

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 9, 2026**

This PRELIMINARY OFFICIAL STATEMENT is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriter.

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

**NEW ISSUE-Book-Entry Only**

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

**\$7,985,000**

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
*(A political subdivision of the State of Texas located within Calhoun County)*  
**UNLIMITED TAX BONDS**  
**SERIES 2026**

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

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

**Dated Date: July 1, 2026**

**Due: March 1, as shown below**

**Interest Accrual Date: Date of Delivery**

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about July 28, 2026) (the "Date of Delivery"), and is payable each March 1 and September 1, commencing March 1, 2027, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

**MATURITY SCHEDULE**

Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (d)	CUSIP Number (c)	Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (d)	CUSIP Number (c)
2028	\$ 320,000				2041	\$ 320,000			(b)
2029	320,000				2042	320,000			(b)
2030	320,000				2043	320,000			(b)
2031	320,000				2044	320,000			(b)
2032	320,000				2045	320,000			(b)
2033	320,000	(b)			2046	320,000			(b)
2034	320,000	(b)			2047	320,000			(b)
2035	320,000	(b)			2048	320,000			(b)
2036	320,000	(b)			2049	320,000			(b)
2037	320,000	(b)			2050	315,000			(b)
2038	320,000	(b)			2051	315,000			(b)
2039	320,000	(b)			2052	315,000			(b)
2040	320,000	(b)							

- (a) The Underwriter (as hereinafter defined) may designate one or more maturities of term bonds. See accompanying "OFFICIAL NOTICE OF SALE."
- (b) Bonds maturing on or after March 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on March 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Initial yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about July 28, 2026.

**Bids Due: Monday, June 29, 2026 at 9:00 A.M., Houston Time in Houston, Texas**  
**Bid Award: Monday, June 29, 2026 at 1:00 P.M., Houston Time in Port O'Connor, Texas**

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

## TABLE OF CONTENTS

<b>MATURITY SCHEDULE .....</b>	<b>1</b>	<b>TAXING PROCEDURES .....</b>	<b>28</b>
<b>USE OF INFORMATION IN OFFICIAL STATEMENT .....</b>	<b>3</b>	Authority to Levy Taxes.....	28
<b>SALE AND DISTRIBUTION OF THE BONDS .....</b>	<b>4</b>	Property Tax Code and County-Wide Appraisal District .....	28
Award of the Bonds.....	4	Property Subject to Taxation by the District .....	28
Prices and Marketability .....	4	Tax Abatement.....	29
Securities Laws.....	4	Valuation of Property for Taxation .....	29
<b>OFFICIAL STATEMENT SUMMARY.....</b>	<b>5</b>	District and Taxpayer Remedies.....	30
<b>SELECTED FINANCIAL INFORMATION (UNAUDITED) ...</b>	<b>8</b>	Levy and Collection of Taxes.....	30
<b>THE BONDS.....</b>	<b>9</b>	Rollback of Operation and Maintenance Tax Rate.....	30
Description .....	9	District’s Rights in the Event of Tax Delinquencies .....	31
Method of Payment of Principal and Interest .....	9	<b>INVESTMENT CONSIDERATIONS.....</b>	<b>32</b>
Source of Payment.....	9	General .....	32
Funds .....	10	Extreme Weather Events .....	32
No Arbitrage.....	10	Specific Flood Type Risks .....	32
Redemption Provisions.....	10	Possible Impact on District Tax Rates.....	33
Authority for Issuance .....	11	Tax Collections Limitations and Foreclosure Remedies .....	33
Registration and Transfer .....	11	Registered Owners’ Remedies and Bankruptcy Limitations .....	33
Lost, Stolen or Destroyed Bonds .....	11	Future Debt.....	34
Replacement of Paying Agent/Registrar.....	12	Environmental Regulations .....	35
Issuance of Additional Debt .....	12	Marketability of the Bonds.....	36
Remedies in Event of Default.....	12	Changes in Tax Legislation.....	36
Legal Investment and Eligibility to Secure Public		Continuing Compliance with Certain Covenants .....	36
Funds in Texas.....	13	Risk Factors Related to the Purchase of Municipal	
Defeasance.....	13	Bond Insurance.....	36
<b>BOOK-ENTRY-ONLY SYSTEM.....</b>	<b>14</b>	Cybersecurity .....	36
<b>USE AND DISTRIBUTION OF BOND PROCEEDS .....</b>	<b>16</b>	<b>MUNICIPAL BOND RATING AND MUNICIPAL</b>	
<b>THE DISTRICT .....</b>	<b>17</b>	<b>BOND INSURANCE .....</b>	<b>37</b>
General .....	17	<b>LEGAL MATTERS .....</b>	<b>37</b>
Description and Location.....	17	Legal Proceedings .....	37
Status of Development.....	17	No Material Adverse Change .....	37
<b>MANAGEMENT OF THE DISTRICT .....</b>	<b>18</b>	No-Litigation Certificate .....	38
Board of Directors .....	18	<b>TAX MATTERS.....</b>	<b>38</b>
District Management .....	18	Tax Exemption.....	38
District Consultants .....	18	Qualified Tax-Exempt Obligations .....	38
<b>THE SYSTEM .....</b>	<b>19</b>	Additional Federal Income Tax Considerations .....	39
Regulation .....	19	<b>PREPARATION OF OFFICIAL STATEMENT .....</b>	<b>40</b>
Water Supply.....	19	Sources and Compilation of Information .....	40
Wastewater Treatment.....	19	Financial Advisor .....	40
Water Distribution, Wastewater Collection, Drainage and		Consultants.....	40
Navigation Facilities.....	19	Updating the Official Statement.....	41
100-Year Flood Plain.....	19	Certification of Official Statement .....	41
<b>FINANCIAL INFORMATION CONCERNING THE</b>		<b>CONTINUING DISCLOSURE OF INFORMATION .....</b>	<b>41</b>
<b>DISTRICT (UNAUDITED) .....</b>	<b>20</b>	Annual Reports.....	41
Investments of the District.....	20	Event Notices .....	42
Outstanding Bonds .....	21	Availability of Information from the MSRB .....	42
Water and Wastewater Operations.....	22	Limitations and Amendments.....	42
Debt Service Requirements .....	23	Compliance With Prior Undertakings .....	42
Estimated Overlapping Debt.....	24	<b>MISCELLANEOUS.....</b>	<b>43</b>
Overlapping Taxes.....	24	<b>AERIAL PHOTOGRAPH</b>	
<b>TAX DATA .....</b>	<b>25</b>	<b>PHOTOGRAPHS OF THE DISTRICT</b>	
Debt Service Tax .....	25	<b>APPENDIX A—Financial Statement of the District for the fiscal</b>	
Maintenance and Operations Tax .....	25	year ended September 30, 2025	
Sales and Use Tax.....	25		
Historical Tax Rate Distribution.....	25		
Exemptions.....	25		
Additional Penalties.....	25		
Historical Tax Collections .....	26		
Tax Roll Information.....	26		
Principal Taxpayers .....	27		
Tax Adequacy for Debt Service.....	27		

## USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

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

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

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

## SALE AND DISTRIBUTION OF THE BONDS

### **Award of the Bonds**

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

### **Prices and Marketability**

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

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

### **Securities Laws**

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

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

*Description...*

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

*Location...*

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

*Status of Development...*

The District includes approximately 1,842 active single-family residential connections. Approximately 28% of the single-family homes are permanent residences and the balance of homes within the District are second homes. There are vacant lots and land in the District available for new homes and businesses; however, no exact lot or acreage count is available. The average value of homes for the 2025 tax year within the District, including homes within Defined Area No. 1 (as defined herein), was approximately \$273,330. The average value of homes for the 2025 tax year within Defined Area No. 1 was approximately \$991,518. The permanent population in the District is estimated at 1,805 as of May 1, 2026, based upon an estimate of 3.5 persons per estimated permanent single-family residence.

Other development within the District consists of approximately 300 multi-family and commercial connections, including fishing and hunting supply stores and guide services, oil field service businesses, restaurants, fresh seafood suppliers, souvenir shops, motels, RV parks, vacation equipment rentals, a gym, lawn service businesses, liquor stores, grocery stores, convenient stores, hardware stores, marinas and marine services, real estate businesses, rental companies, condominiums and construction and remodeling businesses.

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

*Defined Area No. 1...* Pursuant to a resolution adopted by the District’s Board of Directors on February 11, 2008, and an election held on May 10, 2008, approximately 41 acres within the boundaries of the District were designated as “Defined Area No. 1” and are being developed as the community of “Caracol.” Defined Area No. 1 was created to provide certain services to the property within Defined Area No. 1, including improvements for drainage and navigation of inland and coastal waters. Facilities have been constructed to serve 74 lots where 13 custom homes have been constructed to date and no custom homes are currently under construction. In addition, a pool, a pavilion, a lighted volleyball court and 14 day boat slips to allow for navigation of inland and coastal waters by boats up to 60 feet in length have been constructed in Defined Area No. 1 for the exclusive use by the residents of Defined Area No. 1. The 2025 tax rate levied within Defined Area No. 1 was \$0.52, which is in addition to the 2025 tax rate of \$0.48 levied within the District. The Defined Area No. 1 tax rate is dedicated solely to the maintenance and operation of Defined Area No. 1 and is not pledged to or available for payment of debt service on the Bonds. See “THE BONDS— Issuance of Additional Debt,” “TAX DATA—Maintenance and Operations Tax” and “INVESTMENT CONSIDERATIONS—Future Debt.”

*Payment Record...* The Bonds are the District’s fifth issuance of unlimited tax bonds for water, wastewater and drainage facilities. The District has previously issued \$34,670,000 principal amount of unlimited tax bonds for acquiring or constructing water, wastewater, and drainage facilities in four series and \$4,700,000 principal amount of unlimited tax refunding bonds in one series, of which \$32,525,000 collectively remains outstanding as of the date hereof (the “Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted on its debt obligations.

The District has also issued five series of water and sewer system revenue bonds, which are secured by and payable solely from the net revenues of the District’s water and sewer system and are not secured by the District’s ad valorem taxes (the “Water and Sewer Revenue Bonds”), of which \$1,580,000 principal amount is outstanding as of the date hereof. See “THE BONDS—Funds,” “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds” and “—Water and Wastewater Operations.”

*Future Debt...* The TCEQ approved the sale of \$9,350,000 principal amount of bonds. The Bonds represent the first installment of such TCEQ authorization in the amount of \$7,985,000. The District reserves the right to issue the remaining \$1,365,000 principal amount. Timing of the sale of the remaining \$1,365,000 is unknown at this time. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted on its debt obligations.

## THE BONDS

*Description...* The \$7,985,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors. The Bonds are scheduled to mature serially on March 1 in each of the years 2028 through 2052, both inclusive, in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery, and is payable March 1, 2027, and each September 1 and March 1 thereafter, until the earlier of stated maturity or redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”

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

*Redemption...* Bonds maturing on or after March 1, 2033 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for wastewater improvements within the District shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay administrative costs and certain other costs associated with the Bonds; and to pay engineering fees related to the issuance of the Bonds.
<i>Authority for Issuance...</i>	The Bonds are the third series of bonds issued out of \$40,000,000 principal amount of unlimited tax bonds authorized by the District’s voters at an election held within the District on May 7, 2022, for the purpose of constructing or acquiring water, wastewater and drainage facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8409 Texas Special District Local Laws Code, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Calhoun County or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Insurance and Municipal Bond Rating...</i>	Application has been made to Moody’s Investors Service (“Moody’s”) for an underlying rating on the Bonds, and Moody’s has assigned an underlying rating of “A3” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter at the Underwriter’s expense. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax Exempt Obligations.”
<i>General Counsel...</i>	Walker Keeling Hatley LLP, Victoria, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

### **INVESTMENT CONSIDERATIONS**

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

## SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation.....	\$881,550,797	(a)
2026 Preliminary Taxable Assessed Valuation.....	\$895,892,784	(b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds).....	\$40,510,000	(c)
Estimated Overlapping Debt .....	<u>6,363,668</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$46,873,668	
Ratios of Gross Direct Debt to: .....		
2025 Certified Taxable Assessed Valuation.....	4.60%	
2026 Preliminary Taxable Assessed Valuation.....	4.52%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to: .....		
2025 Certified Taxable Assessed Valuation.....	5.32%	
2026 Preliminary Taxable Assessed Valuation.....	5.23%	
Debt Service Funds Available as of April 30, 2026.....	\$2,316,453	(e)
Capital Projects Funds Available as of April 30, 2026 .....	\$2,320,099	(f)
Operating Funds Available as of April 30, 2026.....	\$10,941,833	(g)
2025 Debt Service Tax Rate.....	\$0.2225	
2025 Maintenance and Operations Tax Rate.....	<u>0.2575</u>	
2025 Total Tax Rate.....	\$0.4800	(h)
Average Annual Debt Service Requirement (2027-2057).....	\$2,207,796	(i)
Maximum Annual Debt Service Requirement (2028).....	\$2,627,448	(i)
Tax Rate Required to Pay Average Annual Debt Service (2026-2057) at a 95% Collection Rate		
2025 Certified Taxable Assessed Valuation.....	\$0.27	(j)
2026 Preliminary Taxable Assessed Valuation.....	\$0.26	(j)
Tax Rate Required to Pay Maximum Annual Debt Service (2028) at a 95% Collection Rate		
2025 Certified Taxable Assessed Valuation.....	\$0.32	(j)
2026 Preliminary Taxable Assessed Valuation.....	\$0.31	(j)
Status of Development as of April 23, 2026 (k):		
Active Single-Family Residential Connections.....	1,842	(l)
Active Multi-Family and Commercial Connections .....	306	
Estimated Permanent Population.....	1,805	(m)

- (a) As certified by the Calhoun County Appraisal District. See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District as a preliminary indication of the 2026 taxable value as of January 1, 2026. Such value is subject to property owner protest and Appraisal District review and downward revision prior to certification. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”
- (c) After issuance of the Bonds. Does not include the Water and Sewer Revenue Bonds, which are secured by and payable solely from the net revenues of the District’s water and sewer system. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds” and “—Water and Wastewater Operations.”
- (d) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt” and “—Overlapping Taxes.”
- (e) Funds in the Debt Service Fund are available to pay debt service on the Outstanding Bonds and the Bonds and are not available to pay debt service on the Water and Sewer Revenue Bonds. See “THE BONDS—Funds.”
- (f) Includes approximately \$457,983 of proceeds from the District’s Unlimited Tax Bonds, Series 2022, \$175,210 of proceeds from the District’s Unlimited Tax Bonds, Series 2023, and \$1,686,905 of proceeds from the District’s Unlimited Tax Bonds, Series 2025 to be used for various water system and wastewater system improvements. See “THE SYSTEM.”
- (g) Includes approximately \$219,936 of reserve funds in connection with the District’s Water and Sewer System Revenue Bonds, Series 2015, which are not available to pay debt service on the Outstanding Bonds and the Bonds. See “THE BONDS—Funds” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
- (h) Defined Area No. 1 levied a 2025 tax rate of \$0.52 per \$100 of taxable assessed valuation, which is in addition to the District’s 2025 total tax rate of \$0.48 per \$100 of taxable assessed valuation. See “THE DISTRICT—Status of Development” and “TAX DATA—Maintenance and Operations Tax—*Defined Area No. 1.*”
- (i) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”
- (j) See “TAX DATA—Tax Adequacy for Debt Service” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”
- (k) See “THE DISTRICT—Land Use” and “—Status of Development.”
- (l) Approximately 28% of the single-family homes are primary residences and the balance are second homes.
- (m) Based upon an estimate of 3.5 persons per estimated permanent single-family residence.

## PRELIMINARY OFFICIAL STATEMENT

\$7,985,000

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

#### UNLIMITED TAX BONDS SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Port O'Connor Improvement District (the "District") of its \$7,985,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8409 Texas Special District Local Laws Code, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

### THE BONDS

#### Description

The Bonds will be dated July 1, 2026 and accrue interest from the Date of Delivery, with interest payable each March 1 and September 1, beginning March 1, 2027 (the "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

#### Method of Payment of Principal and Interest

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

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

#### Source of Payment

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

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

## **Funds**

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

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

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

The bond resolution related to the issuance of the District's Water and Sewer System Revenue Bonds, Series 2015, requires the District to establish and maintain a reserve fund which is not available to pay debt service on the Outstanding Bonds and the Bonds. The balance of such reserve fund as of April 30, 2026 is \$219,936. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

## **No Arbitrage**

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

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on March 1, 2032, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

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

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

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

### **Authority for Issuance**

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

In the TCEQ Order, The TCEQ approved the sale of \$9,350,000 principal amount of bonds. The Bonds represent the first installment of such TCEQ authorization in the amount of \$7,985,000. The District reserves the right to issue the remaining \$1,365,000 principal amount. Timing of the sale of the remaining \$1,365,000 is unknown at this time. See “Issuance of Additional Debt” herein and “INVESTMENT CONSIDERATIONS—Future Debt.”

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8409 Texas Special District Local Laws Code, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

### **Registration and Transfer**

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

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

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

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

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

### **Lost, Stolen or Destroyed Bonds**

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

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

## **Replacement of Paying Agent/Registrar**

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

## **Issuance of Additional Debt**

The District's voters have authorized the issuance of an aggregate of \$52,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater and drainage facilities and \$50,000,000 principal amount of unlimited tax bonds for refunding purposes and could authorize additional amounts. The Bonds represent the first installment of the \$9,350,000 principal amount of bonds approved by the TCEQ in the amount of \$7,985,000. Such approval expires one year from date of the TCEQ Order, unless an extension is requested and granted by the TCEQ. The District reserves the right to issue the remaining \$1,365,000 principal amount. Timing of the sale of the remaining \$1,365,000 is unknown at this time. After the issuance of the Bonds, \$9,345,000 principal amount of the unlimited tax bonds for constructing or acquiring water, wastewater and drainage facilities and \$45,300,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

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

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

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

## **Remedies in Event of Default**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

## **Defeasance**

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

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

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

## BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

## USE AND DISTRIBUTION OF BOND PROCEEDS

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

In the TCEQ Order, the TCEQ approved the sale of \$9,350,000 principal amount of bonds. The Bonds represent the first installment of such TCEQ authorization in the amount of \$7,985,000. The TCEQ authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized herein. The District reserves the right to issue the remaining \$1,365,000 principal amount. Timing of the sale of the remaining \$1,365,000 is unknown at this time.

### CONSTRUCTION COSTS

• Wastewater Collection System Improvements.....	\$ 6,530,000
• Engineering.....	420,000
• Contingencies.....	300,000

**Total Construction Costs.....** **\$ 7,250,000**

### NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$ 239,550
-----------------------------------	------------

**Total Non-Construction Costs.....** **\$ 239,550**

### ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 427,502
• Bond Application Report.....	40,000
• State Regulatory Fees.....	27,948

**Total Issuance Costs and Fees.....** **\$ 495,450**

**TOTAL BOND ISSUE.....** **\$ 7,985,000**

---

(a) The TCEQ approved a maximum Underwriter’s discount of 3.00% .

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

## THE DISTRICT

### **General**

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

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

### **Description and Location**

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

### **Status of Development**

*Residential Development:* The District includes approximately 1,842 active single-family residential connections. Approximately 28% of the single-family homes are permanent residences and the remaining balance of homes within the District are second homes. There are vacant lots and land in the District available for new homes and businesses; however, no exact lot or acreage count is available. The average value of homes for the 2025 tax year within the District, including homes within Defined Area No. 1, was approximately \$273,330. The average value of homes for the 2025 tax year within Defined Area No. 1 was approximately \$991,518. The permanent population in the District is estimated at 1,805 as of May 1, 2026, based upon an estimate of 3.5 persons per estimated permanent single-family residence.

*Defined Area No. 1:* Pursuant to a resolution adopted by the District’s Board of Directors on February 11, 2008 and an election held on May 10, 2008, approximately 41 acres within the boundaries of the District were designated as “Defined Area No. 1” and are being developed as the community of “Caracol.” Pursuant to an Agreement for Maintenance and Operation for Port O’Connor Defined Area No. 1 Facilities entered into between the District and Caracol Community Association, Inc (“Caracol Community”) on October 23, 2018 (the “Agreement for Maintenance and Operation”), the District is responsible for operating and maintaining the water and wastewater facilities within Defined Area No. 1. The District collects and retains all District-wide maintenance tax and all tap fees and monthly water and wastewater revenue within Defined Area No. 1 to use in connection with the District’s operation and maintenance costs within Defined Area No. 1. Caracol Community manages the maintenance and operations needed for improvements within Defined Area No.1, and is reimbursed by the District for its costs related to such operations and maintenance solely from the Defined Area No. 1 operations and maintenance tax. Facilities have been constructed to serve 74 lots within Defined Area No. 1 where 13 custom homes have been constructed to date and no custom homes are currently under construction. In addition, a pool, a pavilion, a lighted volleyball court and 14 day boat slips to allow for navigation of inland and coastal waters by boats up to 60 feet in length have been constructed in and for the exclusive benefit of Defined Area No. 1. The 2025 tax rate levied within Defined Area No. 1 was \$0.52, which is in addition to the 2025 tax rate of \$0.48 levied within the District. The Defined Area No. 1 tax rate is dedicated solely to the maintenance and operation of Defined Area No. 1 and is not pledged to or available for payment of debt service on the Bonds. See “THE BONDS—Issuance of Additional Debt,” “TAX DATA—Maintenance and Operations Tax” and “INVESTMENT CONSIDERATIONS—Future Debt.”

Commercial and other Development: Other development in the District consists of approximately 300 multi-family and commercial connections, including fishing and hunting supply stores and guide services, oil field service businesses, restaurants, fresh seafood suppliers, souvenir shops, motels, RV parks, vacation equipment rentals, a gym, lawn service businesses, liquor stores, grocery stores, convenient stores, hardware stores, marinas and marine services, real estate businesses, rental companies, condominiums and construction and remodeling businesses.

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

## MANAGEMENT OF THE DISTRICT

### **Board of Directors**

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Danny McGuire	President	November 2026
Mike Clifton	Vice President	November 2026
Nathan O'Neill	Secretary	November 2026
Victor Mozisek	Assistant Vice President	November 2028
John Childers	Assistant Secretary	November 2028

### **District Management**

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

### **District Consultants**

The District contracts for certain necessary services as described below.

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

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

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

Auditor: The District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's financial statements for the fiscal year ending September 30, 2025, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ending September 30, 2025.

Engineer: The consulting engineer for the District in connection with the design and construction of the District's facilities is Kirst Engineering Co. The District engaged TRE and Associates, LLC as engineering consultant to assist in the preparation of the summary of costs for the Bonds.

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

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

## **THE SYSTEM**

### **Regulation**

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

### **Water Supply**

The District’s water plant facilities consist of six water wells with total capacity of 1,680 gallons per minute (“gpm”), a 500,000-gallon ground water storage tank, a 250,000-gallon elevated storage tank, a 300,000-gallon ground storage tank, four booster pumps with capacity of 850 gpm each, four booster pumps with capacity of 800 gpm each, and an emergency power generator. Raw water produced by the District’s wells is conveyed to the District’s reverse osmosis water treatment facility, which is capable of producing 1,000 gpm of permeate. The permeate is blended with raw water to supply up to 1,200 gpm of potable water to the District.

The District’s water facilities can adequately serve 4,421 equivalent single-family connections (“ESFCs”). As of April 23, 2026, the District was serving approximately 2,193 active water connections.

### **Wastewater Treatment**

Wastewater from the District is treated by a 600,000 gallon per day (“gpd”) wastewater treatment plant owned and operated by the District. The District’s wastewater facilities can adequately serve 3,000 ESFCs. As of April 23, 2026, the District was serving approximately 1,985 active wastewater connections.

### **Water Distribution, Wastewater Collection, Drainage and Navigation Facilities**

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

The District also operates a vacuum pressure sewage collection system comprised of five vacuum stations which collect sewage from registered premises in all service areas and transport it to the District’s sewage treatment facility. A portion of proceeds from the Bonds will be used for improvements to the District’s wastewater collection system. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

### **100-Year Flood Plain**

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

**FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)**

2025 Certified Taxable Assessed Valuation.....	\$881,550,797	(a)
2026 Preliminary Taxable Assessed Valuation.....	\$895,892,784	(b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds).....	\$40,510,000	(c)
Estimated Overlapping Debt.....	<u>6,363,668</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$46,873,668	
Ratios of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation.....	4.60%	
2026 Preliminary Taxable Assessed Valuation.....	4.52%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation.....	5.32%	
2026 Preliminary Taxable Assessed Valuation.....	5.23%	
Debt Service Funds Available as of April 30, 2026.....	\$2,316,453	(e)
Capital Projects Funds Available as of April 30, 2026.....	\$2,320,099	(f)
Operating Funds Available as of April 30, 2026.....	\$10,941,833	(g)

- (a) As certified by the Calhoun County Appraisal District. See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District as a preliminary indication of the 2026 taxable value as of January 1, 2026. Such value is subject to property owner protest and Appraisal District review and downward revision prior to certification. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”
- (c) After issuance of the Bonds. Does not include the Water and Sewer Revenue Bonds, which are secured by and payable solely from the net revenues of the District's water and sewer system. See “Outstanding Bonds” and “Water and Wastewater Operations” herein.
- (d) See “Estimated Overlapping Debt” and “Overlapping Taxes” herein.
- (e) Funds in the Debt Service Fund are available to pay debt service on the Outstanding Bonds and the Bonds and are not available to pay debt service on the Water and Sewer Revenue Bonds. See “THE BONDS—Funds.”
- (f) Includes approximately \$457,983 of proceeds from the District’s Unlimited Tax Bonds, Series 2022, \$175,210 of proceeds from the District’s Unlimited Tax Bonds, Series 2023, and \$1,686,905 of proceeds from the District’s Unlimited Tax Bonds, Series 2025 to be used for various water system and wastewater system improvements. See “THE SYSTEM.”
- (g) Includes approximately \$219,936 of reserve funds in connection with the District’s Water and Sewer System Revenue Bonds, Series 2015, which are not available to pay debt service on the Outstanding Bonds and the Bonds. See “THE BONDS—Funds” and “—Outstanding Bonds” herein.

**Investments of the District**

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

**Outstanding Bonds**

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

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds</u>
2013 (a)	\$ 4,700,000	\$ -
2018	6,000,000	4,350,000
2022	6,000,000	5,555,000
2023	15,280,000	15,230,000
2025	<u>7,390,000</u>	<u>7,390,000</u>
Total	\$ 39,370,000	\$ 32,525,000

(a) Unlimited Tax Refunding Bonds.

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

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds</u>
2000	\$ 2,563,000	\$ -
2000-A	1,250,000	-
2000-B	563,000	-
2004	2,325,000	-
2015	<u>2,815,000</u>	<u>1,580,000</u>
	\$ 9,516,000	\$ 1,580,000

## Water and Wastewater Operations

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

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended September 30, 2022 through 2025, and an unaudited summary prepared by the Bookkeeper for the seven-month period ended April 30, 2026. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	10/1/2025 to 4/30/2026 (unaudited)	Fiscal Year Ended September 30			
		2025	2024	2023	2022
<b>Revenues:</b>					
Property Taxes	\$ 2,141,278	\$ 2,238,814	\$ 1,803,164	\$ 1,462,407	\$ 1,355,543
Water Service	682,318	1,376,608	1,283,517	1,327,526	1,224,024
Wastewater Service	386,466	748,831	725,380	769,879	694,748
Penalty and Interest	29,911	51,544	41,377	47,249	48,314
Tap Connection and Inspection Fees	49,081	128,034	111,553	140,033	145,549
Sales and Use Tax Revenues (a)	270,589	416,633	384,934	384,321	383,809
Solid Waste Service	320,407	596,401	584,175	557,569	508,270
Utility Services - La Salle WCID No. 1	-	-	-	-	163,043
Investment Income and Miscellaneous	238,401	616,495	509,679	470,493	74,066
Total Revenues	\$ 4,118,450	\$ 6,173,360	\$ 5,443,779	\$ 5,159,477	\$ 4,597,366
<b>Expenditures:</b>					
Professional Fees	\$ 284,489	\$ 513,766	\$ 550,257	\$ 530,567	\$ 638,855
Personnel	573,722	934,899	896,548	822,765	842,963
Contracted Services	385,758	686,447	678,494	654,990	658,250
Purchased Water Service	-	224,444	622,419	343,717	344,285
Utilities	191,697	246,646	172,256	185,841	160,363
Repairs and Maintenance	524,312	560,535	547,638	446,406	644,266
Capital Outlay	308,060	492,082	791,776	662,945	590,541
Miscellaneous	290,244	410,037	270,122	342,852	332,747
Debt Service (b)	28,316	210,115	193,131	190,943	193,469
Total Expenditures	\$ 2,586,596	\$ 4,278,971	\$ 4,722,641	\$ 4,181,026	\$ 4,405,739
Net Revenues	\$ 1,531,854	\$ 1,894,389	\$ 721,138	\$ 978,451	\$ 191,627
<b>Special Item</b>					
La Salle Merger (c)	\$ -	\$ -	\$ -	\$ -	\$ 1,202,043
<b>Other Financing Sources (Uses)</b>					
Transfers In (Out)	\$ (253,733)	\$ -	\$ -	\$ (72,487) (d)	\$ (2,065,066) (d)
General Operating Fund	\$ 9,836,398	\$ 7,942,009	\$ 7,220,871	\$ 6,314,907	\$ 6,986,303
Balance (Beginning of Year)					
General Operating Fund	\$ 11,114,519	\$ 9,836,398	\$ 7,942,009	\$ 7,220,871	\$ 6,314,907

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

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

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

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

**Debt Service Requirements**

The following sets forth the debt service requirements on the Outstanding Bonds (see “Outstanding Bonds” in this section) and the estimated debt service on the Bonds at an estimated interest rate of 4.75%. This schedule does not include the Water and Sewer Revenue Bonds, which are secured by and payable solely from the net revenues of the District's water and sewer system. See “Outstanding Bonds” and “Water and Wastewater Operations” herein.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 1,280,828.50 (a)	\$ -	\$ -	\$ -	\$ 1,280,828.50
2027	1,939,201.50	-	414,055.52	414,055.52	2,353,257.02
2028	1,935,760.00	320,000	371,687.50	691,687.50	2,627,447.50
2029	1,926,410.50	320,000	356,487.50	676,487.50	2,602,898.00
2030	1,924,739.00	320,000	341,287.50	661,287.50	2,586,026.50
2031	1,928,252.50	320,000	326,087.50	646,087.50	2,574,340.00
2032	1,920,469.00	320,000	310,887.50	630,887.50	2,551,356.50
2033	1,920,058.50	320,000	295,687.50	615,687.50	2,535,746.00
2034	1,918,301.00	320,000	280,487.50	600,487.50	2,518,788.50
2035	1,915,209.50	320,000	265,287.50	585,287.50	2,500,497.00
2036	1,910,798.50	320,000	250,087.50	570,087.50	2,480,886.00
2037	1,905,084.00	320,000	234,887.50	554,887.50	2,459,971.50
2038	1,902,931.50	320,000	219,687.50	539,687.50	2,442,619.00
2039	1,884,272.50	320,000	204,487.50	524,487.50	2,408,760.00
2040	1,887,492.50	320,000	189,287.50	509,287.50	2,396,780.00
2041	1,889,097.50	320,000	174,087.50	494,087.50	2,383,185.00
2042	1,899,025.75	320,000	158,887.50	478,887.50	2,377,913.25
2043	1,901,834.00	320,000	143,687.50	463,687.50	2,365,521.50
2044	1,907,368.50	320,000	128,487.50	448,487.50	2,355,856.00
2045	1,910,371.00	320,000	113,287.50	433,287.50	2,343,658.50
2046	1,916,252.00	320,000	98,087.50	418,087.50	2,334,339.50
2047	1,919,906.00	320,000	82,887.50	402,887.50	2,322,793.50
2048	1,926,239.75	320,000	67,687.50	387,687.50	2,313,927.25
2049	1,935,039.75	320,000	52,487.50	372,487.50	2,307,527.25
2050	1,935,548.75	315,000	37,406.25	352,406.25	2,287,955.00
2051	1,938,586.75	315,000	22,443.75	337,443.75	2,276,030.50
2052	1,457,775.00	315,000	7,481.25	322,481.25	1,780,256.25
2053	1,180,125.00	-	-	-	1,180,125.00
2054	1,187,600.00	-	-	-	1,187,600.00
2055	1,187,825.00	-	-	-	1,187,825.00
2056	1,196,025.00	-	-	-	1,196,025.00
2057	1,201,750.00	-	-	-	1,201,750.00
<b>Total</b>	<b>\$ 56,590,178.75</b>	<b>\$ 7,985,000</b>	<b>\$ 5,147,311.77</b>	<b>\$ 13,132,311.77</b>	<b>\$ 69,722,490.52</b>

(a) Excludes the District’s March 1, 2026 debt service payment of \$660,829.

Average Annual Debt Service Requirements (2027-2057) .....\$2,207,796  
 Maximum Annual Debt Service Requirement (2028) .....\$2,627,448

**Estimated Overlapping Debt**

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Calhoun County.....	\$ 30,620,000	5/31/2026	13.95%	\$ 4,271,490
Calhoun County Independent School District.....	15,590,000	5/31/2026	13.42%	2,092,178
Total Estimated Overlapping Debt.....				\$ 6,363,668
The District's Total Direct Debt (a).....				40,510,000
Total Direct and Estimated Overlapping Debt.....				\$ 46,873,668

Direct and Estimated Overlapping Debt as a Percentage of:

2025 Certified Taxable Assessed Valuation of \$881,550,797 .....	5.32%
2026 Preliminary Taxable Assessed Valuation of \$895,892,784.....	5.23%

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

**Overlapping Taxes**

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

Set forth below are all of the taxes levied for the 2025 tax year by all taxing jurisdictions overlapping the District and the District. None of the entities below have levied a 2026 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Calhoun County.....	\$ 0.6222
Calhoun County Independent School District.....	0.7701
Calhoun County Groundwater Conservation District.....	0.0067
Total Overlapping Tax Rate.....	\$ 1.3990
The District (a)(b).....	0.4800
Total Tax Rate.....	\$ 1.8790

(a) See “TAX DATA—Historical Tax Rate Distribution.”

(b) Approximately 41 acres in the District are within Defined Area No. 1, which levied a 2025 tax rate of \$0.52 per \$100 of taxable assessed valuation, creating a total 2025 tax rate for taxpayers within this area of \$2.3990 per \$100 of taxable assessed valuation. See “TAX DATA—Maintenance and Operations Tax.”

## TAX DATA

### Debt Service Tax

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

### Maintenance and Operations Tax

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

*Defined Area No. 1:* Pursuant to an election held within Defined Area No. 1 on May 20, 2008, the Board is authorized to levy a maintenance and operation tax within Defined Area No. 1 at a rate not to exceed \$0.80 per \$100 of taxable assessed valuation. The February 11, 2008 Taxation Plan for Defined Area No. 1 within Port O’Connor Municipal Utility District provided for the levy of both a debt service tax and an operation and maintenance tax on property within the boundaries of Defined Area No. 1, such taxes being in addition to the taxes levied by the District over all taxable property in the District. Therefore, property owners in Defined Area No. 1 are subject to the District wide tax rate in addition to an operations and maintenance tax levied exclusively on property within Defined Area No. 1. Defined Area No. 1 levied a 2025 tax rate of \$0.52 per \$100 of taxable assessed valuation (all maintenance and operations). As of this date, the District has not levied an additional Defined Area No. 1 debt service tax. The purpose of the Defined Area No. 1 tax is to pay for the improvements contemplated by the Plan of Improvements that was approved by voters in the election for the creation of Defined Area No. 1. The improvements included in this plan are navigable canals and certain water, sanitary sewer, and drainage improvements, as well as related land acquisition and environmental costs and expenses related to all of these improvements.

### Sales and Use Tax

The Texas Legislature, in 2013, authorized the District to levy, upon voter approval, a sales and use tax. Pursuant to an election on November 11, 2013, the District voters approved a sales and use tax, which the District collects at the rate of 1.5% within its boundaries. Proceeds from sales and use taxes are not pledged to the payment of the Bonds or any other debts of the District. The Board is, however, authorized by law to pledge such sales and use tax revenue to the payment of bonds, notes or other obligations. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Water and Wastewater Operations.”

### Historical Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$ 0.2225	\$ 0.1875	\$ 0.2200	\$ 0.2477	\$ 0.2659
Maintenance and Operations (a)	0.2575	0.2925	0.2749	0.2613	0.2531
Total	\$ 0.4800	\$ 0.4800	\$ 0.4949	\$ 0.5090	\$ 0.5190

(a) Such tax is levied by the District upon all taxable property located within the District for payment of expenditures for maintenance and operations in the District. Taxpayers in Defined Area No. 1 pay an additional maintenance tax for expenditures of maintenance and operations within Defined Area No. 1. See “—Maintenance and Operations—Defined Area No. 1” herein.

### Exemptions

For tax year 2026, the District granted a \$100,000 homestead exemption for individuals who are 65 years of age or older or are disabled and a 20% general homestead exemption. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

### Additional Penalties

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

**Historical Tax Collections**

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

Tax Year	Net Certified		Tax Rate	Total Tax Levy(b)	Total Collections as of April 30, 2026 (c)	
	Taxable Assessed Valuation(a)				Amount	Percent
2021	\$ 426,018,625		\$ 0.5190	\$ 2,211,037	\$ 2,208,309	99.88%
2022	549,003,436		0.5090	2,794,427	2,789,395	99.82%
2023	671,478,481		0.4949	3,323,147	3,309,584	99.59%
2024	781,588,311		0.4800	3,751,624	3,729,108	99.40%
2025	881,550,797		0.4800	4,231,444	4,010,152	94.77%

- (a) As certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof. In process of collection.
- (c) Unaudited.

**Tax Roll Information**

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2021 through 2025 Certified Taxable Assessed Valuations. An accurate breakdown related to the 2026 Preliminary Taxable Assessed Valuation of \$895,892,784, which is subject to review and downward revision prior to certification, is not available from the Appraisal District as of the date hereof. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Tax Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Certified Taxable Assessed Valuations
	Land	Improvements	Personal Property			
2021	\$ 205,512,023	\$ 272,333,143	\$ 8,557,340	\$ 486,402,506	\$ (60,383,881)	\$ 426,018,625
2022	245,069,612	362,237,804	8,715,230	616,022,646	(67,019,210)	549,003,436
2023	289,811,121	469,048,644	9,641,290	768,501,055	(97,022,574)	671,478,481
2024	385,521,610	545,991,732	12,323,210	943,836,552	(162,248,241)	781,588,311
2025	415,645,295	608,573,571	13,643,460	1,037,862,326	(156,311,529)	881,550,797

**Principal Taxpayers**

The following table represents the ten major taxpayers, the certified taxable assessed valuation of such property, and such property’s certified taxable assessed valuation as a percentage of 2025 Certified Taxable Assessed Valuation of \$881,550,797. An accurate principal taxpayer list related to the 2026 Preliminary Taxable Assessed Valuation of \$895,892,784, which is subject to review and downward revision prior to certification, is not available from the Appraisal District as of the date hereof.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Spectrum Gulf Coast LLC	\$ 5,460,230	0.62%
Docks @ POC LLC (The)	4,905,440	0.56%
PCB 77 LLC	4,642,370	0.53%
Big Fisherman Boat	4,339,950	0.49%
REB TX Coastal Properties LLC	3,676,983	0.42%
Individual	3,580,796	0.41%
Individual	3,308,460	0.38%
Port OConnor Fishing Center LLC	3,042,550	0.35%
DSHRL Holdings LLC	2,993,040	0.34%
POC Investors LP	2,758,990	0.31%
Total	\$ 38,708,809	4.39%

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2025 Certified Taxable Assessed Valuation of \$881,550,797 or the 2026 Preliminary Taxable Assessed Valuation of \$895,892,784, which is subject to review and downward revision prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds, when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates”

Average Annual Debt Service Requirement (2027-2057) .....	\$2,207,796
\$0.27 Tax Rate on the 2025 Certified Taxable Assessed Valuation .....	\$2,261,178
\$0.26 Tax Rate on the 2026 Preliminary Taxable Assessed Valuation .....	\$2,212,855
Maximum Annual Debt Service Requirement (2028).....	\$2,627,448
\$0.32 Tax Rate on the 2025 Certified Taxable Assessed Valuation .....	\$2,679,914
\$0.31 Tax Rate on the 2026 Preliminary Taxable Assessed Valuation .....	\$2,638,404

## TAXING PROCEDURES

### **Authority to Levy Taxes**

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

### **Property Tax Code and County-Wide Appraisal District**

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

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

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. For tax year 2025, the District granted a \$100,000 homestead exemption for individuals who are 65 years of age or older or are disabled. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. For tax year 2026, the District granted a 20% general homestead exemption. See “TAX DATA.”

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

### **Tax Abatement**

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

### **Valuation of Property for Taxation**

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, for open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

### **District and Taxpayer Remedies**

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

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

### **Levy and Collection of Taxes**

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

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

### **Rollback of Operation and Maintenance Tax Rate**

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

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

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

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

*The District:* A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District was designated as a "Developing District" for the 2026 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **District's Rights in the Event of Tax Delinquencies**

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

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

## INVESTMENT CONSIDERATIONS

### General

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

### Extreme Weather Events

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

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

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

### Specific Flood Type Risks

The District is subject to the following flood risks:

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

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

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

### **Possible Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2025 Certified Taxable Assessed Valuation is \$881,550,797. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,627,448 (2028), and the average annual debt service requirement will be \$2,207,796 (2027-2057 inclusive). Assuming no increase or decrease from the 2025 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.32 and \$0.27 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. The 2026 Preliminary Taxable Assessed Valuation is \$895,892,784, which is still under review and subject to adjustments and corrections. Assuming no increase or decrease from the 2026 Preliminary Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service tax rates of \$0.31 and \$0.26 per \$100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively.

No representation or suggestion is made that the 2026 Preliminary Taxable Assessed Valuation will not be adjusted downward prior to certification by the Appraisal District and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.” See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

### **Tax Collections Limitations and Foreclosure Remedies**

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

### **Registered Owners’ Remedies and Bankruptcy Limitations**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment

against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be forced into bankruptcy involuntarily.

### **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. An aggregate of \$52,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater and drainage facilities and \$50,000,000 principal amount of unlimited tax bonds for refunding purposes has been authorized by the District's voters. After the issuance of the Bonds, \$9,345,000 principal amount of the unlimited tax bonds for constructing or acquiring water, wastewater and drainage facilities and \$45,300,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds.

In the TCEQ Order, the TCEQ approved the sale of \$9,350,000 principal amount of bonds. The Bonds represent the first installment of such TCEQ authorization in the amount of \$7,985,000. The TCEQ authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS." The District reserves the right to issue the remaining \$1,365,000 principal amount. Timing of the sale of the remaining \$1,365,000 is unknown at this time.

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

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

## **Environmental Regulations**

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

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

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

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

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

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

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

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

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

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

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

### **Marketability of the Bonds**

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

### **Changes in Tax Legislation**

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

### **Continuing Compliance with Certain Covenants**

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

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. Investors should be aware of the following investment considerations:

If a Policy is issued, the long-term ratings on the Bonds will be dependent in part on the financial strength of the bond insurer (the “Insurer”) and its claim 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 is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

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

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

### **Cybersecurity**

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

## MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

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

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter's expense. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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

## LEGAL MATTERS

### Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

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

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

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

### No Material Adverse Change

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

## **No-Litigation Certificate**

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

## **TAX MATTERS**

**The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.**

### **Tax Exemption**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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

### **Qualified Tax-Exempt Obligations**

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

The District will designate the Bonds “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2026.

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

### **Additional Federal Income Tax Considerations**

*Collateral Tax Consequences:* Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

*Tax Accounting Treatment of Original Issue Premium:* If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

*Tax Accounting Treatment of Original Issue Discount:* If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “—Tax Exemption” and “—Additional Federal Income Tax Considerations—*Collateral Tax Consequences*” and “—*Tax Legislative Changes*” generally apply and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues 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 OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

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

*Tax Legislative Changes:* Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

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

### **Financial Advisor**

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

### **Consultants**

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

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

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Kirst Engineering Co., and has been included herein in reliance upon the authority of said firm as the District's Engineer. The District engaged TRE and Associates, LLC as engineering consultant to assist in the preparation of the summary of costs for the Bonds.

*Auditor:* The District’s financial statements for the period ending September 30, 2025 were audited by McCall Gibson Swedlund Barfoot Ellis PPLC, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s September 30, 2025 financial statements.

*Bookkeeper:* The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Water and Wastewater Operations” has been provided by Goldman, Hunt & Notz, LLP and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of utility districts.

### **Updating the Official Statement**

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

### **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” (except for “Estimated Overlapping Debt”), “TAX DATA,” and in APPENDIX A (Auditor’s Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2026. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

## **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

## **Availability of Information from the MSRB**

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

## **Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with all its prior continuing disclosure undertakings made in accordance with the Rule.

**MISCELLANEOUS**

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

/s/ \_\_\_\_\_  
President, Board of Directors

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors

**AERIAL PHOTOGRAPH**  
**(As of May 2026)**

MATAGORDA  
BAY

PORT O'CONNOR  
IMPROVEMENT DISTRICT

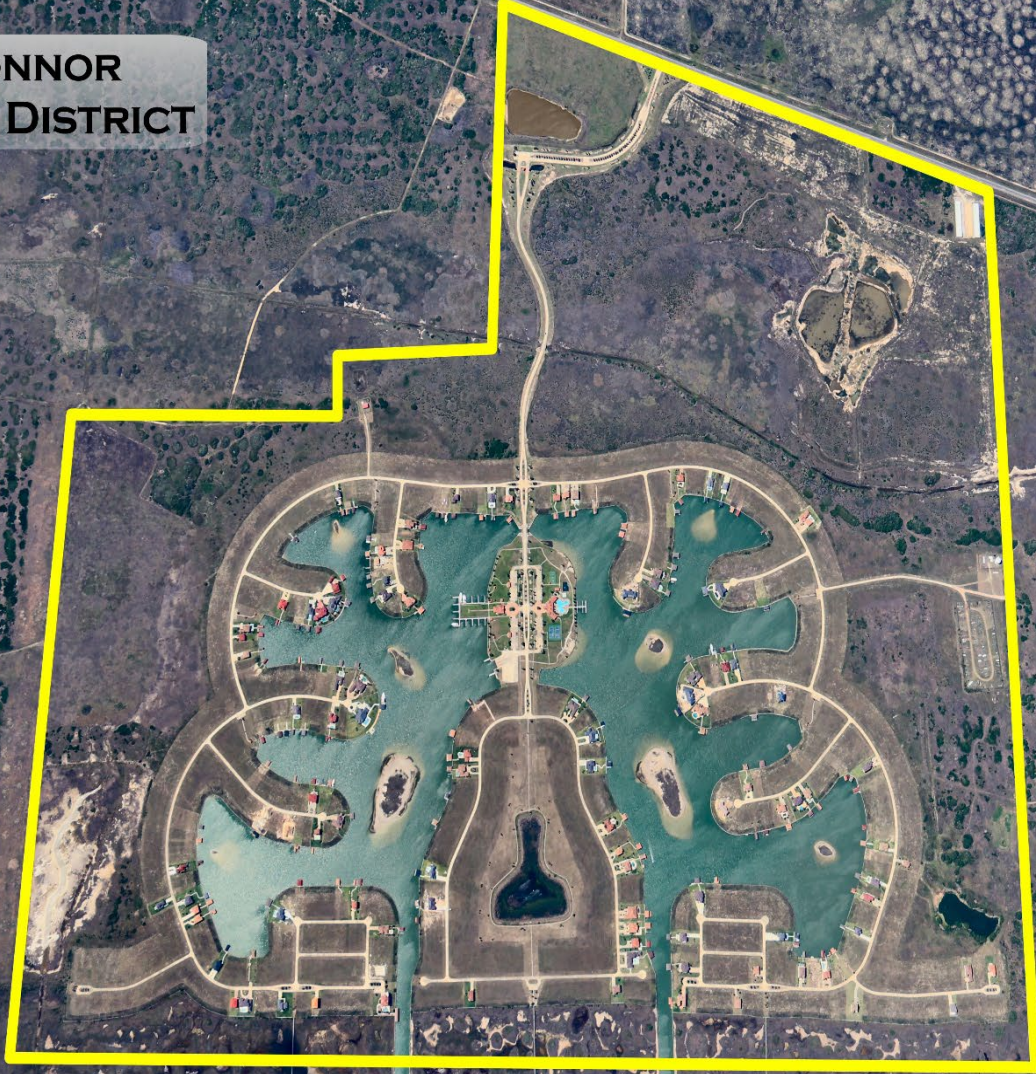


TX 185



TX 185

**PORT O'CONNOR  
IMPROVEMENT DISTRICT**



**PHOTOGRAPHS OF THE DISTRICT**  
**(As of May 2026)**

















**APPENDIX A**

**Financial Statement of the District for the fiscal year ended September 30, 2025**

**PORT O'CONNOR IMPROVEMENT DISTRICT**

**CALHOUN COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2025**

**McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC**  
Certified Public Accountants

# TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO FINANCIAL STATEMENTS	15-29
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL-GENERAL FUND	31
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL-SPECIAL REVENUE FUND	32
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY AS PUBLISHED IN THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	34-36
GENERAL FUND EXPENDITURES	37-38
INVESTMENTS	39
TAXES LEVIED AND RECEIVABLE	40-41
LONG-TERM DEBT SERVICE REQUIREMENTS	42-47
CHANGES IN LONG-TERM BOND DEBT	48-49
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	50-53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	54-55

# *McCall Gibson Swedlund Barfoot Ellis PLLC*

*Certified Public Accountants*

*Chris Swedlund  
Noel W. Barfoot  
Joseph Ellis  
Ashlee Martin*

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Port O'Connor Improvement District (the "District") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and Special Revenue Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors  
Port O'Connor Improvement District

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*McCall Gibson Swedlund Barfoot Ellis PLLC*

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

February 5, 2026

**PORT O’CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Management’s discussion and analysis of the financial performance of Port O’Connor Improvement District (the “District”) provides an overview of the District’s financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**PORT O’CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$26,776,236 as of September 30, 2025. A portion of the District’s net position reflects its net investment in capital assets which include land, buildings and equipment as well as water and wastewater systems less any debt used to acquire those assets that is still outstanding.

**PORT O’CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

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

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 16,179,086	\$ 18,575,460	\$ (2,396,374)
Capital Assets (Net of Accumulated Depreciation)	47,218,498	37,881,184	9,337,314
Total Assets	\$ 63,397,584	\$ 56,456,644	\$ 6,940,940
Bonds Payable	\$ 33,962,519	\$ 27,230,263	\$ (6,732,256)
Other Liabilities	2,658,829	3,014,870	356,041
Total Liabilities	\$ 36,621,348	\$ 30,245,133	\$ (6,376,215)
Net Position:			
Net Investment in Capital Assets	\$ 15,342,797	\$ 16,698,308	\$ (1,355,511)
Restricted	1,734,762	1,718,761	16,001
Unrestricted	9,698,677	7,794,442	1,904,235
Total Net Position	\$ 26,776,236	\$ 26,211,511	\$ 564,725

The following table provides a summary of the District’s operations for the years ended September 30, 2025, and September 30, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,836,476	\$ 3,390,346	\$ 446,130
Charges for Services	2,920,429	2,756,375	164,054
Other Revenues	1,303,686	1,395,246	(91,560)
Total Revenues	\$ 8,060,591	\$ 7,541,967	\$ 518,624
Expenses for Services	7,495,866	6,034,673	(1,461,193)
Change in Net Position	\$ 564,725	\$ 1,507,294	(942,569)
Net Position, Beginning of Year	26,211,511	24,704,217	1,507,294
Net Position, End of Year	\$ 26,776,236	\$ 26,211,511	\$ 564,725

**PORT O’CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

The District’s combined fund balances as of September 30, 2025, were \$13,523,375, a decrease of \$2,038,371 from the prior year.

The General Fund fund balance increased by \$1,894,389 primarily due to property tax revenues, service revenues and sales tax revenues exceeding operating and capital expenditures.

The Special Revenue Fund fund balance increased by \$125,425. Property tax collections levied on the Defined Area No. 1 exceeded operating and administrative costs.

The Debt Service Fund fund balance decreased by \$97,616, primarily due to the structure of the District’s debt service requirements.

The Capital Projects Fund fund balance decreased by \$3,960,569, primarily due to capital outlays exceeding proceeds from the Series 2025 Unlimited Tax Bonds.

**BUDGETARY HIGHLIGHTS**

The Board of Directors adopted budgets for both the General Fund and the Special Revenue Fund for the current fiscal year. For the General Fund, actual revenues were \$982,660 more than budgeted revenues and actual expenditures were \$110,479 less than budgeted expenditures. After taking into account \$801,250 budgeted for transfers and contingencies that were not realized in the current year, the result was a positive variance of \$1,894,389. The Special Revenue Fund budget to actual comparison reflects a positive variance of \$125,425. See the budget comparison schedules for more detailed information.

**LONG-TERM DEBT ACTIVITY**

The District’s Series 2023 Bonds and Series 2025 Bonds carry an underlying rating of “A3” by Moody’s Investors Service while the other bonds were not rated. At year end, the District recorded bonds payable of \$34,105,000. The changes in the debt position of the District during the fiscal year ended September 30, 2025, are summarized as follows:

Bond Debt Payable, October 1, 2024	\$ 27,295,000
Add: Bond Sale	7,390,000
Less: Bond Principal Paid	<u>(580,000)</u>
Bond Debt Payable, September 30, 2025	<u>\$ 34,105,000</u>

**PORT O’CONNOR IMPROVEMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**CAPITAL ASSETS**

Capital assets as of September 30, 2025, total \$47,218,498 (net of accumulated depreciation) and include land, buildings and equipment as well as the water and wastewater systems. Significant capital asset activity during the current year consisted of Vacuum Station No. 1B and 2B expansion, Water Well No. 3-7 construction, and miscellaneous water and sewer improvements. See Note 6 for additional information.

Capital Assets At Year-End			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 661,569	\$ 661,569	\$
Construction in Progress	2,290,240	13,924,667	(11,634,427)
Capital Assets Subject to Depreciation:			
Water System	29,945,907	15,540,897	14,405,010
Wastewater System	23,124,227	15,032,460	8,091,767
Buildings, Equipment and Other	4,292,278	4,315,119	(22,841)
Less Accumulated Depreciation	<u>(13,095,723)</u>	<u>(11,593,528)</u>	<u>(1,502,195)</u>
Total Net Capital Assets	<u>\$ 47,218,498</u>	<u>\$ 37,881,184</u>	<u>\$ 9,337,314</u>

**CONTACTING THE DISTRICT’S MANAGEMENT**

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

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2025**

	General Fund	Special Revenue Fund
<b>ASSETS</b>		
Cash	\$ 3,605,748	\$ 493,646
Investments	6,365,759	
Receivables:		
Property Taxes	56,706	426
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance of \$28,045)	249,279	
Accrued Interest	53,773	
Due from Other Funds	106,389	
Prepaid Costs	36,991	
Due from Other Governments	76,211	
Inventory (Net of Allowance of \$16,165)	145,486	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 10,696,342</b>	<b>\$ 494,072</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 393,644	\$ 124
Accrued Interest Payable		
Retainage Payable		
Due to Other Funds	1,094	
Security Deposits	408,500	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 803,238</b>	<b>\$ 124</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 56,706	\$ 426
<b>FUND BALANCES</b>		
Nonspendable: Inventory and Prepaid Costs	\$ 182,477	\$
Restricted for Authorized Construction		
Restricted for Debt Service	194,427	
Restricted for Defined Area No. 1 Operations		493,522
Unassigned	9,459,494	
<b>TOTAL FUND BALANCES</b>	<b>\$ 9,836,398</b>	<b>\$ 493,522</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,696,342</b>	<b>\$ 494,072</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Restricted for Defined Area No. 1 Operations		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,105,543	\$ 3,934,911	\$ 9,139,848	\$	\$ 9,139,848
		6,365,759		6,365,759
38,436		95,568		95,568
			16,171	16,171
		249,279		249,279
		53,773		53,773
1,094		107,483	(107,483)	
		36,991		36,991
		76,211		76,211
		145,486		145,486
			661,569	661,569
			2,290,240	2,290,240
			44,266,689	44,266,689
<u>\$ 1,145,073</u>	<u>\$ 3,934,911</u>	<u>\$ 16,270,398</u>	<u>\$ 47,127,186</u>	<u>\$ 63,397,584</u>
\$	\$ 769,864	\$ 1,163,632	\$	\$ 1,163,632
			114,857	114,857
	971,840	971,840		971,840
	106,389	107,483	(107,483)	
		408,500		408,500
			755,000	755,000
			33,207,519	33,207,519
<u>\$ -0-</u>	<u>\$ 1,848,093</u>	<u>\$ 2,651,455</u>	<u>\$ 33,969,893</u>	<u>\$ 36,621,348</u>
\$ 38,436	\$ -0-	\$ 95,568	\$ (95,568)	\$ -0-
\$	\$	\$ 182,477	\$ (182,477)	\$
	2,086,818	2,086,818	(2,086,818)	
1,106,637		1,301,064	(1,301,064)	
		493,522	(493,522)	
		9,459,494	(9,459,494)	
<u>\$ 1,106,637</u>	<u>\$ 2,086,818</u>	<u>\$ 13,523,375</u>	<u>\$ (13,523,375)</u>	<u>\$ -0-</u>
<u>\$ 1,145,073</u>	<u>\$ 3,934,911</u>	<u>\$ 16,270,398</u>		
			\$ 15,342,797	\$ 15,342,797
			1,240,814	1,240,814
			493,948	493,948
			9,698,677	9,698,677
			<u>\$ 26,776,236</u>	<u>\$ 26,776,236</u>

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

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2025**

Total Fund Balances - Governmental Funds	\$	13,523,375
--	----	------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		47,218,498
--	--	------------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		111,739
--	--	---------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (114,857)	
Bonds Payable	<u>(33,962,519)</u>	<u>(34,077,376)</u>
Total Net Position - Governmental Activities		<u>\$ 26,776,236</u>

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

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	General Fund	Special Revenue Fund
<b>REVENUES</b>		
Property Taxes	\$ 2,238,814	\$ 119,759
Water Service	1,376,608	
Wastewater Service	748,831	
Penalty and Interest	51,544	
Connection and Inspection Fees	128,034	
Sales and Use Tax Revenues	416,633	
Solid Waste Service	596,401	
Investment and Miscellaneous Revenues	616,495	16,880
<b>TOTAL REVENUES</b>	<b>\$ 6,173,360</b>	<b>\$ 136,639</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 513,766	\$ 2,841
Personnel	934,899	
Contracted Services	686,447	1,490
Purchased Water Service	224,444	
Utilities	246,646	
Repairs and Maintenance	560,535	
Depreciation		
Other	410,037	6,883
Capital Outlay	492,082	
Loss on Disposal of Assets		
Debt Service:		
Bond Principal	130,000	
Bond Interest	59,959	
Interest on Line of Credit	20,156	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 4,278,971</b>	<b>\$ 11,214</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 1,894,389</b>	<b>\$ 125,425</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Issuance of Long-Term Debt	\$	\$
Bond Discount		
Bond Premium		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 1,894,389</b>	<b>\$ 125,425</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - OCTOBER 1, 2024</b>	<b>7,942,009</b>	<b>368,097</b>
<b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2025</b>	<b>\$ 9,836,398</b>	<b>\$ 493,522</b>

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,458,829	\$	\$ 3,817,402	\$ 19,074	\$ 3,836,476
		1,376,608		1,376,608
		748,831		748,831
16,154		67,698	2,857	70,555
		128,034		128,034
		416,633		416,633
		596,401		596,401
65,626	188,052	887,053		887,053
<u>\$ 1,540,609</u>	<u>\$ 188,052</u>	<u>\$ 8,038,660</u>	<u>\$ 21,931</u>	<u>\$ 8,060,591</u>
\$	\$	\$ 516,607	\$	\$ 516,607
		934,899		934,899
		687,937		687,937
		224,444		224,444
		246,646		246,646
		560,535		560,535
			1,759,668	1,759,668
24,132	10,057	451,109		451,109
	10,912,458	11,404,540	(11,404,540)	
			307,558	307,558
450,000		580,000	(580,000)	
1,164,093		1,224,052	27,450	1,251,502
	534,805	554,961		554,961
<u>\$ 1,638,225</u>	<u>\$ 11,457,320</u>	<u>\$ 17,385,730</u>	<u>\$ (9,889,864)</u>	<u>\$ 7,495,866</u>
<u>\$ (97,616)</u>	<u>\$ (11,269,268)</u>	<u>\$ (9,347,070)</u>	<u>\$ 9,911,795</u>	<u>\$ 564,725</u>
\$	\$ 7,390,000	\$ 7,390,000	\$ (7,390,000)	\$
	(127,113)	(127,113)	127,113	
	45,812	45,812	(45,812)	
<u>\$ -0-</u>	<u>\$ 7,308,699</u>	<u>\$ 7,308,699</u>	<u>\$ (7,308,699)</u>	<u>\$ -0-</u>
\$ (97,616)	\$ (3,960,569)	\$ (2,038,371)	\$ 2,038,371	\$
			564,725	564,725
1,204,253	6,047,387	15,561,746	10,649,765	26,211,511
<u>\$ 1,106,637</u>	<u>\$ 2,086,818</u>	<u>\$ 13,523,375</u>	<u>\$ 13,252,861</u>	<u>\$ 26,776,236</u>

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

**PORT O'CONNOR IMPROVEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net Change in Fund Balances - Governmental Funds	\$ (2,038,371)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	19,074
Governmental funds report penalty and interest on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.	2,857
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,759,668)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	11,096,982
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	580,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(27,450)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements and the Statement of Activities is not affected.	(7,390,000)
Governmental funds report bond discounts and premiums as other financing uses and sources in the year bonds are sold. However, in the government-wide statements, bond discounts and premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	81,301
Change in Net Position - Governmental Activities	<u>\$ 564,725</u>

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

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 1. CREATION OF DISTRICT**

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- \* Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- \* Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- \* Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds

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

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

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

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

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

Basis of Accounting

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

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

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

**PORT O’CONNOR IMPROVEMENT DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

As of September 30, 2025, the Capital Projects Fund owed the General Fund \$106,389 for costs associated with the Water Well #3-7 construction and the General Fund owed the Debt Service Fund \$1,094 for tax collections.

Capital Assets

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

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

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

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

Inventory

Inventory is recorded on the average cost basis, less a 10% allowance for loss. Average cost is calculated on the average cost of each specific item purchased during the current fiscal year. The District’s inventory balance as of September 30, 2025, was \$145,486.

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgeting

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

Pensions

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

Measurement Focus

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

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

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

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

**PORT O’CONNOR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2015</u>
Amount Outstanding – September 30, 2025	\$ 1,580,000
Interest Rates	2.83% - 4.02%
Maturity Dates – Beginning/Ending	September 1, 2026/2035
Interest Payment Dates	March 1/ September 1
Callable Dates	March 1, 2026*

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

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Series 2018	Series 2022 Private Placement
Amount Outstanding – September 30, 2025	\$ 4,350,000	\$ 5,555,000
Interest Rates	4.00% - 5.00%	1.56% - 2.60%
Maturity Dates – Beginning/Ending	September 1, 2026/2038	September 1, 2026/2052
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2026*	September 1, 2032*
	Series 2023	Series 2025
Amount Outstanding – September 30, 2025	\$ 15,230,000	\$ 7,390,000
Interest Rates	4.375% - 6.875%	4.00% - 4.375%
Maturity Dates – Beginning/Ending	September 1, 2026/2057	September 1, 2026/2051
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2029*	September 1, 2031*

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

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 3. LONG-TERM DEBT (Continued)**

The following table summarizes changes in bonds payable for the current fiscal year:

	October 1, 2024	Additions	Retirements	September 30, 2025
Bonds Payable	\$ 27,295,000	\$ 7,390,000	\$ 580,000	\$ 34,105,000
Unamortized Discounts	(110,663)	(127,113)	(5,847)	(231,929)
Unamortized Premiums	45,926	45,812	2,290	89,448
Bonds Payable, Net	<u>\$ 27,230,263</u>	<u>\$ 7,308,699</u>	<u>\$ 576,443</u>	<u>\$ 33,962,519</u>
		Amount Due Within One Year		\$ 755,000
		Amount Due After One Year		<u>33,207,519</u>
		Bonds Payable, Net		<u>\$ 33,962,519</u>

As of September 30, 2025, the District had authorized but unissued unlimited tax bonds of \$17,330,000 and refunding bonds in the amount of \$45,300,000. The Defined Area No. 1 has authorized but unissued tax bonds in the amount of \$20,000,000.

As of September 30, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 755,000	\$ 1,378,288	\$ 2,133,288
2027	780,000	1,352,011	2,132,011
2028	805,000	1,324,272	2,129,272
2029	825,000	1,295,195	2,120,195
2030	850,000	1,263,379	2,113,379
2031-2035	4,770,000	5,796,247	10,566,247
2036-2040	4,655,000	4,835,581	9,490,581
2041-2045	5,660,000	3,847,698	9,507,698
2046-2050	7,015,000	2,617,984	9,632,984
2051-2055	5,745,000	1,206,912	6,951,912
2056-2057	2,245,000	152,775	2,397,775
	<u>\$ 34,105,000</u>	<u>\$ 25,070,342</u>	<u>\$ 59,175,342</u>

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 3. LONG-TERM DEBT (Continued)**

During the year ended September 30, 2025, the District levied a District-wide ad valorem debt service tax at the rate of \$0.1875 per \$100 of assessed valuation, which resulted in a tax levy of \$1,444,164 on the adjusted taxable valuation of \$781,502,377 for the 2024 tax year. See Note 7 for the maintenance tax levy and Note 8 for the Defined Area levy.

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

During the current fiscal year, the District utilized its line of credit with a local bank to finance construction projects. The loan balance of \$2,150,000, including accrued interest of \$20,156 which accrued at the rate of 6.75%, was retired using proceeds from the Series 2025 bond sale.

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

The Series 2015 bond resolution requires the Series 2015 bonds to be secured by and payable solely from the net revenues of the District’s water, sewer and drainage system and are not secured by District tax revenues. The Series 2015 bond resolution requires the District to establish a Reserve Fund in the amount of \$194,427. These provisions have been met, and the cash allocated for these purposes was sufficient to meet debt requirements through the fiscal year ended September 30, 2025.

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

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

**PORT O’CONNOR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s bank deposits was \$9,139,848 and the bank balance was \$9,424,734. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2025, as listed below:

	Cash
GENERAL FUND	\$ 3,605,748
SPECIAL REVENUE FUND	493,646
DEBT SERVICE FUND	1,105,543
CAPITAL PROJECTS FUND	3,934,911
TOTAL DEPOSITS	\$ 9,139,848

Investments

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

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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

The District invests in United States Treasury Notes, United States Treasury Bills, money market mutual funds, and Federal Home Loan Bank bonds. The District measures these investments at fair market value. Net unrealized gains on these investments as of September 30, 2025, totaled \$20,371.

As of September 30, 2025, the District had the following investments and maturities:

Funds and Investment Type	Fair Market Value	Maturities in Years	
		Less Than 1 Year	1-5
<u>GENERAL FUND</u>			
United States Treasury Notes	\$ 2,248,291		\$ 2,248,291
Federal Home Loan Bank Bonds	1,000,100	500,085	500,015
Federal Farm Credit Bank Bond	499,680	499,680	
Federal Agric Mtg Corp Medium Term	500,750	500,750	
Money Market Funds	<u>2,116,938</u>	<u>2,116,938</u>	
<b>TOTAL INVESTMENTS</b>	<u><b>\$ 6,365,759</b></u>	<u><b>\$ 3,617,453</b></u>	<u><b>\$ 2,748,306</b></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy permits the investment in high grade obligations of the United States and certain money market funds. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investments generally have maturities of less than five years to address interest rate risk concerns.

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Restrictions

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

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

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

**NOTE 6. CAPITAL ASSETS**

Changes in capital assets during the current fiscal year are summarized in the following table:

	October 1, 2024	Increases	Decreases	September 30, 2025
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 661,569	\$	\$	\$ 661,569
Construction in Progress	<u>13,924,667</u>	<u>11,404,540</u>	<u>23,038,967</u>	<u>2,290,240</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 14,586,236</u>	<u>\$ 11,404,540</u>	<u>\$ 23,038,967</u>	<u>\$ 2,951,809</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 15,540,897	\$ 14,947,200	\$ 542,190	\$ 29,945,907
Wastewater System	15,032,460	8,091,767		23,124,227
Buildings, Equipment and Other	<u>4,315,119</u>	<u></u>	<u>22,841</u>	<u>4,292,278</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 34,888,476</u>	<u>\$ 23,038,967</u>	<u>\$ 565,031</u>	<u>\$ 57,362,412</u>
<b>Less Accumulated Depreciation</b>				
Water System	\$ 5,182,070	\$ 1,039,071	\$ 240,597	\$ 5,980,544
Wastewater System	5,310,106	598,880		5,908,986
Buildings, Equipment and Other	<u>1,101,352</u>	<u>121,717</u>	<u>16,876</u>	<u>1,206,193</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 11,593,528</u>	<u>\$ 1,759,668</u>	<u>\$ 257,473</u>	<u>\$ 13,095,723</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 23,294,948</u>	<u>\$ 21,279,299</u>	<u>\$ 307,558</u>	<u>\$ 44,266,689</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 37,881,184</u>	<u>\$ 32,683,839</u>	<u>\$ 23,346,525</u>	<u>\$ 47,218,498</u>

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 7. MAINTENANCE TAX**

During the fiscal year ended September 30, 2025, the District levied an ad valorem maintenance tax rate of \$0.2925 per \$100 of assessed valuation, which resulted in a tax levy of \$2,252,894 on the adjusted taxable valuation of \$781,502,377 for the 2024 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and wastewater system and for any other lawful purpose.

**NOTE 8. DEFINED AREA NO. 1**

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

Pursuant to an election held within the Defined Area No. 1 on May 20, 2008, the Board is authorized to levy a maintenance and operation tax within the Defined Area No. 1 at a rate not to exceed \$0.80 per \$100 of assessed valuation. The February 11, 2008, Taxation Plan for Defined Area No. 1 Within Port O’Connor Municipal Utility District provided for the levy of both a debt service tax and an operation and maintenance tax on property within the boundaries of the defined area, such taxes being in addition to the taxes levied by the District over all property in the District. Therefore, property owners in Defined Area No. 1 are subject to the District wide tax rate in addition to an operation and maintenance tax levied exclusively on property within the Defined Area No. 1. As of this date, the District has not levied an additional Defined Area No. 1 debt service tax. The purpose of the Defined Area tax is to pay for the improvements contemplated by the Plan of Improvements that was approved by voters in the election for the creation of the Defined Area No. 1. The improvements included in this plan are navigable canals and certain water, sanitary sewer, and drainage improvements, as well as related land acquisition and environmental costs and expenses related to all of these improvements. During the fiscal year ended September 30, 2025, the Defined Area levied an ad valorem maintenance tax rate of \$0.52 per \$100 of assessed valuation, which resulted in a tax levy of \$120,185 on the adjusted taxable valuation of \$23,112,619 for the 2024 tax year.

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 9. RISK MANAGEMENT**

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

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

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

**NOTE 10. SALES AND USE TAX**

The Texas Legislature, in 2013, authorized the District to levy, upon voter approval, a sales and use tax. Pursuant to an election on November 5, 2013, the District voters approved a sales and use tax which provides for the District to collect taxes at the rate of 1.50% within its boundaries. Proceeds from sales and use taxes are not pledged to the payment of the District’s outstanding bonds or any other debts of the District. The Board is, however, authorized by law to pledge such sales and use tax revenue to the payment of bonds, notes or other obligations. During the current year, the District recorded \$416,633 in sales tax revenue, of which \$76,211 was receivable at year-end.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**NOTE 11. TCEQ COMPLIANCE**

The District is currently in compliance with the TCEQ as it relates to its water and wastewater systems. The District is maintaining compliance via the following processes: (i) employing licensed in-house operators and (ii) using operating funds on hand as well as bond proceeds to upgrade the District's water and wastewater systems and thereby address TCEQ compliance requirements. At this time, the District has no outstanding violations with the TCEQ.

**NOTE 12. BOND SALE**

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

**PORT O'CONNOR IMPROVEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2025**

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,800,000	\$ 2,238,814	\$ 438,814
Water Service	1,250,000	1,376,608	126,608
Wastewater Service	750,000	748,831	(1,169)
Penalty and Interest	29,000	51,544	22,544
Connection and Inspection Fees	100,500	128,034	27,534
Sales and Use Tax Revenues	350,000	416,633	66,633
Solid Waste Service	568,000	596,401	28,401
Investment and Miscellaneous Revenues	343,200	616,495	273,295
<b>TOTAL REVENUES</b>	<u>\$ 5,190,700</u>	<u>\$ 6,173,360</u>	<u>\$ 982,660</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 524,000	\$ 513,766	\$ 10,234
Personnel	1,046,500	934,899	111,601
Contracted Services	711,800	686,447	25,353
Purchased Water Service	627,000	224,444	402,556
Utilities	171,500	246,646	(75,146)
Repairs and Maintenance	491,900	560,535	(68,635)
Other	401,750	410,037	(8,287)
Capital Outlay	225,000	492,082	(267,082)
Debt Service:			
Bond Principal	130,000	130,000	
Bond Interest	60,000	59,959	41
Interest on Line of Credit		20,156	(20,156)
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,389,450</u>	<u>\$ 4,278,971</u>	<u>\$ 110,479</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 801,250</u>	<u>\$ 1,894,389</u>	<u>\$ 1,093,139</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Contingency	<u>\$ (801,250)</u>	<u>\$ -0-</u>	<u>\$ 801,250</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -0-</u>	<u>\$ 1,894,389</u>	<u>\$ 1,894,389</u>
<b>FUND BALANCE - OCTOBER 1, 2024</b>	<u>7,942,009</u>	<u>7,942,009</u>	
<b>FUND BALANCE - SEPTEMBER 30, 2025</b>	<u>\$ 7,942,009</u>	<u>\$ 9,836,398</u>	<u>\$ 1,894,389</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 105,000	\$ 119,759	\$ 14,759
Investment and Miscellaneous Revenues	<u>1,000</u>	<u>16,880</u>	<u>15,880</u>
<b>TOTAL REVENUES</b>	<u>\$ 106,000</u>	<u>\$ 136,639</u>	<u>\$ 30,639</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 2,250	\$ 2,841	\$ (591)
Contracted Services	2,250	1,490	760
Maintenance, Insurance and Other	<u>2,350</u>	<u>6,883</u>	<u>(4,533)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 6,850</u>	<u>\$ 11,214</u>	<u>\$ (4,364)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 99,150</u>	<u>\$ 125,425</u>	<u>\$ 26,275</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	<u>\$ (99,150)</u>	<u>\$ -0-</u>	<u>\$ 99,150</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ 125,425	\$ 125,425
<b>FUND BALANCE - OCTOBER 1, 2024</b>	<u>368,097</u>	<u>368,097</u>	<u></u>
<b>FUND BALANCE - SEPTEMBER 30, 2025</b>	<u>\$ 368,097</u>	<u>\$ 493,522</u>	<u>\$ 125,425</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**

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

**SEPTEMBER 30, 2025**

**PORT O'CONNOR IMPROVEMENT DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
BASE FEE:	\$ 23.50	none	Y	N/A	N/A
WATER:	\$ 33.05	none	N	\$ 2.25	0,001 to 6,000
				\$ 2.75	6,001 to 10,000
				\$ 3.50	10,001 to 15,000
				\$ 4.50	15,001 to 35,000
				\$ 5.50	35,001 to 50,000
				\$ 7.50	50,001 to 60,000
				\$ 9.50	60,001 and over
WASTEWATER:	\$ 22.80	none	N	\$ 2.25	0,001 to 6,000
				\$ 2.75	6,001 to 10,000
				\$ 3.50	10,001 to 15,000
				\$ 4.50	15,001 to 35,000
				\$ 5.50	35,001 to 50,000
				\$ 7.50	50,001 to 60,000
				\$ 9.50	60,001 and over
SURCHARGE:					
Commission Regulatory Assessments			N	0.5% of water and wastewater charges	
District employs winter averaging for wastewater usage?				<u>  X  </u>	<u>        </u>
				Yes	No

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

See accompanying independent auditor's report.

**PORT O’CONNOR IMPROVEMENT DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>2,111</u>	<u>2,090</u>	x 1.0	<u>2,090</u>
1"	<u>28</u>	<u>28</u>	x 2.5	<u>70</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>25</u>	<u>25</u>	x 8.0	<u>200</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>2,169</u></u>	<u><u>2,148</u></u>		<u><u>2,405</u></u>
Total Wastewater Connections	<u><u>1,931</u></u>	<u><u>1,912</u></u>	x 1.0	<u><u>1,912</u></u>

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

Gallons pumped into system:	122,815,000	Water Accountability Ratio: 78.3% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	124,028,000	
Gallons purchased:	35,579,000	

See accompanying independent auditor’s report.



**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 934,899</u>
PROFESSIONAL FEES:	
Auditing	\$ 35,500
Engineering	204,288
Legal	234,924
Other Professional Fees	12,774
Paying Agent Fees	<u>26,280</u>
TOTAL PROFESSIONAL FEES	<u>\$ 513,766</u>
PURCHASED WATER SERVICE	<u>\$ 224,444</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 71,072
Bookkeeping	49,976
Operations	14,950
Solid Waste Disposal	<u>550,449</u>
TOTAL CONTRACTED SERVICES	<u>\$ 686,447</u>
UTILITIES	<u>\$ 246,646</u>
REPAIRS AND MAINTENANCE	<u>\$ 560,535</u>
ADMINISTRATIVE EXPENDITURES:	
Billing Software	\$ 9,731
Insurance	169,360
Office Supplies and Postage	43,275
Travel, Training, Dues, Meals, Lodging	<u>15,069</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 237,435</u>

See accompanying independent auditor’s report.

**PORT O’CONNOR IMPROVEMENT DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

CAPITAL OUTLAY		\$	<u>492,082</u>
OTHER EXPENDITURES:			
Chemicals and Laboratory Fees		\$	113,699
TCEQ Regulatory Assessment and Permit Fees			20,593
Other			<u>38,310</u>
TOTAL OTHER EXPENDITURES		\$	<u>172,602</u>
DEBT SERVICE:			
Bond Principal		\$	130,000
Bond Interest			59,959
Interest on Line of Credit			<u>20,156</u>
TOTAL DEBT SERVICE		\$	<u>210,115</u>
TOTAL EXPENDITURES		\$	<u>4,278,971</u>
Number of persons employed by the District	<u>10</u>	Full-Time	<u>1</u> Part-Time

See accompanying independent auditor’s report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**INVESTMENTS**  
**SEPTEMBER 30, 2025**

Fund	Interest Rate	Maturity Date	Fair Market Value at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>				
Money Market Fund	Varies	Daily	\$ 1,060,162	\$ 4,474
Money Market Fund	Varies	Daily	657,403	2,133
United States Treasury Bill	Varies	09/23/26	399,373	277
Federal Home Loan Bank Bond	5.000%	04/02/27	500,015	12,431
Federal Home Loan Bank Bond	4.125%	01/06/26	500,085	4,870
Federal Farm Credit Bank Bond	3.090%	10/20/25	499,680	6,910
Federal Agric Mtg Corp Medium Term	3.875%	09/03/26	500,750	1,507
United States Treasury Note	2.750%	04/30/27	493,165	5,754
United States Treasury Note	4.125%	09/30/27	252,438	28
United States Treasury Note	3.500%	01/31/28	498,740	2,948
United States Treasury Note	4.250%	12/31/26	502,278	5,359
United States Treasury Note	3.750%	05/15/28	501,670	7,082
<b>TOTAL GENERAL FUND</b>			<u>\$ 6,365,759</u>	<u>\$ 53,773</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Maintenance Taxes		Debt Service Taxes		Defined Area No. 1	
TAXES RECEIVABLE -						
October 1, 2024	\$ 43,377		\$ 33,117		\$	
Adjustments to Beginning						
Balance	<u>(751)</u>	\$ 42,626	<u>19,984</u>	\$ 53,101	<u>          </u>	\$ -0-
Original 2024 Tax Levy	\$ 2,148,395		\$ 1,377,177		\$ 120,398	
Adjustment to 2024 Tax Levy	<u>104,499</u>	<u>2,252,894</u>	<u>66,987</u>	<u>1,444,164</u>	<u>(213)</u>	<u>120,185</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 2,295,520		\$ 1,497,265		\$ 120,185
TAX COLLECTIONS:						
Prior Years	\$ 17,500		\$ 34,910		\$	
Current Year	<u>2,221,314</u>	<u>2,238,814</u>	<u>1,423,919</u>	<u>1,458,829</u>	<u>119,759</u>	<u>119,759</u>
TAXES RECEIVABLE -						
SEPTEMBER 30, 2025		<u>\$ 56,706</u>		<u>\$ 38,436</u>		<u>\$ 426</u>
TAXES RECEIVABLE BY						
YEAR:						
2024		\$ 31,580		\$ 20,245		\$ 426
2023		11,497		7,353		
2022		3,295		3,124		
2021		1,421		1,493		
2020		1,096		1,167		
2019 and prior		<u>7,817</u>		<u>5,054</u>		
TOTAL		<u>\$ 56,706</u>		<u>\$ 38,436</u>		<u>\$ 426</u>

See accompanying independent auditor's report.

**PORT O’CONNOR IMPROVEMENT DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	2024	2023	2022	2021
<b>DISTRICT WIDE:</b>				
Land	\$ 385,521,610	\$ 289,811,121	\$ 245,069,612	\$ 205,512,023
Improvements	545,991,732	469,169,284	362,237,804	272,333,143
Personal Property	12,323,210	9,659,190	8,723,730	8,567,340
Exemptions	<u>(162,334,175)</u>	<u>(96,836,572)</u>	<u>(66,863,728)</u>	<u>(59,895,519)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u><u>\$ 781,502,377</u></u>	<u><u>\$ 671,803,023</u></u>	<u><u>\$ 549,167,418</u></u>	<u><u>\$ 426,516,987</u></u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.1875	\$ 0.2200	\$ 0.2477	\$ 0.2659
Maintenance **	<u>0.2925</u>	<u>0.2749</u>	<u>0.2613</u>	<u>0.2531</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u><u>\$ 0.4800</u></u>	<u><u>\$ 0.4949</u></u>	<u><u>\$ 0.5090</u></u>	<u><u>\$ 0.5190</u></u>
<b>ADJUSTED TAX LEVY*</b>	<u><u>\$ 3,697,058</u></u>	<u><u>\$ 3,274,452</u></u>	<u><u>\$ 2,750,186</u></u>	<u><u>\$ 2,213,623</u></u>
<b>DEFINED AREA:</b>				
<b>PROPERTY VALUATIONS</b>	<u><u>\$ 23,112,619</u></u>	<u><u>\$ 18,671,495</u></u>	<u><u>\$ 17,665,766</u></u>	<u><u>\$ 16,661,331</u></u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.00	\$ 0.0000	\$ 0.000	\$ 0.000
Maintenance***	<u>0.52</u>	<u>0.5051</u>	<u>0.491</u>	<u>0.481</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u><u>\$ 0.52</u></u>	<u><u>\$ 0.5051</u></u>	<u><u>\$ 0.491</u></u>	<u><u>\$ 0.481</u></u>
<b>ADJUSTED TAX LEVY*</b>	<u><u>\$ 120,185</u></u>	<u><u>\$ 94,248</u></u>	<u><u>\$ 86,739</u></u>	<u><u>\$ 80,141</u></u>
<b>PERCENTAGE OF TOTAL TAXES COLLECTED</b>				
<b>DISTRICT WIDE:</b>	<u><u>98.60 %</u></u>	<u><u>99.42 %</u></u>	<u><u>99.77 %</u></u>	<u><u>99.87 %</u></u>
<b>DEFINED AREA:</b>	<u><u>99.65 %</u></u>	<u><u>100.00 %</u></u>	<u><u>100.00 %</u></u>	<u><u>100.00 %</u></u>

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

\*\* District Wide - Unlimited tax rate approved by voters on January 20, 2001.

\*\*\* Defined Area - Maximum tax rate of \$0.80 per \$100 assessed valuation approved by voters on May 20, 2008.

See accompanying independent auditor’s report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2025**

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 135,000	\$ 56,631	\$ 191,631
2027	140,000	52,810	192,810
2028	145,000	48,513	193,513
2029	150,000	43,785	193,785
2030	150,000	38,640	188,640
2031	160,000	33,270	193,270
2032	165,000	27,367	192,367
2033	170,000	21,130	191,130
2034	175,000	14,550	189,550
2035	190,000	7,638	197,638
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
	<u>\$ 1,580,000</u>	<u>\$ 344,334</u>	<u>\$ 1,924,334</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2025**

S E R I E S - 2 0 1 8

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 260,000	\$ 204,875	\$ 464,875
2027	270,000	194,475	464,475
2028	280,000	183,675	463,675
2029	290,000	172,475	462,475
2030	300,000	159,425	459,425
2031	315,000	145,925	460,925
2032	330,000	131,750	461,750
2033	345,000	115,250	460,250
2034	360,000	98,000	458,000
2035	375,000	80,000	455,000
2036	390,000	61,250	451,250
2037	410,000	41,750	451,750
2038	425,000	21,250	446,250
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
	<u>\$ 4,350,000</u>	<u>\$ 1,610,100</u>	<u>\$ 5,960,100</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2025**

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 155,000	\$ 131,007	\$ 286,007
2027	155,000	128,589	283,589
2028	160,000	125,985	285,985
2029	160,000	123,073	283,073
2030	165,000	119,889	284,889
2031	170,000	116,490	286,490
2032	170,000	112,869	282,869
2033	175,000	109,146	284,146
2034	180,000	105,226	285,226
2035	185,000	101,122	286,122
2036	190,000	96,848	286,848
2037	190,000	92,422	282,422
2038	195,000	87,956	282,956
2039	200,000	83,335	283,335
2040	205,000	78,555	283,555
2041	210,000	73,635	283,635
2042	215,000	68,532	283,532
2043	220,000	63,222	283,222
2044	225,000	57,744	282,744
2045	230,000	52,096	282,096
2046	240,000	46,277	286,277
2047	245,000	40,181	285,181
2048	250,000	33,934	283,934
2049	255,000	27,534	282,534
2050	265,000	20,980	285,980
2051	270,000	14,143	284,143
2052	275,000	7,150	282,150
2053			
2054			
2055			
2056			
2057			
	<u>\$ 5,555,000</u>	<u>\$ 2,117,940</u>	<u>\$ 7,672,940</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2025**

S E R I E S - 2 0 2 3

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 50,000	\$ 680,038	\$ 730,038
2027	50,000	676,600	726,600
2028	50,000	673,162	723,162
2029	50,000	669,725	719,725
2030	50,000	666,288	716,288
2031	50,000	664,100	714,100
2032	50,000	661,912	711,912
2033	50,000	659,725	709,725
2034	50,000	657,538	707,538
2035	50,000	655,350	705,350
2036	50,000	653,162	703,162
2037	50,000	650,975	700,975
2038	50,000	648,788	698,788
2039	480,000	646,600	1,126,600
2040	500,000	625,600	1,125,600
2041	525,000	603,725	1,128,725
2042	555,000	580,756	1,135,756
2043	580,000	556,475	1,136,475
2044	610,000	531,100	1,141,100
2045	640,000	504,412	1,144,412
2046	670,000	476,412	1,146,412
2047	705,000	447,100	1,152,100
2048	740,000	416,256	1,156,256
2049	780,000	383,882	1,163,882
2050	815,000	349,756	1,164,756
2051	855,000	314,100	1,169,100
2052	900,000	275,625	1,175,625
2053	945,000	235,125	1,180,125
2054	995,000	192,600	1,187,600
2055	1,040,000	147,825	1,187,825
2056	1,095,000	101,025	1,196,025
2057	1,150,000	51,750	1,201,750
	<u>\$ 15,230,000</u>	<u>\$ 16,057,487</u>	<u>\$ 31,287,487</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2025**

S E R I E S - 2 0 2 5

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	\$ 155,000	\$ 305,737	\$ 460,737
2027	165,000	299,537	464,537
2028	170,000	292,937	462,937
2029	175,000	286,137	461,137
2030	185,000	279,137	464,137
2031	195,000	271,737	466,737
2032	200,000	263,938	463,938
2033	210,000	255,938	465,938
2034	220,000	247,538	467,538
2035	230,000	238,738	468,738
2036	240,000	229,538	469,538
2037	250,000	219,938	469,938
2038	265,000	209,938	474,938
2039	275,000	199,338	474,338
2040	290,000	188,338	478,338
2041	300,000	176,738	476,738
2042	315,000	164,738	479,738
2043	330,000	152,138	482,138
2044	345,000	138,525	483,525
2045	360,000	123,862	483,862
2046	375,000	108,562	483,562
2047	390,000	92,624	482,624
2048	410,000	76,050	486,050
2049	430,000	58,624	488,624
2050	445,000	39,812	484,812
2051	465,000	20,344	485,344
2052			
2053			
2054			
2055			
2056			
2057			
	\$ 7,390,000	\$ 4,940,481	\$ 12,330,481

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2025**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 755,000	\$ 1,378,288	\$ 2,133,288
2027	780,000	1,352,011	2,132,011
2028	805,000	1,324,272	2,129,272
2029	825,000	1,295,195	2,120,195
2030	850,000	1,263,379	2,113,379
2031	890,000	1,231,522	2,121,522
2032	915,000	1,197,836	2,112,836
2033	950,000	1,161,189	2,111,189
2034	985,000	1,122,852	2,107,852
2035	1,030,000	1,082,848	2,112,848
2036	870,000	1,040,798	1,910,798
2037	900,000	1,005,085	1,905,085
2038	935,000	967,932	1,902,932
2039	955,000	929,273	1,884,273
2040	995,000	892,493	1,887,493
2041	1,035,000	854,098	1,889,098
2042	1,085,000	814,026	1,899,026
2043	1,130,000	771,835	1,901,835
2044	1,180,000	727,369	1,907,369
2045	1,230,000	680,370	1,910,370
2046	1,285,000	631,251	1,916,251
2047	1,340,000	579,905	1,919,905
2048	1,400,000	526,240	1,926,240
2049	1,465,000	470,040	1,935,040
2050	1,525,000	410,548	1,935,548
2051	1,590,000	348,587	1,938,587
2052	1,175,000	282,775	1,457,775
2053	945,000	235,125	1,180,125
2054	995,000	192,600	1,187,600
2055	1,040,000	147,825	1,187,825
2056	1,095,000	101,025	1,196,025
2057	1,150,000	51,750	1,201,750
	<u>\$ 34,105,000</u>	<u>\$ 25,070,342</u>	<u>\$ 59,175,342</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2024	
Port O'Connor Improvement District Water and Sewer System Revenue Bonds - Series 2015	\$ 2,815,000	\$ 1,710,000	
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2018	6,000,000	4,600,000	
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2022	6,000,000	5,705,000	
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2023	15,280,000	15,280,000	
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2025	<u>7,390,000</u>	<u>                    </u>	
TOTAL	<u>\$ 37,485,000</u>	<u>\$ 27,295,000</u>	
	Unlimited	Defined Area	
Bond Authority:	Tax Bonds	No. 1 Unlimited Tax Bonds	Refunding Bonds
Authorized by Voters	\$ 52,000,000	\$ 20,000,000	\$ 50,000,000
Amount Issued	<u>(34,670,000)</u>	<u>                    </u>	<u>(4,700,000)</u>
Remaining to be Issued	<u>\$ 17,330,000</u>	<u>\$ 20,000,000</u>	<u>\$ 45,300,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2025</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 130,000	\$ 59,959	\$ 1,580,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	250,000	214,875	4,350,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	133,257	5,555,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	683,475	15,230,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>7,390,000</u>		<u>132,486</u>	<u>7,390,000</u>	The Bank of New York Mellon Trust Company, N.A. Houston, TX
<u>\$ 7,390,000</u>	<u>\$ 580,000</u>	<u>\$ 1,224,052</u>	<u>\$ 34,105,000</u>	

Cash and investment balances restricted to pay debt as of September 30, 2025: \$ 1,299,970

Average annual debt service payment for remaining term of all bond debt: \$ 1,849,229

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

See accompanying independent auditor's report.

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

	Amounts		
	2025	2024	2023
<b>REVENUES</b>			
Property Taxes	\$ 2,238,814	\$ 1,803,164	\$ 1,462,407
Water Service	1,376,608	1,283,517	1,327,526
Wastewater Service	748,831	725,380	769,879
Penalty and Interest	51,544	41,377	47,249
Connection and Inspection Fees	128,034	111,553	140,033
Sales and Use Tax Revenues	416,633	384,934	384,321
Solid Waste Service	596,401	584,175	557,569
La Salle WCID No. 1A Income			
Investment and Miscellaneous Revenues	616,495	509,679	470,493
<b>TOTAL REVENUES</b>	<b>\$ 6,173,360</b>	<b>\$ 5,443,779</b>	<b>\$ 5,159,477</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 513,766	\$ 550,257	\$ 530,567
Personnel	934,899	896,548	822,765
Contracted Services	686,447	678,494	654,990
Purchased Water Service	224,444	622,419	343,717
Utilities	246,646	172,256	185,841
Repairs and Maintenance	560,535	547,638	446,406
Other	410,037	270,122	342,852
Capital Outlay	492,082	791,776	662,945
Debt Service:			
Bond Principal	130,000	130,000	125,000
Bond Interest	59,959	63,131	65,943
Interest on Line of Credit	20,156		
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,278,971</b>	<b>\$ 4,722,641</b>	<b>\$ 4,181,026</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 1,894,389</b>	<b>\$ 721,138</b>	<b>\$ 978,451</b>
<b>SPECIAL ITEM</b>			
La Salle Merger	\$ - 0 -	\$ - 0 -	\$ - 0 -
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ - 0 -	\$ - 0 -	\$ (72,487)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,894,389</b>	<b>\$ 721,138</b>	<b>\$ 905,964</b>
<b>BEGINNING FUND BALANCE</b>	<b>7,942,009</b>	<b>7,220,871</b>	<b>6,314,907</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 9,836,398</b>	<b>\$ 7,942,009</b>	<b>\$ 7,220,871</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 1,355,543	\$ 980,052	36.3 %	33.1 %	28.5 %	29.5 %	23.9 %
1,224,024	1,122,399	22.3	23.6	25.7	26.6	27.4
694,748	622,298	12.1	13.3	14.9	15.1	15.2
48,314	35,460	0.8	0.8	0.9	1.1	0.9
145,549	247,388	2.1	2.0	2.7	3.2	6.0
383,809	345,059	6.7	7.1	7.4	8.3	8.4
508,270	459,149	9.7	10.7	10.8	11.1	11.2
163,043	239,930				3.5	5.9
74,066	45,629	10.0	9.4	9.1	1.6	1.1
<u>\$ 4,597,366</u>	<u>\$ 4,097,364</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 638,855	\$ 432,015	8.3 %	10.1 %	10.3 %	13.9 %	10.5 %
842,963	736,620	15.1	16.5	15.9	18.3	18.0
658,250	633,708	11.1	12.5	12.7	14.3	15.5
344,285	313,109	3.6	11.4	6.7	7.5	7.6
160,363	151,090	4.0	3.2	3.6	3.5	3.7
644,266	679,705	9.1	10.1	8.7	14.0	16.6
332,747	286,665	6.6	5.0	6.6	7.2	7.0
590,541	450,578	8.0	14.5	12.8	12.8	11.0
125,000	120,000	2.1	2.4	2.4	2.7	2.9
68,469	70,557	1.0	1.2	1.3	1.5	1.7
		0.3				
<u>\$ 4,405,739</u>	<u>\$ 3,874,047</u>	<u>69.2 %</u>	<u>86.9 %</u>	<u>81.0 %</u>	<u>95.7 %</u>	<u>94.5 %</u>
<u>\$ 191,627</u>	<u>\$ 223,317</u>	<u>30.8 %</u>	<u>13.1 %</u>	<u>19.0 %</u>	<u>4.3 %</u>	<u>5.5 %</u>
<u>\$ 1,202,043</u>	<u>\$ - 0 -</u>					
<u>\$ (2,065,066)</u>	<u>\$ (601,511)</u>					
<u>\$ (671,396)</u>	<u>\$ (378,194)</u>					
<u>6,986,303</u>	<u>7,364,497</u>					
<u>\$ 6,314,907</u>	<u>\$ 6,986,303</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2025	2024	2023
<b>REVENUES</b>			
Property Taxes	\$ 1,458,829	\$ 1,464,523	\$ 1,405,318
Penalty, Interest and Other Revenues	<u>81,780</u>	<u>91,182</u>	<u>29,035</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,540,609</u>	<u>\$ 1,555,705</u>	<u>\$ 1,434,353</u>
<b>EXPENDITURES</b>			
Debt Service Principal	\$ 450,000	\$ 655,000	\$ 630,000
Debt Service Interest, Fees and Other	<u>1,188,225</u>	<u>1,106,524</u>	<u>414,931</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,638,225</u>	<u>\$ 1,761,524</u>	<u>\$ 1,044,931</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (97,616)</u>	<u>\$ (205,819)</u>	<u>\$ 389,422</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Issuance of Long-Term Debt	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 683,475</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (97,616)	\$ (205,819)	\$ 1,072,897
<b>BEGINNING FUND BALANCE</b>	<u>1,204,253</u>	<u>1,410,072</u>	<u>337,175</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,106,637</u>	<u>\$ 1,204,253</u>	<u>\$ 1,410,072</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>2,148</u>	<u>2,107</u>	<u>2,135</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,912</u>	<u>1,866</u>	<u>1,729</u>

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 1,088,083	\$ 1,049,124	94.7 %	94.1 %	98.0 %	98.6 %	98.6 %
<u>15,456</u>	<u>15,280</u>	<u>5.3</u>	<u>5.9</u>	<u>2.0</u>	<u>1.4</u>	<u>1.4</u>
\$ 1,103,539	\$ 1,064,404	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %
\$ 1,005,000	\$ 460,000	29.2 %	42.1 %	43.9 %	91.1 %	43.2 %
<u>340,166</u>	<u>314,225</u>	<u>77.1</u>	<u>71.1</u>	<u>28.9</u>	<u>30.8</u>	<u>29.5</u>
\$ 1,345,166	\$ 774,225	<u>106.3</u> %	<u>113.2</u> %	<u>72.8</u> %	<u>121.9</u> %	<u>72.7</u> %
\$ (241,627)	\$ 290,179	<u>(6.3)</u> %	<u>(13.2)</u> %	<u>27.2</u> %	<u>(21.9)</u> %	<u>27.3</u> %
\$ - 0 -	\$ - 0 -					
\$ (241,627)	\$ 290,179					
<u>578,802</u>	<u>288,623</u>					
\$ <u>337,175</u>	\$ <u>578,802</u>					
<u>1,911</u>	<u>1,732</u>					
<u>1,652</u>	<u>1,578</u>					

See accompanying independent auditor's report.

**PORT O’CONNOR IMPROVEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2025**

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

District Telephone Number - (361) 983-2652

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>September 30, 2025</u>	Expense Reimbursements for the year ended <u>September 30, 2025</u>	<u>Title</u>
Daniel McGuire	01/22 11/26 (Elected)	\$ 4,862	\$ -0-	President
Michael Clifton	01/22 11/26 (Elected)	\$ -0-	\$ -0-	Vice President
Nathan O’Neill	01/22 11/26 (Elected)	\$ 3,978	\$ -0-	Secretary
Victor Mozisek	11/24 11/28 (Elected)	\$ 3,978	\$ -0-	Assistant Vice President
John Childers	11/24 11/28 (Elected)	\$ 3,757	\$ -0-	Assistant Secretary

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

See accompanying independent auditor’s report.

**PORT O’CONNOR IMPROVEMENT DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2025**

	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2025</u>	<u>Title</u>
<b>Key Personnel:</b>			
Oscar Pena	07/29/19	\$ 107,569	District Manager
Kim Stafford	03/11/08	\$ 71,433	Office Manager
<b>Consultants:</b>			
Walker Keeling LLP	02/04/19	\$ 183,721	General Counsel
Allen Boone Humphries Robinson LLP	06/17/13	\$ 24,354 \$ 195,212	Special Counsel Bond Related
McCall Gibson Swedlund Barfoot Ellis PLLC	09/20/18	\$ 33,000 \$ 2,500	Auditor Bond Related
Goldman, Hunt, & Notz, L.L.P.	12/10/20	\$ 49,976	Bookkeeper
Superior Water Management of Texas LLC	07/17/19	\$ 14,950	General Management Services
Masterson Advisors, LLC	01/19/23	\$ 152,245	Financial Advisor
Kirst Engineering Co.	02/03/25	\$ 36,391	Engineer
BGE, Inc		\$ 156,899	Engineer
Calhoun County		\$ 71,072	Tax Assessor/ Collector

See accompanying independent auditor’s report.