preliminary; subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Tax Year	Fiscal Year Ended 12/31	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy ⁽¹⁾	% Current Collections	% Total Collections
2021	2022	\$ 0.01700	\$ -	\$ 0.01700	\$ 250,000	105.80%	105.80%
2022	2023	0.01400	-	0.01400	250,000	97.32%	97.32%
2023	2024	0.01319	-	0.01319	254,250	100.02%	100.02%
2024	2025	0.01280	-	0.01280	251,443	100.04% ⁽²⁾	100.04% ⁽²⁾
2025	2026	0.01259	-	0.01259	258,683	In Process of Collection	

(1) Tax levies include supplemental value changes during fiscal year.

(2) Unaudited.

TABLE 5 - TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	Nature of Property	Taxable Assessed Valuation	Taxable Assessed Valuation
Lowes Home Centers Inc	Home Improvement Retailer	\$ 120,802,080	4.52%
South Bow (USA) LP Pipeline	Oil & Gas	25,150,160	0.94%
Oncor Electric Delivery Co LLC	Power Company	19,299,540	0.72%
JP Oil Wyoming LLC (MIN)	Oil & Gas	17,455,767	0.65%
AEP Southwestern Electric Power Co	Power Company	16,331,700	0.61%
Peoples Telephone Cooperative Inc	Telecommunication	15,733,350	0.59%
Gulf South Pipeline Co	Oil & Gas	11,437,060	0.43%
MidContinent Express Pipeline	Oil & Gas	11,120,270	0.42%
Lucky Lact LLC	Real Estate Investment	9,333,280	0.35%
JCSC Holdings Cypress LLC	Residential Land	7,866,980	0.29%
		<u>\$ 254,530,187</u>	<u>9.52%</u>

(1) As reported by Franklin County Appraisal District.

TABLE 6 - TAX ADEQUACY

Principal and Interest Requirements, FY 2026	\$	258,683
\$0.0099 Tax Rate at 99% Collection Produces	\$	260,783
Average Annual Principal and Interest Requirements, FY 2026-2051 ⁽¹⁾	\$	1,151,930
\$0.0438 Tax Rate at 99% Collection Produces	\$	1,153,766
Maximum Principal and Interest Requirements, FY 2027 ⁽¹⁾	\$	1,435,808
\$0.0546 Tax Rate at 99% Collection Produces	\$	1,438,256

(1) Includes the Bonds. Preliminary; subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2025/2026		Total G.O.		District's	
	Taxable	2025/2026	Tax Debt		Overlapping	
	Assessed Value ⁽¹⁾		As of 1/15/2026 ⁽¹⁾	Estimated % Applicable ⁽¹⁾	G.O. Tax Debt	As of 1/15/2026
Franklin County Water District	\$ 2,674,282,651	\$ 0.01259	\$ 16,755,000 ⁽²⁾	100.00%	\$	16,755,000
Franklin County	2,490,134,461	0.36386	-	97.09%		-
Mount Vernon ISD	2,201,892,639	0.90726	71,905,000	99.96%		71,876,238
City of Mount Vernon	239,492,041	0.58751	4,420,230	100.00%		4,420,230
Rivercrest ISD	548,586,157	1.07390	24,189,000	5.88%		1,422,313
Saltillo ISD	437,712,076	0.61890	-	1.92%		-
Sulphur Bluff ISD	273,658,858	0.97500	5,752,000	6.30%		362,376
Winnsboro ISD	772,439,902	1.01180	28,931,000	14.88%		3,240,000
City of Winnsboro	347,293,513	0.53560	10,237,000	12.71%		1,301,123
Total Direct and Overlapping Tax Debt -			\$ 99,377,280			
Ratio of Direct and Overlapping Tax Debt to 2025/26 Taxable Assessed Valuation -			3.72%			
Per Capita Direct and Overlapping Tax Debt -			\$ 540.78			

(1) Source: Municipal Advisory Council of Texas and Franklin County Appraisal District.

(2) Includes the Bonds. Preliminary; subject to change.

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TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 12/31	Outstanding Debt Service			The Bonds ⁽¹⁾			Total General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2026	\$ 250,000	\$ 8,683	\$ 258,683	\$ -	\$ -	\$ -	\$ 258,683	
2027	250,000	5,808	255,808	-	1,180,000	1,180,000	1,435,808	
2028	255,000	2,933	257,933	120,000	800,000	920,000	1,177,933	
2029	-	-	-	385,000	794,000	1,179,000	1,179,000	
2030	-	-	-	400,000	774,750	1,174,750	1,174,750	9.91%
2031	-	-	-	420,000	754,750	1,174,750	1,174,750	
2032	-	-	-	445,000	733,750	1,178,750	1,178,750	
2033	-	-	-	465,000	711,500	1,176,500	1,176,500	
2034	-	-	-	490,000	688,250	1,178,250	1,178,250	
2035	-	-	-	515,000	663,750	1,178,750	1,178,750	23.84%
2036	-	-	-	540,000	638,000	1,178,000	1,178,000	
2037	-	-	-	565,000	611,000	1,176,000	1,176,000	
2038	-	-	-	595,000	582,750	1,177,750	1,177,750	
2039	-	-	-	625,000	553,000	1,178,000	1,178,000	
2040	-	-	-	655,000	521,750	1,176,750	1,176,750	41.63%
2041	-	-	-	690,000	489,000	1,179,000	1,179,000	
2042	-	-	-	725,000	454,500	1,179,500	1,179,500	
2043	-	-	-	760,000	418,250	1,178,250	1,178,250	
2044	-	-	-	795,000	380,250	1,175,250	1,175,250	
2045	-	-	-	835,000	340,500	1,175,500	1,175,500	64.34%
2046	-	-	-	880,000	298,750	1,178,750	1,178,750	
2047	-	-	-	920,000	254,750	1,174,750	1,174,750	
2048	-	-	-	970,000	208,750	1,178,750	1,178,750	
2049	-	-	-	1,015,000	160,250	1,175,250	1,175,250	
2050	-	-	-	1,070,000	109,500	1,179,500	1,179,500	93.32%
2051	-	-	-	1,120,000	56,000	1,176,000	1,176,000	100.00%
	<u>\$ 755,000</u>	<u>\$ 17,423</u>	<u>\$ 772,423</u>	<u>\$ 16,000,000</u>	<u>\$ 13,177,750</u>	<u>\$ 29,177,750</u>	<u>\$ 29,950,173</u>	

(1) Preliminary, subject to change.

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TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance, Fiscal Year Ended 12/31/2025 ⁽¹⁾	\$ 209,576
Budgeted Interest and Sinking Fund Tax Levy, Fiscal Year 2026	258,683
Total Interest and Sinking Fund Resources, Fiscal Year 2026	<u>\$ 468,259</u>
Less: General Obligation Debt Service Requirements, Fiscal Year 2026	\$ 258,683
Projected Interest and Sinking Fund Balance as of Fiscal Year Ending 12/31/2026	\$ 209,576

(1) Unaudited.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Election Date	Purpose	Amount Authorized	The Bonds ⁽¹⁾	Amount Previously Issued	Unissued ⁽¹⁾
11/5/2024	Dam Repairs	\$16,000,000	\$16,000,000	\$0	\$0

(1) The amount of voted authorization for the Bonds represents the principal amount plus premium that will be deposited to the construction fund. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF DEBT. . . The District does not anticipate the issuance of additional tax supported debt within the next twelve months.

OTHER OBLIGATIONS . . . The District initiated 5 leases during fiscal year 2024 to finance the purchases of vehicles. The breakdown of future minimum payments is as follows:

Year Ending December 31	Finance Leases
2025	\$ 40,572
2026	38,518
2027	5,307
Lease Liability	<u>\$ 84,397</u>

As of December 31, 2024, the remaining lease terms are either 2 or 3 years. No discount rate was used, due to the nature and amount of the leases.

The lease liability recorded as of December 31, 2024 is \$84,397 and the net right-of-use asset is \$110,097. As of December 31, 2025, the entity incurred finance lease expense of \$36,589.

The District will have four remaining leases going into fiscal year 2026.

RETIREMENT PLANS. . . The District maintains a deferred compensation plan under Section 457 of the Internal Revenue Code (the "457 Plan"). Employees are eligible to participate in the 457 Plan upon the completion of six months of services as defined by the 457 Plan. The 457 Plan allows employees to make pre-tax contributions to specified limits. Employees are fully vested at all times in their contributions to the 457 Plan. The District does not make contributions to the 457 Plan.

The District also maintains a qualified retirement plan under Section 401 of the Internal Revenue Code (the "401 Plan"). Employees are eligible to participate in the 401 Plan upon the completion of six months of service as defined by the 401 Plan. The District makes matching contributions to the 401 Plan equal to the lesser or 100% of a participant's contributions or 7% of the participant's compensation. The 401 Plan has a five-year vesting schedule with 20% vesting each year.

The total covered payroll for 2024 was \$366,521, while total payroll for all employees was \$718,947. The employer's 2024 contributions to the 401 Plan totaled \$23,348, or 6.4% of covered payroll. The employees' 2024 contributions to the 401 Plan totaled \$23,421, or 6.4% of covered payroll.

FINANCIAL INFORMATION

TABLE 11 - CHANGE IN NET POSITION

	Fiscal Year Ended December 31,				
	2024	2023	2022	2021	2020
<u>Operating Revenue</u>					
Permits and other fees	\$ 742,230	\$ 701,944	\$ 712,493	\$ 631,490	\$ 604,749
Water sales and M&O fees	613,923	566,464	556,353	546,963	536,089
Admission fees	427,604	477,120	476,518	517,385	414,987
Lease income	132,687	122,056	116,801	231,849	180,876
Total Operating Revenues	<u>\$ 1,916,444</u>	<u>\$ 1,867,584</u>	<u>\$ 1,862,165</u>	<u>\$ 1,927,687</u>	<u>\$ 1,736,701</u>
<u>Operating Expenses</u>					
Labor and personnel	\$ 951,422	\$ 1,096,940	\$ 838,351	\$ 905,342	\$ 749,212
Legal fees and other professional fees	128,087	290,702	245,178	307,766	103,825
Depreciation	218,710	222,322	201,740	215,789	210,225
Lease Amortization	36,589	-	-	-	-
Utilities	104,386	126,622	163,684	103,987	98,922
Engineering fees	69,099	117,566	129,869	160,009	409,559
Repairs and maintenance	151,648	90,991	129,341	96,497	241,617
Supplies	70,381	62,767	61,331	66,581	49,120
Insurance	47,990	28,233	33,161	35,633	37,184
Other operating expenses	110,859	94,491	55,357	117,277	30,385
Total Operating Expenses	<u>\$ 1,889,171</u>	<u>\$ 2,130,634</u>	<u>\$ 1,858,012</u>	<u>\$ 2,008,881</u>	<u>\$ 1,930,049</u>
Operating Income	<u>\$ 27,273</u>	<u>\$ (263,050)</u>	<u>\$ 4,153</u>	<u>\$ (81,194)</u>	<u>\$ (193,348)</u>
<u>Non-Operating Revenue and Expense</u>					
Ad valorem taxes	\$ 310,037	\$ 282,165	\$ 260,319	\$ 259,304	\$ 259,752
Interest income	308,930	199,425	53,001	21,419	47,297
Interest expense	(20,583)	(23,343)	(26,026)	(30,482)	(59,922)
Other income and expense, net	52,507	(5,689)	9,647	(2,088)	6,416
Gain (Loss) on Disposal of Fixed Assets	6,908	7,328	-	3,048	-
Increase In Net Position	\$ 685,072	\$ 196,836	\$ 301,094	\$ 170,007	\$ 60,195
Net Position, Beginning	13,958,404	13,733,144	13,432,049	13,262,042	13,201,847
Prior Period Adjustment	-	28,424	1	-	-
Net Position, Ending	<u>\$ 14,643,476</u>	<u>\$ 13,958,404</u>	<u>\$ 13,733,144</u>	<u>\$ 13,432,049</u>	<u>\$ 13,262,042</u>

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FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies for the District conform to generally accepted accounting principles.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liabilities are incurred.

General Fund Balance . . . The District's budgetary goal is to follow the Government Finance Officers Association (GFOA) recommended best practices by maintaining the fund balance in the General Fund at a level equivalent to no less than 90 days and no more than 180 days of operating expenditures.

Budgetary Procedures . . . The District's Fiscal Year begins January 1 and ends December 31. The annual budget process begins in August. The Board of Directors of the District approves the final budget and sets the District's tax rate in September. The District's property tax rate for tax year 2025 is \$0.012588.

Fund Investments . . . The District's investment policy parallels State laws which govern the investment of public funds, particularly the Public Funds Investment Act of 1987. Funds are invested to maximize yield, with safety of principal and liquidity as primary objectives. The District generally restricts investments to direct obligations of the United States Government, governmental agencies, investment pools, and to insured or collateralized bank Certificates of deposit, primarily with the District's depository bank.

INVESTMENTS

The District invests its investable funds in investments authorized by State law in accordance with investment policies approved by the Board. The Board appoints the General Manager as the "Investment Officer" of the District. The District's investment policy is governed by and is in compliance with the Public Funds Investment Act, Chapter 2256, Subchapter A, Texas Government Code and Section 49.157, Texas Water Code. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party

selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the PFIA. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or with a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAn" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES...Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS...Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District

to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy, and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the District's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 12 - CURRENT INVESTMENTS

As of December 31, 2025, The District's investable funds were invested in the following categories:

Type of Investment	Market Value	% of Portfolio
Checking & Investment Pools	\$ 7,659,190	100.00%
	\$ 7,659,190	1.00%

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds (see "Appendix C – Form of Legal Opinion of Bond Counsel").

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed or refinanced with proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion, and is not a guarantee of result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest

payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

INFORMATION REPORTING AND BACKUP WITHHOLDING. . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, 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 specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS. . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 12 and in Appendix B, which is the District's annual audited financial report. The District will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of such annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial information within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is December. Accordingly, the District must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

NOTICE OF CERTAIN EVENTS... The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Resolution provide for debt service reserves, liquidity enhancement, or credit enhancement.

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. . . The District has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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

The District may amend its continuing disclosure agreement 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 (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered and beneficial owners 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 and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

OTHER INFORMATION

RATINGS

The Bonds have been rated “A1” by Moody’s Investors Service (“Moody’s”) without regard to credit enhancement. The rating reflects only the respective views of such organizations 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 they will not be revised downward or withdrawn entirely by rating company, if in the judgment of company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the District Attorney that there is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

REGISTRATION AND QUALIFICATION OF BONDS

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The District has made no investigation of 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 or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

LEGAL MATTERS

The District will furnish to the Initial Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code of 1986, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations. The form of Bond Counsel’s opinion is attached hereto as Appendix C.

Though it represents the Municipal Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions and subcaptions “PLAN OF FINANCING” (excluding the information under the subcaption “Use of Bond Proceeds”), “THE BONDS” (excluding the information under the subcaptions “DTC Notices,” “Book-Entry-Only System” and “Bondholders’ Remedies”), “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (excluding the information under the subcaptions “Availability of Information” and “Compliance with Prior Undertakings”), “OTHER INFORMATION - Registration and Qualification of Bonds,” “OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas” and “OTHER INFORMATION - Legal Matters”(excluding the last two sentences of the second paragraph hereof), and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The District expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

CYBERSECURITY

The District, like other counties in the State, utilizes technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in material adverse consequences to the District. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the County’s operations or finances. To mitigate these risks, the District continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for District employees and administration. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from District records, audited financial statements and other sources, which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Preliminary Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

MUNICIPAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as 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 Municipal Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the District accepted the bid of _____ (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of _____. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser of the Bonds. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Bonds.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

The Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

Attest:

Secretary, Board of Directors
Franklin County Water District

President, Board of Directors
Franklin County Water District

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT AND FRANKLIN COUNTY, TEXAS . . . The District encompasses the entire Franklin County, Texas (the “County”). The District’s purpose is the ownership and operation of Lake Cypress Springs in the County. The District constructed and maintains the lake for municipal, domestic, irrigation and industrial water supply purposes. The District is the sole water supply provider in the County.

The County is located in northeast Texas, one county removed from Oklahoma and three counties removed from Arkansas. Mount Vernon, the county seat, is on Interstate Highway 30 seventy-two miles southwest of Texarkana and ninety-six miles northeast of Dallas. The County’s economy is based on mineral production and agriculture. The County and the District encompass 188,012 acres (294 square miles).

RECREATION . . . The District oversees a number of recreational facilities and parks that are open to the general public. The recreational facilities and activities include, but are not limited to, recreational vehicle sites, boat ramps, piers, grills, volleyball areas, tent camp areas, pavilions, picnic tables, baseball fields, swim beaches, basketball courts, tennis courts and concrete pads.

MAJOR EMPLOYERS OF CITY OF MOUNT VERNON

Name of Employer	Type of Business	Approximate Number of Employees
Jordan Health Service	Healthcare	13,000
Lowe’s Distribution Center	Retail - Home Improvement	1,000
Mount Vernon ISD	Education	215
Carlton Manufacturing	Manufacturing	85
Joe Tex Freight Forwarding	Transportation	25

Source: <https://www.cityofmountvermontexas.com/page/demographics/>

LABOR FORCE STATISTICS OF FRANKLIN COUNTY

	2025 November ⁽¹⁾	2024	2023	2022	2021
Civilian Labor Force	5,597	5,439	5,511	5,744	5,591
Total Employed	5,401	5,234	5,316	5,570	5,363
Total Unemployed	196	205	195	174	228
Unemployment Rate	3.5%	3.8%	3.5%	3.0%	4.1%

(1) As of November 2025. Source: Texas Workforce Commission Local Area Unemployment Statistics (LAUS).

APPENDIX B

EXCERPTS FROM THE
FRANKLIN COUNTY WATER DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2024

The information contained in this Appendix consists of excerpts from the Franklin County Water District Annual Financial Report for the Year Ended December 31, 2024, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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**FRANKLIN COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024**

FRANKLIN COUNTY WATER DISTRICT

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INTRODUCTORY SECTION

FRANKLIN COUNTY WATER DISTRICT

LIST OF PRINCIPAL OFFICIALS December 31, 2024

OFFICERS

Gary Morrow – President
Rodney Newsom – Vice President
Dillon McAdoo – Secretary

DIRECTORS

G.W. Sharp
Bob Stinson

KEY PERSONNEL

Dana Reeves – General Manager
Lucas Rolf – Operations Manager

DISTRICT ADDRESS

Franklin County Water District
P.O. Box 559
Mount Vernon, Texas 75457
Phone (903) 537-4536

FRANKLIN COUNTY WATER DISTRICT

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF: Franklin }

I, Gary Morrow, President
(Name of Duly Authorized District Representative)

of the Franklin County Water District
(Name of District)

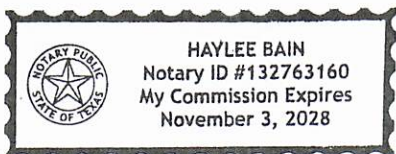
hereby swear, or affirm, that the district named above has reviewed, approved, and filed at a meeting of the Board of Directors of the District on the 24 day of June, 2025, its annual audit report for the fiscal year or period ended December 31, 2024, and that copies of the annual audit report have been filed in the district office, located at 112 N. Houston St., Mount Vernon, Texas, Franklin.
(Address of District) (County)

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

Date June 24, 2025 By: [Signature]
(Signature of District Representative)

Gary Morrow, President
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 24 day of June, 2025.



(Seal)

[Signature]
(Signature of Notary)

My Commission Expires on: 11-3-28, Notary Public in and for the State of Texas.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Franklin County Water District
Mount Vernon, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Franklin County Water District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Franklin County Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Franklin County Water District, as of December 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Franklin County Water 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

Franklin County Water District's 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 Franklin County Water 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 GAAS 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 GAAS, 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 Franklin County Water 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 Franklin County Water 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 Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual on pages 6-8 and 18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County Water District's basic financial statements. The Supplementary Schedules Required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules Required by the Texas Commission on Environmental Quality are the

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

Tox, Byrd + Company, P.C.
Dallas, Texas
April 3, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is provided by the Franklin County Water District, hereafter referred to as the District.

The Franklin County Water District is a conservation and reclamation district that was created by a special act of the Texas Legislature in 1965. The District's statutory duty is to control, store, and preserve and distribute its (the District's) waters and flood waters for all useful purposes. The District is the sole provider of wholesale water for Franklin County. The District has three wholesale water customers and one water rights holder. The District, as an ancillary function, oversees the leases and acts as landlord for District owned land, collecting lease payments and use fees. The District manages and operates park and recreational facilities on Lake Cypress Springs.

Financial Highlights

- At December 31, 2024, the District reported total assets of \$16,276,528 and net position of \$14,643,476.
- The net position of the District increased during the year by \$685,072, or approximately 4.9%.
- The District had operating income of \$27,273 for the year resulting from ongoing operations as well as decreased labor costs and decreased legal fees.
- The District's net capital assets increased during the year by \$68,747 due to capital expenditures (purchased and leased) net of depreciation expense.
- The District's long-term debt and commitments decreased during the year by \$148,303 due to scheduled principal payments, net of amortization of capitalized issuance costs and offset by lease additions.

Overview of the Financial Statements

This section is intended to serve as introduction to the District's basic financial statements. The basic financial statements are: 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; and 3) Statement of Cash Flows.

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and creditworthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides information regarding the sources and uses of cash during the reporting period, and the beginning and ending balances of cash for the reporting period.

The financial statements also include notes that explain in more detail some of the information in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summaries of the District's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are presented below.

Condensed Statements of Net Position

	<u>12/31/2024</u>	<u>12/31/2023</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 7,773,748	\$ 7,287,375	\$ 486,373	6.67 %
Capital assets, net	<u>8,502,780</u>	<u>8,434,033</u>	<u>68,747</u>	<u>0.82</u>
Total assets	<u>\$ 16,276,528</u>	<u>\$ 15,721,408</u>	<u>\$ 555,120</u>	<u>3.53 %</u>
Long-term debt outstanding	\$ 1,053,656	\$ 1,201,959	\$ (148,303)	(12.34) %
Other liabilities	<u>579,396</u>	<u>561,045</u>	<u>18,351</u>	<u>3.27</u>
Total liabilities	<u>\$ 1,633,052</u>	<u>\$ 1,763,004</u>	<u>\$ (129,952)</u>	<u>(7.37) %</u>
Invested in capital assets, net of related indebtedness	\$ 7,423,424	\$ 7,232,074	\$ 191,350	2.65 %
Restricted	<u>204,638</u>	<u>119,328</u>	<u>85,310</u>	<u>71.49</u>
Unrestricted	<u>7,015,414</u>	<u>6,607,002</u>	<u>408,412</u>	<u>6.18</u>
Total net position	<u>\$ 14,643,476</u>	<u>\$ 13,958,404</u>	<u>\$ 685,072</u>	<u>4.91 %</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenue	\$ 1,916,444	\$ 1,867,584	\$ 48,860	2.62 %
Non-operating revenue	<u>678,382</u>	<u>483,229</u>	<u>195,153</u>	<u>40.39</u>
Total revenue	<u>2,594,826</u>	<u>2,350,813</u>	<u>244,013</u>	<u>10.38</u>
Depreciation expense	218,710	222,322	(3,612)	(1.62)
Other operating expense	1,670,461	1,908,312	(237,851)	(12.46)
Non-operating expense	<u>20,583</u>	<u>23,343</u>	<u>(2,760)</u>	<u>(11.82)</u>
Total expenses	<u>1,909,754</u>	<u>2,153,977</u>	<u>(244,223)</u>	<u>(11.34)</u>
Change in net position	685,072	196,836	488,236	248.04
Beginning net position	<u>13,958,404</u>	<u>13,761,568</u>	<u>196,836</u>	<u>1.43</u>
Ending net position	<u>\$ 14,643,476</u>	<u>\$ 13,958,404</u>	<u>\$ 685,072</u>	<u>4.91 %</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

The overall financial position and regular, ongoing operations of the District remain sound. Net capital assets increased by \$68,747 in 2024 due to capital expenditures of \$201,821, net disposals of \$24,462, net of depreciation expense of \$218,710. The majority of capital expenditures were in connection with the leasing of vehicles and purchases of other equipment. Bonds payable decreased \$148,303 in 2024 due to scheduled principal payments of \$240,000, net of amortization of capitalized issuance costs of \$7,300, net of lease liability additions.

The \$48,860 increase in operating revenue is due to normal fluctuations. The \$237,851 decrease in other operating expenses in 2024 is primarily attributable to decreased labor costs and legal expenses from the previous year's levels.

Capital Asset and Debt Administration

The District's investment in capital assets as of December 31, 2024, consisted of land, lake construction, dam reconstruction, buildings, machinery and equipment, vehicles, and park and lake assets. The District has incurred engineering costs for the dam during 2024, and costs associated with the project will continue to increase net capital assets through its completion.

The District's long-term debt activity during 2024 consisted of scheduled principal payment in the amount of \$240,000.

Economic Factors and Next Year's Budgets and Rates

During 2013, the District began addressing erosion issues relating to the dam remediation project with its attorneys and consulting engineers. The District's litigation to address these erosion issues was settled in 2018. The District has studied options for improving the dam to remediate the erosion and has been working on improvements to the dam over the past several years.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Franklin County Water District, P.O. Box 559, Mount Vernon, Texas 75457.

FRANKLIN COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2024

ASSETS

CURRENT ASSETS

Unrestricted cash and cash equivalents	\$ 7,322,665
Property taxes receivable, net	246,445
Total current assets	<u>7,569,110</u>

OTHER ASSETS

Cash restricted for debt service	204,638
Capital assets, net	8,392,683
Finance lease right of use assets, net	<u>110,097</u>
	<u>\$ 16,276,528</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 58,557
Accrued interest payable	3,814
Other accrued liabilities	37,326
Customer Deposits	403
Bonds payable, current portion	240,000
Deferred revenue	479,296
Finance lease liabilities, current portion	<u>40,572</u>
Total current liabilities	859,968

NON-CURRENT LIABILITIES

Bonds Payable	729,259
Finance lease liabilities, non-current portion	<u>43,825</u>
	<u>1,633,052</u>

NET POSITION

Invested in capital assets, net of related indebtedness	7,423,424
Restricted for debt service	204,638
Unrestricted	<u>7,015,414</u>
	<u>14,643,476</u>
	<u>\$ 16,276,528</u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2024

OPERATING REVENUE	
Permits and other fees	\$ 742,230
Water sales and M&O fees	613,923
Admission fees	427,604
Lease income	132,687
	<u>1,916,444</u>
OPERATING EXPENSES	
Labor and personnel	951,422
Legal fees and other professional fees	128,087
Depreciation	218,710
Lease Amortization	36,589
Utilities	104,386
Engineering fees	69,099
Repairs and maintenance	151,648
Supplies	70,381
Insurance	47,990
Other operating expenses	110,859
	<u>1,889,171</u>
OPERATING INCOME	<u>27,273</u>
NON-OPERATING REVENUE AND EXPENSE	
Ad valorem taxes	310,037
Interest income	308,930
Interest expense	(20,583)
Other income and expense, net	52,507
Gain (Loss) on Disposal of Fixed Assets	6,908
	<u>657,799</u>
INCREASE IN NET POSITION	685,072
NET POSITION, beginning	<u>13,958,404</u>
NET POSITION, ending	<u><u>\$ 14,643,476</u></u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net position	\$ 685,072
Adjustments to reconcile increase in net position to net cash provided by operating activities	
Depreciation	218,710
Amortization of lease right of use assets	36,589
Amortization of bond issuance costs	7,300
Gain on sale of equipment	(56,144)
Write off of old prepaids	2,097
Net change in	
Restricted cash	(85,310)
Receivables	25,853
Accounts payable and accrued liabilities	10,951
Deferred revenue	7,400
Net cash provided by operating activities	<u>852,518</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Transfer of investments to cash accounts	1,285,700
Acquisition of capital assets	(201,821)
Disposal of capital assets	80,605
Net cash provided by investing activities	<u>1,164,484</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long term debt	(240,000)
Repayment of leases	(62,289)
Net cash used in financing activities	<u>(302,289)</u>

INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS 1,714,713

UNRESTRICTED CASH AND CASH EQUIVALENTS, beginning 5,607,952

UNRESTRICTED CASH AND CASH EQUIVALENTS, ending \$ 7,322,665

NONCASH INVESTING AND FINANCING ACTIVITIES

Vehicle lease additions	\$ 146,686
Net Assets Adjustment from prior year	28,424

The accompanying notes are an integral part of the financial statements.

FRANKLIN COUNTY WATER DISTRICT NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Franklin County Water District was created by an act of the Legislature, H.B. No. 1161, 59th Legislature of the State of Texas. The Board of Directors held its first meeting on June 15, 1965, and its first bonds were sold on January 13, 1966.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

The reporting entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District's financial statements do not include any component units because none of the criteria for inclusion as set forth in GASB 14 have been met.

Proprietary funds

Enterprise funds (a type of proprietary fund) are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's enterprise fund accounts for the operations of providing raw water for municipal use out of Lake Cypress Springs and for the management and maintenance of the lakes, parks, and recreational facilities located on property owned by the District. The District also leases land to tenants, generally under ninety-nine year leases, and collects land use rents. Aggregate future minimum rentals on non-cancelable leases for the next five fiscal years amount to approximately \$95,000 annually.

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Generally accepted accounting principles prescribed by the Financial Accounting Standards Board are applied unless they conflict with or contradict GASB pronouncements, or were issued after November 30, 1989.

Proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

FRANKLIN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposit accounts in banks.

Investments

Investments, if any, are stated at fair value based on quoted prices in active markets for identical assets. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the remaining term of the investment.

Receivables

Accounts receivable, if any, are considered collectible; accordingly, no allowance for doubtful accounts is required. Customers with pre-payments in excess of their billings are classified as customer deposits. In the event an account in whole or in part becomes uncollectible in the future, such amount will be charged to operations at that time.

Ad valorem (property) taxes

Ad valorem (property) taxes are levied on October 1st by the District based on the January 1st property values as assessed by the Franklin County Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the District has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the District.

Depreciation

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line method. The service lives by type of asset are as follows:

Dam reconstruction	50 years
Buildings	5 – 20 years
Machinery and equipment	3 – 20 years
Vehicles	3 – 5 years
Furniture and fixtures	2 – 10 years
Park and lake assets	3 – 20 years

Advance lease and permit payments

Lease income, water permit fees, and pier and boathouse permit fees are recognized when earned. Revenues are considered to be earned when the District has performed all services related to the generation of revenue. At December 31, 2024, the District had received payment for services to be performed subsequent to year end. The advance payments are reflected as deferred revenue in the statement of net position. The revenue relating to these payments will be recognized in the period the service is performed.

FRANKLIN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accumulated unpaid vacation and sick leave

An allowance for compensated absences has not been reflected in these financial statements because the liability is not material. Unused sick leave carried over to a subsequent year is capped at sixty days and is lost upon termination. Employees may elect to be paid for up to five days of unused vacation annually. Any remaining vacation must either be used by the employee's anniversary date of each year or it is lost.

Estimates

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

Subsequent Events

Management has evaluated subsequent events through April 3, 2025, which is the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. At December 31, 2024, the District's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Accordingly, the District's deposits were not exposed to custodial credit risk.

Investments

The Texas Public Funds Investment Act and the District's investment policy authorize the District to invest in U.S. Treasury securities, U.S. agency securities, including mortgage-backed securities, state and local government obligations; certificates of deposit; repurchase agreements; banker's acceptances; commercial paper and external investment pools. The District's investment policy sets forth specific criteria that each of these investments must meet to be eligible investments.

Custodial credit risk for investments is the risk that the District will not be able to recover the value of its investments that are in the possession of an outside party. At December 31, 2024, the District's investments were entirely insured or registered in the District's name. Accordingly, the District's investments were not exposed to custodial credit risk. At December 31, 2024, the District's held no investments.

FRANKLIN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The District's capital asset activity during 2024 was as follows:

	Balance 1/1/2024	Additions	Retirements	Balance 12/31/2024
Non-depreciable assets				
Land	\$ 1,069,405	\$ 57,530	\$ -	\$ 1,126,935
Lake construction	2,791,312	-	-	2,791,312
Construction in process	329,276	21,667	-	350,943
	<u>4,189,993</u>	<u>79,197</u>	<u>-</u>	<u>4,269,190</u>
Depreciable assets				
Dam construction	4,635,761	-	-	4,635,761
Buildings	378,296	-	-	378,296
Machinery and equipment	448,382	85,099	(151,692)	381,789
Vehicles	432,063	24,730	(92,935)	363,858
Furniture and fixtures	189,367	-	-	189,367
Parks and lake assets	2,124,046	12,793	-	2,136,839
	<u>8,207,915</u>	<u>122,622</u>	<u>(244,627)</u>	<u>8,085,910</u>
Total capital assets	12,397,908	201,819	(244,627)	12,355,100
Accumulated depreciation	<u>(3,963,871)</u>	<u>(218,710)</u>	<u>220,164</u>	<u>(3,962,417)</u>
	<u>\$ 8,434,037</u>	<u>\$ (16,891)</u>	<u>\$ (24,463)</u>	<u>\$ 8,392,683</u>

4. LONG-TERM DEBT

As of December 31, 2024, bonds payable comprised the Unlimited Tax Refunding Bond, Series 2020, dated May 6, 2020, in the aggregate principal amount of \$2,165,000. Interest is payable semi-annually at 1.15% and principal is payable annually through September 1, 2028. The bonds are secured by a first lien on the net proceeds of annual ad valorem tax levied against all taxable property located in the District. The bond proceeds were used to refund the outstanding balance of the District's Unlimited Tax Bond, Series 2008, which was issued in 2008 to fund remediation and repairs to the District's Franklin County Dam and structures and facilities for Lake Cypress Springs.

FRANKLIN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT - continued

The District's long-term debt activity during 2024 was as follows:

	Balance 1/1/2024	Issued in 2024	Retired in 2024	Balance 12/31/2024	Due in 2025
Unlimited tax bonds					
Series 2020	\$ 1,235,000	\$ -	\$ (240,000)	\$ 995,000	\$ 240,000
Issuance costs	<u>(33,041)</u>	<u>-</u>	<u>7,300</u>	<u>(25,741)</u>	<u>-</u>
	<u>\$ 1,201,959</u>	<u>\$ -</u>	<u>\$ (232,700)</u>	<u>\$ 969,259</u>	<u>\$ 240,000</u>

The scheduled maturities of bonds payable as of December 31, 2024 are as follows:

Year Ending December 31:	Principal	Interest	Total
2025	\$ 240,000	\$ 11,443	\$ 251,443
2026	250,000	8,683	258,683
2027	250,000	5,808	255,808
2028	<u>255,000</u>	<u>2,933</u>	<u>257,933</u>
	<u>\$ 995,000</u>	<u>\$ 28,867</u>	<u>\$ 1,023,867</u>

5. LEASES

The District initiated 5 leases during 2024 to finance the purchases of vehicles.

The breakdown of future minimum payments is as follows:

Year Ending September 30:	Finance Leases
2025	\$ 40,572
2026	38,518
2027	<u>5,307</u>
Lease Liability	<u>\$ 84,397</u>

As of December 31, 2024, the remaining lease terms are either 2 or 3 years. No discount rate was used, due to the nature and amount of the leases.

The lease liability recorded as of December 31, 2024 is \$84,397 and the net right-of-use asset is \$110,097. As of December 31, 2024, the entity incurred finance lease expense of \$36,589.

FRANKLIN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

6. WATER CUSTOMERS

At December 31, 2024, the District had three wholesale customers and one water rights holder connected with the system. These entities (none of which are residential users) are as follows:

City of Mount Vernon
City of Winnsboro
Cypress Springs Special Utility District
City of Mount Pleasant (water rights holder)

For the year ended December 31, 2024, the wholesale customers used 3,148.44 acre-feet of surface water.

7. RETIREMENT PLANS

The District maintains a deferred compensation plan under Section 457 of the Internal Revenue Code (the "457 Plan"). Employees are eligible to participate in the 457 Plan upon the completion of six months of service as defined by the 457 Plan. The 457 Plan allows employees to make pre-tax contributions to specified limits. Employees are fully vested at all times in their contributions to the 457 Plan. The District does not make contributions to the 457 Plan.

The District also maintains a qualified retirement plan under Section 401 of the Internal Revenue Code (the "401 Plan"). Employees are eligible to participate in the 401 Plan upon the completion of six months of service as defined by the 401 Plan. The District makes matching contributions to the 401 Plan equal to the lesser of 100% of a participant's contributions or 7% of the participant's compensation. The 401 Plan has a five-year vesting schedule with 20% vesting each year.

The total covered payroll for 2024 was \$366,521, while total payroll for all employees was \$718,946. The employer's 2024 contributions to the 401 Plan totaled \$23,348, or 6.4% of covered payroll. The employees' 2024 contributions to the 401 Plan totaled \$23,421, or 6.4% of covered payroll.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other various claims. The District purchases commercial insurance to indemnify it in the event of loss. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF REVENUE, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
For the Year Ended December 31, 2024

	Original Budget	Amended Budget	Actual
OPERATING REVENUES			
Permits and other fees	\$ 714,955	\$ 714,955	\$ 742,230
Water sales and M&O fees	530,355	530,355	613,923
Admission fees	459,895	459,895	427,604
Lease income	100,305	100,305	132,687
	<u>1,805,510</u>	<u>1,805,510</u>	<u>1,916,444</u>
OPERATING EXPENSES			
Labor and personnel	1,033,796	1,033,796	951,422
Legal fees and other professional fees	144,749	144,749	128,087
Depreciation	-	-	255,299
Utilities	127,500	127,500	104,386
Engineering fees	20,000	20,000	69,099
Repairs and maintenance	400,000	400,000	151,648
Supplies	56,500	56,500	70,381
Insurance	40,000	40,000	47,990
Other operating expenses	147,250	147,250	110,859
	<u>1,969,795</u>	<u>1,969,795</u>	<u>1,889,171</u>
OPERATING INCOME(LOSS)	<u>(164,285)</u>	<u>(164,285)</u>	<u>27,273</u>
NON-OPERATING REVENUE AND EXPENSE			
Ad valorem taxes	254,250	254,250	310,037
Interest income	166,135	166,135	308,930
Interest expense	-	-	(20,583)
Other income and expense, net	57,105	57,105	52,507
Gain on disposal of capital assets	-	-	6,908
	<u>477,490</u>	<u>477,490</u>	<u>657,799</u>
CHANGE IN NET POSITION	313,205	313,205	685,072
BUDGETARY RECONCILIATION			
Interest expense	-	-	20,583
Debt service	(254,205)	(254,205)	(240,000)
Depreciation	-	-	255,299
Capital expenditures	(59,000)	(59,000)	(201,819)
NET BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,135</u>

FRANKLIN COUNTY WATER DISTRICT
INDEX OF SUPPLEMENTARY SCHEDULES REQUIRED BY
THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
For the Year Ended December 31, 2024

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FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF SERVICES AND RATES
For the Year Ended December 31, 2024

1. Services provided by the District:

- | | | |
|---|---|-------------------------------------|
| ☐ Retail water | ☒ Wholesale water | ☐ Drainage |
| ☐ Retail wastewater | ☐ Wholesale wastewater | ☐ Irrigation |
| ☒ Parks / recreation | ☐ Fire protection | ☐ Security |
| ☐ Solid waste / garbage | ☐ Flood control | ☐ Roads |
| ☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| ☐ Other (specify): _____ | | |

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

Most prevalent type of meter (if not 5/8"): _____

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate / 1,000 Gallons Over Minimum	Usage Levels
Water	\$ _____	_____	_____	\$ _____	_____ to _____
Wastewater	\$ _____	_____	_____	\$ _____	_____ to _____
Surcharge	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater: ☐ Yes ☐ No

Total water and wastewater charges / 10,000 gallons usage (incl surcharges): \$ _____

3. Retail service providers: Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide the actual numbers and single family equivalents (ESFC) as noted:

☒ Retail connections not applicable

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single family	_____	_____	_____
Multi-family	_____	_____	_____
Commercial	_____	_____	_____
Other - recreation centers, government & VFD	_____	_____	_____
Total	=====	=====	=====

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

** "Inactive" means that water and wastewater connections were made, but service is not being provided.

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF SERVICES AND RATES (continued)
For the Year Ended December 31, 2024

4. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into system 1,025,923
Gallons billed to customers 1,025,923

5. Standby fees: Does the District assess standby fees? ☐ Yes ☒ No

For the most recent fiscal year, FYE: _____

Debt service	Total levy	\$ _____
	Total collected	_____
	Percentage collected	_____
Operations and maintenance	Total levy	\$ _____
	Total collected	_____
	Percentage collected	_____

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

6. Anticipated sources of funds to be used for debt service payments in the District's following fiscal year:

	Amount
a. Debt service tax receipts	\$ 251,443
b. Surplus construction funds	_____
c. Water and/or wastewater revenue	_____
d. Standby fees	_____
e. Debt service fund balance to be used	_____
f. Interest revenue	_____
g. Other (describe)	_____

Total anticipated funds to be used*	\$ 251,443

7. Location of District:

County(ies) in which the District is located: Franklin

Is the District located entirely within one county? ☒ Yes ☐ No

Is the District within a city? ☐ Entirely ☒ Partly ☐ Not at all

City(ies) in which the District is located: Mount Vernon and Winnsboro

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

ETJ in which the District is located: N/A

Is the general membership of the board appointed by an outside office? ☐ Yes ☒ No

If yes, by whom? N/A

* Total should equal the District's annual debt service for the fiscal year following the fiscal year reported.

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2024

Labor and personnel	\$ 951,422
Legal fees and other professional fees	128,087
Depreciation	218,710
Lease Amortization	36,589
Utilities	104,386
Engineering fees	69,099
Repairs and maintenance	151,648
Supplies	70,381
Insurance	47,990
Other operating expenses	<u>110,859</u>
	<u>\$ 1,889,171</u>
Number of persons employed by the District	25 full-time -0- part-time

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
For the Year Ended December 31, 2024

<u>Fiscal Year Ending December 31:</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
Unlimited Tax Bonds, Series 2020			
(Principal due September 1, interest due March 1 and September 1)			
2025	\$ 240,000	\$ 11,443	\$ 251,443
2026	250,000	8,683	258,683
2027	250,000	5,808	255,808
2028	<u>255,000</u>	<u>2,933</u>	<u>257,933</u>
	\$ 995,000	\$ 28,867	\$ 1,023,867
Capitalized issuance costs	<u>(25,741)</u>		
Total carrying value	<u>\$ 969,259</u>		

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2024

	Series 2020
Interest rates	1.15%
Dates interest payable	3/1 and 9/1
Maturity dates	9/1/2020 to 9/1/2028
Bonds outstanding at the beginning of the year	\$ 1,235,000
Bonds sold during the current year	-
Principal retired	<u>(240,000)</u>
Bonds outstanding at the end of the year	<u>\$ 995,000</u>

Paying agent's name and address:

The Bank of New York Mellon Trust Company, N.A. - Dallas, Texas

	Tax Bonds *	Other Bonds	Refunding Bonds
Bond authority:			
Amount authorized by voters	\$ 3,800,000	\$ -	\$ -
Amount issued	\$ 3,800,000	\$ -	-
Amount remaining to be issued	\$ -	\$ -	-

* Includes all bonds secured with tax revenue

FRANKLIN COUNTY WATER DISTRICT
COMPARATIVE SCHEDULE OF REVENUE AND EXPENSES
For the Five Years Ended December 31, 2024

	Amount					Percent of Operating Revenue				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
OPERATING REVENUE										
Lease income	\$ 132,687	\$ 122,056	\$ 116,801	\$ 231,849	\$ 180,876	7 %	7 %	6 %	12 %	10 %
Admission fees	427,604	477,120	476,518	517,385	414,987	22	26	26	27	24
Permits and other fees	742,230	701,944	712,493	631,490	604,749	39	38	38	33	35
Water sales and M&O fees	613,923	566,464	556,353	546,963	536,089	32	30	30	28	31
Total operating revenue	<u>1,916,444</u>	<u>1,867,584</u>	<u>1,862,165</u>	<u>1,927,687</u>	<u>1,736,701</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
OPERATING EXPENSES										
Labor and personnel	951,422	1,096,940	838,351	905,342	726,766	50	59	45	47	42
Engineering fees	69,099	117,566	129,869	160,009	409,559	4	6	7	8	24
Legal fees and other professional	128,087	290,702	245,178	307,766	102,894	7	16	13	16	6
Supplies	70,381	62,767	61,331	66,581	45,229	4	3	3	3	3
Repairs and maintenance	151,648	90,991	129,341	96,497	241,617	8	5	7	5	14
Utilities	104,386	126,622	163,684	103,987	98,922	5	7	9	5	6
Insurance	47,990	28,233	33,161	35,633	37,184	3	2	2	2	2
Depreciation	218,710	222,322	201,740	215,789	210,225	11	12	11	11	12
Lease Amortization	36,589	-	-	-	-	2	-	-	-	-
Other operating expenses	110,859	94,491	55,357	117,277	57,655	6	5	3	6	3
Total operating expenses	<u>1,889,171</u>	<u>2,130,634</u>	<u>1,858,012</u>	<u>2,008,881</u>	<u>1,930,051</u>	<u>99</u>	<u>114</u>	<u>100</u>	<u>104</u>	<u>111</u>
Operating income (loss)	<u>27,273</u>	<u>(263,050)</u>	<u>4,153</u>	<u>(81,194)</u>	<u>(193,350)</u>	<u>1</u>	<u>(14)</u>	<u>-</u>	<u>(4)</u>	<u>(11)</u>
NON-OPERATING REVENUE AND EXPENSE										
Interest income	308,930	199,425	53,001	21,419	47,297	16	11	3	1	3
Ad valorem taxes	310,037	282,165	260,319	259,304	259,752	16	15	14	13	15
Change in value of investments	-	-	-	-	-	-	-	-	-	-
Gain on disposal of capital assets	6,908	-	-	3,048	-	-	-	-	-	-
Interest expense	(20,583)	(23,343)	(26,026)	(30,482)	(59,922)	(1)	(1)	(1)	(2)	(3)
Other income and expense, net	52,507	1,639	9,647	(2,088)	6,416	3	-	1	-	-
Net non-operating revenue	<u>657,799</u>	<u>459,886</u>	<u>296,941</u>	<u>251,201</u>	<u>253,543</u>	<u>34</u>	<u>25</u>	<u>16</u>	<u>13</u>	<u>15</u>
Increase in net position	<u>\$ 685,072</u>	<u>\$ 196,836</u>	<u>\$ 301,094</u>	<u>\$ 170,007</u>	<u>\$ 60,193</u>	<u>36 %</u>	<u>11 %</u>	<u>16 %</u>	<u>9 %</u>	<u>3 %</u>

FRANKLIN COUNTY WATER DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For the Year Ended December 31, 2024

Complete district mailing address: P.O. Box 559, Mount Vernon, Texas 75447
District business telephon number: (903) 537-4536

<u>Name and Address</u>	<u>Term of Office or Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>	<u>Resident of District</u>
<u>Board members:</u>				
Gary Morrow 81 Frank Street Mt. Vernon, TX 75457	Elected 5/23 - 5/27	1,100.00	President	Yes
Rodney Newsom P.O. Box 312 Mt. Vernon, TX 75457	Elected 5/23 - 5/27	1,341.48	Vice President	Yes
Dillon McAdoo 188 Purley Farms Circle Mt. Vernon, TX 75457	Elected 5/23 - 5/27	1,436.24	Secretary	Yes
G.W. Sharp 343 CR NW 1070 Mt. Vernon, TX 75457	Elected 12/24 - 5/25	-	Director	Yes
Bob Stinson 641 Hwy. 67 Mt. Vernon, TX 75457	Elected 1/24 - 5/25	-	Director	Yes

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

Key administrative personnel:

Dana Reeves P.O. Box 314 Mt. Vernon, TX 75457	Hired 3/23	88,947.38	General Manager	Yes
Lucas Rolf 1909 CR 1165 Mt. Pleasant, TX 75455	Hired 9/23	43,686.04	Operations Manager	Yes

FRANKLIN COUNTY WATER DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued)
For the Year Ended December 31, 2024

<u>Name and Address</u>	<u>Term of Office or Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>	<u>Resident of District</u>
<u>Consultants:</u>				
Boyle & Lowry 4201 Wingren Dr. Ste. 108 Irving, TX 75062	Hired 2023	\$ 96,913	Attorney	No
Carollo Engineers P.O. Box 4932 Houston, TX 77210	Hired 2015	40,297.06	Engineers	No
Fox, Byrd & Company, P.C. 12001 N. Central Expy Ste 500 Dallas, TX 75243	Hired 1993	18,000.00	Auditor	No
Stranger Surveying PO Box 131194 Tyler, TX 75713	Hired 2019	-	Surveyor	No
Bullock, Bennett & Associated, LLC 165 N. Lampasas Street Bertram, TX 78605	Hired 2022	-	Engineers	No
Schnabel Engineering PO Box 7422 Merrifield, VA 22116	Hired 2022	21,670.30	Engineers	No

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

**FRANKLIN COUNTY WATER DISTRICT
UNLIMITED TAX BONDS, SERIES 2026**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$16,000,000

AS BOND COUNSEL for the Franklin County Water District (the "*Issuer*"), the issuer of the Bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing, unless redeemed prior to maturity in accordance with the terms of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including executed Bond Numbered T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.



IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project being financed and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. We express no opinion as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

THE ISSUER reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds and have not assumed any



responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

Municipal Advisory Services
Provided By

