OFFICIAL STATEMENT DATED SEPTEMBER 1, 2026

Ratings:
S&P: "AA" (Stable Outlook) AG Insured /
Moody's: "Aa3" Uninsured
(see "BOND INSURANCE" "SALE AND DISTRIBUTION OF THE BONDS,

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the District after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"

$10,000,000
LOWER VALLEY WATER DISTRICT
(El Paso County, Texas)
UNLIMITED TAX BONDS, SERIES 2026

Dated Date: September 15, 2026 **Due: September 15, as shown on page two**

PAYMENT TERMS . . . Interest on the $10,000,000 Lower Valley Water District Unlimited Tax Bonds, Series 2026 (the "Bonds") will accrue from the date of delivery shown below (the "Delivery Date"), will be payable March 15 and September 15 of each year, commencing March 15, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 principal amount or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof**. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. (See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein.) The initial Paying Agent/Registrar is BOKF, NA. (See "THE BONDS - PAYING AGENT/REGISTRAR.")

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to Article XVI, Section 59, of the Texas Constitution and the general laws of the State of Texas (the "State"), including particularly Chapters 49 and 54, Texas Water Code, as amended, an election held on May 4, 2024 (the "Election"), and a resolution authorizing the issuance of the Bonds (the "Resolution") adopted by the Board of Directors (the "Board") of the Lower Valley Water District (the "District") on September 1, 2026. The Bonds constitute direct obligations of the District, payable from the levy and collection of a direct and continuing ad valorem tax levied, without limit as to rate or amount, on all taxable property within the District. (See "THE BONDS - AUTHORITY FOR ISSUANCE.")

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purposes authorized under the Election and for paying the costs associated with the issuance of the Bonds. (See "Plan of Financing – Purpose.")

INSURANCE . . . Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement. See "BOND INSURANCE."

ASSURED GUARANTY

CUSIP PREFIX: 548643
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. (See "APPENDIX C - Form of Bond Counsel's Opinion.") Winstead PC, San Antonio, Texas, serves as disclosure counsel to the District.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on September 24, 2026.

MATURITY SCHEDULE **CUSIP Prefix: 548643**

Due Sept. 15	Principal Amount	Interest Rate	Initial Reoffering Yield [a]		CUSIP Number[c]	Due Sept. 15	Principal Amount	Interest Rate	Initial Reoffering Yield [a]	CUSIP Number[c]
2030	$ 40,000	7.000%	3.220%		CU7	2040	$ 430,000	4.375%	4.420%	DE2
2031	280,000	7.000%	3.310%		CV5	2041	455,000	4.500%	4.520%	DF9
2032	295,000	7.000%	3.420%		CW3	2042	475,000	4.500%	4.600%	DG7
2033	310,000	7.000%	3.520%		CX1	2043	500,000	4.500%	4.670%	DH5
2034	325,000	7.000%	3.620%		CY9	2044	525,000	4.500%	4.720%	DJ1
2035	340,000	7.000%	3.720%	(b)	CZ6	2045	550,000	4.625%	4.760%	DK8
2036	355,000	7.000%	3.820%	(b)	DA0	2046	580,000	4.625%	4.790%	DL6
2037	375,000	5.000%	3.920%	(b)	DB8	2047	610,000	4.625%	4.820%	DM4
2038	390,000	4.125%	4.220%		DC6	2048	640,000	4.625%	4.850%	DN2
2039	410,000	4.250%	4.320%		DD4	2049	670,000	4.625%	4.880%	DP7

$1,445,000 4.000% Term Bonds Due September 15, 2051, Priced to Yield 4.970%[a] - CUSIP[c]: 548643DDR3

---

[a] Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser.
[b] Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on September 15, 2034, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the date of redemption.
[c] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Municipal Advisor (hereinafter defined) or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein."

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after September 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds maturing on September 15, 2051 (the "Term Bonds") are also subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE BONDS - REDEMPTION PROVISIONS.")

USE OF INFORMATION IN OFFICIAL STATEMENT

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District and the Purchaser to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. The Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression 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 an implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

The Municipal Advisor has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the District and as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

The Purchaser has provided the following sentence for inclusion in this Official Statement. The Purchaser has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Purchaser does not guarantee the accuracy or completeness of such information.

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

None of the District, its Municipal Advisor, or the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system, or Assured Guaranty Inc. ("AG") the bond insurer, and its municipal bond insurance policy described herein under the heading "BOND INSURANCE", as such information has been provided by DTC and AG, respectively.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the Purchaser. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document and any representation to the contrary is a criminal offense.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION.

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE" and "Appendix C - Specimen Municipal Bond Insurance Policy"

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds (defined herein) to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement. Capitalized terms used in this "OFFICIAL STATEMENT SUMMARY" and not otherwise defined shall have the meaning assigned thereto on the cover page hereof.

THE DISTRICT .... The El Paso County Lower Valley Water District Authority is a conservation and reclamation district created pursuant to Chapter 780 of the laws of the State of Texas 1985 Regular Session. On May 23, 1995, the Texas Legislature approved changing the name to the Lower Valley Water District (the "District"). The District operates as a municipal utility district under Chapter 49 and 54 of the Texas Water Code. The District acquired the water distribution system within the District's boundaries and now operates a water works system which supplies water to customers located within the District and a sewer system, in the southeastern portion of El Paso County, Texas. The District is governed by a Board of Directors consisting of five directors. (See "INTRODUCTION - DESCRIPTION OF DISTRICT".)

THE BONDS... The $10,000,000 Unlimited Tax Bonds, Series 2026 are issued as serial Bonds maturing September 15 in the years 2030 through 2049 and as term bonds maturing on September 15, 2051. (See "THE BONDS - DESCRIPTION OF THE BONDS".)

PAYMENT OF INTEREST...................... Interest on the Bonds accrues from the Delivery Date, and is payable March 15, 2027, and each September 15 and March 15 thereafter until maturity or prior redemption. (See "THE BONDS - DESCRIPTION OF THE BONDS" and "THE BONDS - REDEMPTION PROVISIONS".)

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to Article XVI, Section 59, of the Texas Constitution and the general laws of the State of Texas (the "State"), including particularly Chapters 49 and 54, Texas Water Code, as amended, an election held in the District on May 4, 2024 (the "Election"), and a resolution (the "Resolution") adopted by the Board of Directors (the "Board") on September 1, 2026. (See "THE BONDS - AUTHORITY FOR ISSUANCE".)

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the District, payable from the levy and collection of a direct and continuing ad valorem tax levied, without limit as to rate or amount, on all taxable property within the District, all as provided in the Resolution. (See "THE BONDS - SECURITY AND SOURCE OF PAYMENT".)

REDEMPTION .... The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds maturing on September 15, 2051 (the "Term Bonds") are also subject to the mandatory sinking fund redemption provisions as described herein. (See "THE BONDS – REDEMPTION PROVISIONS".)

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purposes authorized under the Election and for paying the costs associated with the issuance of the Bonds.

BOND INSURANCE .... The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Inc ("AG") (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein).

RATINGS .... It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign a rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal of and interest on the Bonds will be issued by AG. The purchase of such bond insurance shall be at the expense of the Initial Purchaser. See "BOND INSURANCE". Additionally, the Bonds were assigned a rating of "Aa3" Moody's, without regard to credit enhancement. (See "OTHER INFORMATION - RATINGS".)

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

LEGALITY .... Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel.

PAYMENT RECORD .... The District has never defaulted in payment of its bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9-30	Estimated District Population	Taxable Assessed Valuation (2)	Per Capita Taxable Assessed Valuation	Tax Debt Outstanding at Fiscal Year End (3)	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2023	67,629	$ 3,008,698,090	$ 44,488	$ 24,995,000	$ 370	0.83%	95.06%
2024	68,451	3,579,257,114	52,289	24,045,000	351	0.67%	94.95%
2025	69,440	4,008,806,354	57,731	48,045,000	692	1.20%	95.10%
2026	70,122	4,435,625,227	63,256	56,840,000 (4)	811 (4)	1.28% (4)	94.64% (5)
2027	70,832 (1)	4,879,923,341	68,894	55,510,000 (4)	784 (4)	1.14% (4)	N/A

(1) Projected.
(2) As reported by the El Paso Central Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.
(3) Provided by the District.
(4) Includes the Bonds.
(5) Partial year collections, as of July 31, 2026.

For additional information regarding the District, please contact:

Jose F. Hernandez Chief Financial Officer Lower Valley Water District P.O. Box 909 Clint, Texas 79836 (915) 791-4480	or	Maria Fernanda Urbina Managing Director Hilltop Securities Inc. 221 N. Kansas, Ste. 600 El Paso, Texas 79901 (915) 351-7228

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Elected Officials

Board of Directors	Length of Service	Term Expires	Occupation
Rosalinda Vigil	36 years	November, 2026	President
Henry Trujillo	39 years	November, 2026	Secretary/Treasurer
David Estrada	8 years	November, 2028	Director
David G. Carrasco	16 years	November, 2028	Vice President
Rodrigo Chavez	7 years	November, 2026	Director

Selected Administrative Staff

Name	Position	Length of Service	Total Governmental Service
Gerald Grijalva	General Manager	8 years	42 years
Jose F. Hernandez	Chief Financial Officer	8 years	33 years
Jesus Long	Chief Operating and Technical Officer	8 years	12 years
Armando Magallanes	Solid Waste Manager	13.5 years	13.5 years
Araceli Olague	Accounting Manager	28 years	28 years
Daniel Hernandez	Regulatory Operations Manager	9.60 years	9.60 years
Rosa Rivera	Purchasing Agent	21 years	21 years
Jeff Cuen	CIS Manager	0.75 years	4.75 years
Martha Nevarez	Budget & Customer Service Administrator	13 years	24 years

Consultants and Advisors

Auditors... Baker Tilly US, LLP
Austin, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Austin, Texas

Municipal Advisor... Hilltop Securities Inc.
Dallas, Texas and El Paso, Texas

OFFICIAL STATEMENT
RELATING TO

$10,000,000
LOWER VALLEY WATER DISTRICT
UNLIMITED TAX BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $10,000,000 Lower Valley Water District Unlimited Tax Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution (the "Resolution") adopted by the Board of Directors (the "Board") of the Lower Valley Water District (the "District") on the date of sale of the Bonds.

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

DESCRIPTION OF THE DISTRICT . . . The El Paso County Lower Valley Water District Authority was a conservation and reclamation district created pursuant to Chapter 780 of the laws of the State of Texas 1985 Regular Session. On May 23,1995, the Texas Legislature approved changing the name to the Lower Valley Water District. The District operates as a municipal utility district under Chapters 49 and 54 of the Texas Water Code. The District acquired the water distribution system within the District's boundaries and now operates a water works system which supplies water to customers located within the District and a sewer system, in the southeastern portion of El Paso County, Texas. The District is governed by a Board of Directors consisting of five directors. The present population under the auspices of the District is approximately 70,122. A population of 70,832 is projected by the year 2027.

PLAN OF FINANCING

PURPOSE . . . The District held a bond election on May 4, 2024 (the "Election") and the voters of the District approved the issuance of up to $35,000,000 of bonds by the District for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any District works, improvements, facilities, plants, equipment, and appliances needed to accomplish the purposes set forth in section 54.012, Texas Water Code, as amended, for which the District was created, including works, improvements, facilities, plants, equipment, and appliances needed to provide a waterworks system, sanitary sewer system, storm sewer system, and solid waste disposal system. The Bonds represent the second and final installment of voter-approved bonds pursuant to the Election. Proceeds from the sale of the Bonds will be used for the purposes authorized at the Election and for paying the costs associated with the issuance of the Bonds. (See "TABLE 8 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS" herein.)

FUTURE BOND ISSUES . . . The District does not anticipates issuing additional general obligation debt in the next twelve months.

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

Sources of Funds	
Par Amount of the Bonds	$ 10,000,000.00
Net Reoffering Premium	114,211.35
Total Sources of Funds	$ 10,114,211.35
Uses of Funds	
Deposit to the Project Fund	$ 9,658,000.00
Purchaser's Discount (includes Insurance Premium)	264,211.35
Costs of Issuance	192,000.00
Total Uses of Funds	$ 10,114,211.35

THE BONDS

DESCRIPTION OF THE BONDS . . .The Bonds are dated September 15, 2026 (the "Dated Date") and will accrue interest from the date of delivery to the Purchaser to their respective maturities. The Bonds will bear interest at the rates set forth on page two of this Official Statement.

Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months and is payable on each March 15 and September 15, commencing March 15, 2027, until maturity or prior redemption.

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

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to Article XVI, Section 59, of the Texas Constitution and the general laws of the State of Texas (the "State"), including particularly Chapters 49 and 54, Texas Water Code, as amended, the Election, and the Resolution.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct obligations of the District, payable from the levy and collection of a direct and continuing ad valorem tax levied, without limit as to rate or amount, on all taxable property within the District, all as provided in the Resolution.

LEGALITY . . . The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

DELIVERY . . . When issued; anticipated to occur on or about September 24, 2026 (the "Delivery Date").

PAYMENT RECORD . . . The District has never defaulted with respect to the payment of the principal and interest requirements on any of its bonded indebtedness.

REDEMPTION PROVISIONS

Optional Redemption . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after September 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 15, 2034, or any date thereafter, at the par value thereof plus accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption . . .

The Bonds maturing on September 15, 2051 (the "Term Bonds") are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Term Bond Maturing September 15, 2051	
Redemption Date	Principal Amount
September 15, 2050	$ 705,000
September 15, 2051*	740,000

* Stated maturity

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Bond, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following September 15 from moneys set aside for that purpose in the Bond Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District, with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Selection of Bonds for Redemption . . . If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Notice of Redemption . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Bonds kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Resolution, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bond (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bond shall not be deemed to be Outstanding.

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

DEFEASANCE . . . Any Bond will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Resolution when payment of the principal of and interest on such Bond to its stated maturity or redemption date will have been made or will have been provided by depositing with the Paying Agent/Registrar, or an authorized escrow agent, (1) cash in an amount sufficient to make such payment, (2) Government Obligations (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Obligations. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the District's Municipal Advisor, the Paying Agent/Registrar, or such other qualified institution as specified in the Resolution. The Resolution provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm less than "AAA" or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. The District has additionally reserved the right in the Resolution, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations originally deposited, to reinvest the uninvested money for such deposit for such defeasance, and to withdraw for the benefit of the District money in excess of the amount required for the defeasance. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid for purposes of applying any debt limitation on indebtedness or for purposes of taxation. 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.

AMENDMENTS . . . The District may amend the Resolution without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Resolution; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, the redemption price therefor, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, or waiver.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Municipal Advisor believe the source of such information to be reliable, but neither of the District nor the Municipal Advisor takes any responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange. Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating: "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

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

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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. (See "THE BONDS – BOOK-ENTRY-ONLY-SYSTEM" herein.)

LIMITATION ON TRANSFERABILITY OF BONDS CALLED FOR REDEMPTION . . . Neither the District nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

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

If the date for the payment of the principal of or interest on the Bonds is a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the District where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Resolution. Except for mandamus, the 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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's 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.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

ASSURED GUARANTY INC.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At June 30, 2026:

- The policyholders' surplus of AG was approximately $3,088 million.

- The contingency reserve of AG was approximately $1,569 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "Bond Insurance".

(The remainder of this page intentionally left blank)

BOND INSURANCE GENERAL RISKS

GENERAL . . . The District has obtained a commitment from the Insurer to provide a municipal bond insurance policy relating to the Bonds. See “BOND INSURANCE”.

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Bonds and the Insurer’s consent may be required in connection with amendments to the Resolution for the Bonds.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the 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 “BOND INSURANCE” herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody’s Investor Services Inc., S&P Global Ratings and Fitch Ratings, Inc. have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating 24 outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

(The remainder of this page intentionally left blank)

TAX INFORMATION

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 and any additional bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Resolution to levy such a tax from year to year as described more fully herein under "THE BONDS – SECURITY AND SOURCE OF PAYMENT." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations.

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . . Title I 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 Appraisal District has the responsibility for appraising property for all taxing units within El Paso County, including the District. Such appraisal values are subject to review and change by the El Paso Central 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran if such rating is less than 100%. A veteran who receives a disability rating of 100%, and subject to certain conditions, the surviving spouse of such a veteran is entitled to the exemption for the full amount of the residential homestead. A disabled veteran who has a disability rating of less than 100% is entitled to an exemption equal to the percentage of the veteran's disability rating for a residence homestead that was donated by a charitable organization to such veteran (i) at no cost to such veteran or (ii) effective January 1, 2018, at some cost to such veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50 percent of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Effective January 1, 2018 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. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemption: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) 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.

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 is limited to 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.

Tax Abatement . . . A city may designate all or part of the area within the District as a reinvestment zone for abatement purposes. Thereafter, El Paso County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

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. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent 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 market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation, or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, and five (5) years for open space land, and timberland.

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.

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.

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 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, 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. 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.

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

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

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

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

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

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

The District: According to the District's Board, the District is considered a Developing District. 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 RIGHT 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 taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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.

(The remainder of this page intentionally left blank)

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2026/27 Market Valuation Established by El Paso Central Appraisal District (excluding totally exempt property)		$ 5,851,897,186
State Mandated Over 65 Homestead Exemptions	$ 19,809,108	
Homestead Cap Adjustment	288,580,626	
Circuit Breaker Limitation	73,111,028	
100% Disabled Homestead Exemptions	5,251,810	
Veteran Exemptions Loss	111,767,766	
Productivity Loss	136,116,317	
Freeport Exemptions	264,610,907	
Solar Exemptions	40,599	
Member Armed Services Surviving Spouse	420,652	
Low Income Housing	2,780,198	
145 Exemptions	65,464,466	
Pollution Control	4,020,368	971,973,845
2026/27 Net Taxable Assessed Valuation		$ 4,879,923,341
Unlimited Tax Bonds Payable from Ad Valorem Taxes (as of 7-31-2026)		$ 48,045,000
The Bonds		10,000,000
Interest and Sinking Fund as of 7-31-2026		$ 2,413,386
Ratio Net Tax and Revenue Obligation Tax Debt to Taxable Assessed Valuation		0.98%

2026 Estimated Population - 70,122
Per Capita Taxable Assessed Valuation - $69,592
Per Capita Debt Payable from Ad Valorem Taxes - $685

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2027		2026		2025	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 3,451,797,950	58.99%	$ 3,286,464,926	57.54%	$ 3,143,907,204	61.92%
Real, Residential, Multi-Family	163,720,372	2.80%	140,313,077	2.46%	150,279,023	2.96%
Real, Vacant Lots/Tracts	87,604,312	1.50%	92,555,476	1.62%	88,372,189	1.74%
Real, Acreage (Land Only)	158,133,819	2.70%	165,684,999	2.90%	161,227,623	3.18%
Real, Farm and Ranch Improvements	179,004,533	3.06%	172,689,019	3.02%	166,120,433	3.27%
Real, Commercial and Industrial	801,886,344	13.70%	689,704,171	12.08%	614,957,266	12.11%
Real and Tangible Personal, Utilities	68,302,650	1.17%	62,787,290	1.10%	48,484,742	0.95%
Tangible Personal, Business	792,683,925	13.55%	970,327,477	16.99%	559,130,232	11.01%
Tangible Personal, Other	119,210,288	2.04%	117,789,515	2.06%	112,046,180	2.21%
Real, Inventory and Special Inventory	29,552,993	0.51%	13,231,337	0.23%	32,796,103	0.65%
Total Appraised Value Before Exemptions	$ 5,851,897,186	100.00%	$ 5,711,547,287	100.00%	$ 5,077,320,995	100.00%
Less: Total Exemptions/Reductions	971,973,845		1,275,922,060		1,068,514,641	
Taxable Assessed Value	$ 4,879,923,341		$ 4,435,625,227		$ 4,008,806,354	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2024		2023	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,816,607,945	61.87%	$ 2,393,926,747	61.54%
Real, Residential, Multi-Family	120,855,933	2.65%	94,869,614	2.44%
Real, Vacant Lots/Tracts	88,783,379	1.95%	81,648,610	2.10%
Real, Acreage (Land Only)	165,535,191	3.64%	171,327,645	4.40%
Real, Farm and Ranch Improvements	158,611,579	3.48%	132,710,516	3.41%
Real, Commercial and Industrial	431,970,951	9.49%	336,940,389	8.66%
Real and Tangible Personal, Utilities	40,095,675	0.88%	38,339,651	0.99%
Tangible Personal, Business	585,818,338	12.87%	514,046,501	13.22%
Tangible Personal, Other	74,597,186	1.64%	74,825,820	1.92%
Real, Inventory and Special Inventory	69,525,808	1.53%	51,233,492	1.32%
Total Appraised Value Before Exemptions	$ 4,552,401,985	100.00%	$ 3,889,868,985	100.00%
Less: Total Exemptions/Reductions	973,144,871		881,170,895	
Taxable Assessed Value	$ 3,579,257,114		$ 3,008,698,090	

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

TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9-30	Estimated District Population [(1)]		Net Taxable Assessed Valuation[(2)]		Per Capita Taxable Assessed Valuation		Funded Tax Debt		Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2023	67,629	$	3,008,698,090	$	44,488	$	24,995,000	$	370	0.83%
2024	68,451		3,579,257,114		52,289		24,045,000		351	0.67%
2025	69,440		4,008,806,354		57,731		48,045,000		692	1.20%
2026	70,122		4,435,625,227		63,256		56,840,000 [(3)]		811 [(3)]	1.28% [(3)]
2027	70,832		4,879,923,341		68,894		55,510,000 [(3)]		784 [(3)]	1.14% [(3)]

(1) Source: the District.
(2) As reported by the El Paso Central Appraisal District on the District's annual State Property Tax Reports. Such values are subject to change during the ensuing year.
(3) Includes the Bonds.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30		Tax Rate		General Fund		Interest and Sinking Fund		Tax Levy	% Total Collections
2022	$	0.176315	$	0.112782	$	0.063533	$	4,483,575	95.53%
2023		0.162968		0.106902		0.056066		4,911,355	95.06%
2024		0.150266		0.102301		0.047965		5,384,590	94.95%
2025		0.144716		0.102177		0.042539		5,947,954	95.10%
2026		0.176899		0.104850		0.072049		8,046,237 [(1)]	94.64% [(1)]

(1) Partial year collections, as of July 31, 2026.

TABLE 5 – TEN LARGEST TAXPAYERS [(1)]

Name of Taxpayer	Nature of Property	2026/27 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
El Paso Electric Co.	Electric Utility	$ 264,287,978	5.42%
Wiwynn Technology Corporation	Data Center	75,101,820	1.54%
B10 El Paso Gateway Owner LP	Shipping/Freight	55,280,209	1.13%
F-Star Socorro Holding Co LLC	Property Management	53,939,490	1.11%
SLC Building 2 Owner LLC	Shipping/Freight	53,912,000	1.10%
901 Logistics Center LLC	Shipping/Freight	30,360,000	0.62%
9231 Socorro Logistics LLC	Warehouse	25,276,000	0.52%
JNY Building Owner LLC LP	Developer	22,777,000	0.47%
Honeywell Industrial Automation	Industrial Automation	22,344,500	0.46%
Franklin MP LLC	Medical Plaza	20,000,000	0.41%
		$ 623,278,997	10.21%

(1) As shown in the table above, the total combined top ten taxpayers in the District currently account for over 10% of the District's tax base, thereby creating a concentration risk for the District. Any adverse development related to these businesses may affect their ability to continue to conduct business at their respective locations within the District's boundaries and may result in significantly less local tax revenue, which may affect the District's finances and its ability to repay its outstanding indebtedness.

DEBT INFORMATION

TABLE 6 – DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Unlimited Tax Debt Service Requirements Principal	Interest	Total	The Bonds Principal	Interest	Total	Grand Total Requirements	% of Principal Retired
2026	$ 1,205,000	$ 2,009,590	$ 3,214,590	$ -	$ -	$ -	$ 3,214,590	
2027	1,330,000	1,877,550	3,207,550	-	481,711	481,711	3,689,261	
2028	1,380,000	1,821,000	3,201,000	-	494,063	494,063	3,695,063	
2029	1,435,000	1,762,200	3,197,200	-	494,063	494,063	3,691,263	
2030	1,490,000	1,700,850	3,190,850	40,000	494,063	534,063	3,724,913	11.85%
2031	1,550,000	1,636,950	3,186,950	280,000	491,263	771,263	3,958,213	
2032	1,605,000	1,570,200	3,175,200	295,000	471,663	766,663	3,941,863	
2033	1,675,000	1,500,900	3,175,900	310,000	451,013	761,013	3,936,913	
2034	1,735,000	1,428,300	3,163,300	325,000	429,313	754,313	3,917,613	
2035	1,805,000	1,358,700	3,163,700	340,000	406,563	746,563	3,910,263	28.94%
2036	1,875,000	1,288,150	3,163,150	355,000	382,763	737,763	3,900,913	
2037	1,950,000	1,214,700	3,164,700	375,000	357,913	732,913	3,897,613	
2038	2,025,000	1,138,100	3,163,100	390,000	339,163	729,163	3,892,263	
2039	2,105,000	1,058,350	3,163,350	410,000	323,075	733,075	3,896,425	
2040	2,185,000	975,300	3,160,300	430,000	305,650	735,650	3,895,950	49.79%
2041	2,275,000	888,850	3,163,850	455,000	286,838	741,838	3,905,688	
2042	2,360,000	798,600	3,158,600	475,000	266,363	741,363	3,899,963	
2043	2,450,000	704,800	3,154,800	500,000	244,988	744,988	3,899,788	
2044	2,545,000	607,200	3,152,200	525,000	222,488	747,488	3,899,688	
2045	2,645,000	505,650	3,150,650	550,000	198,863	748,863	3,899,513	75.25%
2046	2,750,000	399,900	3,149,900	580,000	173,425	753,425	3,903,325	
2047	2,860,000	289,700	3,149,700	610,000	146,600	756,600	3,906,300	
2048	1,525,000	174,800	1,699,800	640,000	118,388	758,388	2,458,188	
2049	1,600,000	98,550	1,698,550	670,000	88,788	758,788	2,457,338	
2050	1,685,000	50,550	1,735,550	705,000	57,800	762,800	2,498,350	98.73%
2051	-	-	-	740,000	29,600	769,600	769,600	100.00%
	$ 48,045,000	$ 26,859,440	$ 74,904,440	$ 10,000,000	$ 7,756,411	$ 17,756,411	$ 92,660,851	

TABLE 7 – INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-2026		$ 3,214,590
Interest and Sinking Fund, 9-30-2025	$ 238,124	
Interest and Sinking Fund Tax Levy	3,207,847	3,445,971
Estimated Balance, 9-30-2026		$ 231,381

TABLE 8 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Date of Authorization	Purpose	Amount Authorized	Issued to Date	The Bonds	Remaining Authorized but Unissued
05/04/2024	Water, Sanitary Sewer and Drainage	$35,000,000	$25,000,000	$10,000,000	$0

TABLE 9 – OTHER OBLIGATIONS

Subscription and Lease Liabilities

Description	Date of Contract	Final Maturity	Interest Rates	Balance 9/30/2025
GPS fleet tracking system	12/9/2020	1/31/2027	1.60%	97,560
Xerox Corporation (Lease)	5/1/2025	5/1/2030	8.00%	80,187
Total subscription and lease liabilities				177,747

The future minimum subscription payments for the subscription are as follows:

Years	Principal	Interest	Total
2026	$ 72,872	$ 1,588	$ 74,460
2027	24,688	132	24,820
	$ 97,560	$ 1,720	$ 99,280

The future minimum lease payments for the lease are as follows:

Years	Principal	Interest	Total
2026	$ 14,228	$ 8,237	$ 22,465
2027	16,025	6,440	22,465
2028	17,822	4,643	22,465
2029	19,619	2,846	22,465
2030	12,493	612	13,105
	$ 80,187	$ 22,778	$ 102,965

(The remainder of this page intentionally left blank)

FINANCIAL INFORMATION

TABLE 10 – STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

	Fiscal Year Ended September 30,				
Operating Revenues	2025	2024	2023	2022 [(1)]	2021
Metered Water Sales	$ 12,307,599	$ 12,513,010	$ 11,094,102	$ 9,256,542	$ 7,133,910
Wastewater Services	11,776,081	11,217,274	9,380,442	8,037,705	6,383,007
Solid Waste Collection Service Fees	7,384,045	6,785,317	6,364,297	5,933,714	5,346,190
Provisional Rate Water	-	-	-	-	1,630,608
Provisional Rate Wastewater	-	-	-	-	1,183,705
Provisional Rate Solid Waste	-	-	-	-	218,590
Miscellaneous	2,985,995	3,282,047	3,132,413	3,349,580	3,129,492
Total Revenues	$ 34,453,720	$ 33,797,648	$ 29,971,254	$ 26,577,541	$ 25,025,502
Operating Expenses					
Cost of Water	$ 7,567,447	$ 6,681,776	$ 5,937,289	$ 5,284,702	$ 4,131,297
Cost of Wastewater Treatment	4,390,796	4,883,081	4,098,166	2,732,765	2,019,245
Cost of Solid Waste Collection	1,425,603	1,228,141	1,140,446	1,135,449	1,161,045
Depreciation and Amortization Expense	7,358,180	6,698,869	6,791,420	6,036,981	5,515,482
Other	12,723,638	12,480,212	11,198,168	10,687,573	10,801,460
Total Expenses	$ 33,465,664	$ 31,972,079	$ 29,165,489	$ 25,877,470	$ 23,628,529
Operating Income (Loss) Before Other Operating Revenue	$ 988,056	$ 1,825,569	$ 805,765	$ 700,071	$ 1,396,973
Other Operating Revenue					
Operating Income (Loss)	$ 988,056	$ 1,825,569	$ 805,765	$ 700,071	$ 1,396,973
Nonoperating Revenues (Expenses)					
Property Taxes, Including Penalties and Interest	$ 6,013,636	$ 5,401,359	$ 4,934,928	$ 4,560,107	$ 4,334,842
Interest Revenue	1,681,916	2,620,627	2,506,001	450,187	113,076
Interest Expense	(953,277)	(839,532)	(874,142)	(913,980)	(378,780)
Debt Issuance Costs	(839,800)	(135,370)	-	-	(444,905)
Gain on Disposal of Assets	9,712	75,038	8,424	-	56,195
Bond premium and loss amortization	-	-	(26,457)	(28,863)	(28,862)
Total Nonoperating Revenues (Expenses)	$ 5,912,187	$ 7,122,122	$ 6,548,754	$ 4,067,451	$ 3,651,566
Capital Contributions	$ 9,412,695	$ 8,708,410	$ 905,901	$ 600,746	$ 1,743,196
Change in Net Position	$ 16,312,938	$ 17,656,101	$ 8,260,420	$ 5,368,268	$ 6,791,735
Net Position, Beginning of Year	$ 200,245,588	$ 182,589,487	$ 174,329,067	$ 168,960,799	$ 162,169,064
Net Position, End of Year	$ 216,558,526	$ 200,245,588	$ 182,589,487	$ 174,329,067	$ 168,960,799

(1) Restated.

TABLE 10B – CONDENSED STATEMENT OF OPERATIONS – WATER AND SEWER SYSTEM

	Fiscal Year Ended September 30,				
Revenues	2025	2024	2023	2022 [1]	2021
Metered Water Sales	$ 12,307,599	$ 12,513,010	$ 11,094,102	$ 9,256,542	$ 7,133,910
Wastewater Services	11,776,081	11,217,274	9,380,442	8,037,705	6,383,007
Provisional Rate Water	-	-	-	-	1,630,608
Provisional Rate Wastewater	-	-	-	-	1,183,705
Provisional Rate Solid Waste		-	-	-	-
Maintenance Tax Revenue [1]	4,247,192	3,679,079	3,241,219	2,931,334	2,606,415
Interest Revenue	1,681,916	2,620,627	2,506,001	450,187	113,076
Miscellaneous	2,985,995	3,282,047	3,132,413	3,349,580	3,129,492
Total Revenues	$ 32,998,783	$ 33,312,037	$ 29,354,177	$ 24,025,348	$ 22,180,213
Expenses					
Cost of Water	$ 7,567,447	$ 6,681,776	$ 5,937,289	$ 5,284,702	$ 4,131,297
Cost of Wastewater	4,390,796	4,883,081	4,098,166	2,732,765	2,019,245
Other	9,835,558	9,532,886	8,337,537	8,075,554	8,558,800
Total Expenses	$ 21,793,801	$ 21,097,743	$ 18,372,992	$ 16,093,021	$ 14,709,342
NET AVAILABLE FOR DEBT SERVICE	$ 11,204,982	$ 12,214,294	$ 10,981,185	$ 7,932,327	$ 7,470,870
Water Customers	21,689	21,391	21,134	20,574	19,586
Sewer Customers	19,009	18,668	18,357	17,680	16,694

(1) Restated.

(The remainder of this page left blank intentionally.)

FINANCIAL POLICIES

The financial statements of the Lower Valley Water District (District) are prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when liability is incurred, or economic assets are used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, deferred inflows of resources, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Recognition of Revenues . . .The District's revenues are recognized as goods or services provided. Billing for water, wastewater, and solid waste services is done monthly based on billing cycles. The District uses actual data to record unbilled revenues at the end of the year.

Revenue and Expense Classification . . .The District operates as an enterprise fund's governmental, proprietary activity account. Enterprise funds are used to account for operations financed and operated like private business or where the governing body decides that the determination of revenues earned, costs incurred, and net income is necessary for management accountability. The principal revenues are charges to customers for water, wastewater, and solid waste services. Operating expenses include service costs, payroll expenses, maintenance and operating expenses, and depreciation of capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

Annual Budget . . .Approximately ninety days before the beginning of each fiscal year, the Finance Department reviews past financial statements, using the data to forecast future expenses and revenues. The fiscal year runs from October 1 to the last day of September of the following year.

Finance meets with each department manager to evaluate departmental needs. During the individual departmental review, 2025 spending levels are compared to 2026 budget spending levels, and appropriate adjustments are made. Resources are allocated to cover District projects and departments. A plan is developed to manage the budget and implement it.

Rate Stabilization Fund (RSF) . . .The District created a rate stabilization fund to absorb fluctuations in revenues and stabilize rates by providing a reserve that can be utilized to pay for unanticipated changes in budgeted costs, which may otherwise require a rate increase. Future deposits to the rate stabilization fund will be determined semiannually based on financial performance. Any amount used to offset unanticipated changes in the quantities budgeted or any withdrawals related to the RSF will require the approval of the Board of Directors.

Budget Amendment . . .Budget transfers are submitted by the requesting manager with final approval by the Chief Financial Officer (CFO). Operating and Capital transfers are initiated when the total budget for object codes is exhausted, and other object codes are identified with excess remaining balances to cover the deficit. These transfers are done on a memorandum basis and are processed by the Finance Department with approval from the CFO. These recurring capital and operating transfers don't need to be approved by the Board of Directors. Budget amendments are required if the District project exceeds the operating or capital budgets, most likely due to unanticipated circumstances. Any budget amendment requires approval by the Board of Directors.

Accounts Receivable . . .Accounts receivables are recorded at the invoiced amounts plus an estimate of unbilled revenue receivable. When it is probable that the receivable will not be recovered, account balances of more than five years are written off against the allowance. The Board must approve the write-off of accounts receivable. The allowance for uncollectible accounts is recorded as an offset to operating revenue.

Inventory . . .Materials and supplies are generally used for construction, operation, and maintenance, not resale. The inventory is stated using the weighted average costing method and charged to expense when used.

Restricted Assets . . .Mandatory segregations of assets are presented as restricted assets. Bond agreements and other external parties require such segregation. Restricted assets are reported in the Statements of Net Position as current or noncurrent. The following accounts are reported as restricted assets:

- *Bond requirements* – Used to segregate resources accumulated for debt service and reserves to make up potential deficiencies for the debt service.
- *Construction* - Used to report proceeds restricted for use in construction
- *Customer Deposits - Used to segregate resources accumulated for deposits to be refunded for customers.*
- *Grants* – Used to segregate resources accumulated for deposits restricted for grant use

Grants . . .The District receives federal, state, and pass-through entities funding to support water and wastewater improvements in its service area. Grant proceeds are mainly used for capital improvement projects.

Capital Assets . . .Capital assets, which include land, water rights, distribution and transmission systems, machinery, equipment, and vehicles, are defined in the District assets with an individual cost of more than $5,000.00 and an estimated useful life of more than one year. Subscription assets, with an initial price of more than $50,000, are defined by GASB Statement No. 96. When capital assets are purchased, they are capitalized and depreciated in the financial statements using the straight-line method.

New Accounting Standards

GASB has approved the following:

•Statement No. 101,Compensated Absences
•Statement No. 102,Certain Risk Disclosures
•Statement No. 103,Financial Reporting Model Improvements
•Statement No. 104,Disclosure of Certain Capital Assets

When they become effective, application of these standards may restate portions of these financial statements.

INVESTMENTS

The District invests its investable funds in investments authorized by State law in accordance with investment policies approved by the Board of Directors of the District. Both State law and the District's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest- bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

INVESTMENT POLICIES . . . Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments 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." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 11 – CURRENT INVESTMENTS[1]

As of July 31, 2026, the District's investable funds were invested in the following categories:

Investment Type	Book Value	% of Portfolio	Market Value	% of Portfolio
Money Market & Others	1,526,563	2.77%	1,526,563	2.77%
Investment Pool - LOGIC	8,079,842	14.64%	8,079,842	14.64%
Investment Pool - LoneStar	24,140,417	43.74%	24,140,417	43.74%
Investment Pool - TexPool	7,127,907	12.91%	7,127,907	12.91%
Investment Pool - Texas Class	11,319,471	20.51%	11,319,471	20.51%
Investment Pool - Texas Range	3,000,626	5.44%	3,000,626	5.44%
	$ 55,194,826	100.00%	$ 55,194,826	100.00%

(1) Unaudited.

(The remainder of this page intentionally left blank)

THE DISTRICT

General

The El Paso County Lower Valley Water District Authority was a conservation and reclamation district created pursuant to Chapter 780 of the laws of the State of Texas 1985 Regular Session. On May 23,1995, the Texas Legislature approved changing the name to the Lower Valley Water District. The District operates as a municipal utility district under Chapters 49 and 54 of the Texas Water Code. The District acquired the water distribution system within the District's boundaries and now operates a water works system which supplies water to customers located within the District and a sewer system, in the southeastern portion of El Paso County, Texas. The District is governed by a Board of Directors consisting of five directors. The present population under the auspices of the District is approximately 70,122 as of July 2026.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

Location

At the time of creation, the District consisted of approximately 210 square miles (134,400 acres) in El Paso County, Texas. Located within the City of Socorro, City of San Elizario and the Town of Clint. Since its creation, there has been a simultaneous annexation and exclusion of land in the District. The District currently consists of approximately 134,433.73 square miles (210.05 acres), comprised of multiple contiguous and noncontiguous tracts of land.

Status of the Development

The Lower Valley Water District is considered a developing district. The District currently has 21,837 water connections (70,122 residents). This represents 98.52% of our projected water customers, leaving the district with about 328 connections, approximately 1,050 residents. The District currently has 19,228 wastewater connections (61,530 residents). This represents 86.75% of our projected wastewater customers, leaving the district with about 2,937 connections, approximately 9,398 residents.

THE SYSTEM

Waterworks System

Lower Valley Water District currently purchases approximately 6.4 million gallons of water from El Paso Water per day. The District has 6 Water Tanks, 4 Chlorinator Stations, 4 Booster Stations and approximately 2,157,800 linear feet of water distribution lines that supply water to 21,837 water connections or approximately 70,122 residents. The supply of water passes through 2 master meters, the first located at Gateway East and Loop 375 and the second located at the Jonathan Rodgers Treatment Facility. The water distribution system has 4 additional master meters as backup located on North Loop, Middle Drain, Alameda, and Socorro Road.

The first master meter located at Gateway East supplies water to the District's Eastlake above ground water tank, with a storage capacity of 2 million gallons. This tank feeds the Eastlake Booster Station, which is equipped with 3 pumps, at a pumping capacity of 2000 gallons per minute per pump. The distribution system splits at the intersection of Gateway East and Horizon Boulevard, a portion is diverted to the Peyton Booster Station, which is equipped with 2 pumps, at a pumping capacity of 300 gallons per minute per pump. The Peyton Booster Station supplies water to the District's Fordham elevated water tank, with a storage capacity of 200,000 gallons. This tank provides water service to the Sparks and Horizon Hills residents. The other portion of water supplies residents along Gateway East from Horizon Boulevard to FM 1110 and along North Loop from FM1110 to Fabens. These 2 pressure zones provide water service to 320 water connections or approximately 1,024 residents, 1.5 percent of the District's water connections.

The second master meter located at the Jonathan Rodgers Treatment Facility feeds the Jonathan Rodgers Booster Station, which is equipped with 4 pumps, at a pumping capacity of 3000 gallons per minute per pump. The Jonathan Rodgers Booster Station supplies water to the District's Mitchell above ground water tanks, with a storage capacity of 2 million gallons per tank. These tanks provide water service to the Socorro, San Elizario and Clint residents. This pressure zone provides water service to 19,241 water connections or approximately 61,571 residents, 86.8 percent of the District's water connections.

The Mitchell Tanks also supplies water to the Sandhills No. 2 above ground water tank, with a storage capacity of 350,000 gallons. This tank feeds the Mitchell Booster Station, which is equipped with 2 pumps, at a pumping capacity of 400 gallons per minute per pump. The Mitchell Booster Station supplies water to the District's Sandhills No. 1 above ground water tank, with a storage capacity of 350,000 gallons. This tank provides water service to Sandhills and Las Colonias residents. This pressure zone provides water service to 2,604 water connections or approximately 8,333 residents, 11.7 percent of the District's water connections.

TABLE 12 – HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year Ended 9/30	Daily Average Usage	Peak Daily Usage	Peak Monthly Usage	Total Usage	Water Revenue	Rate Stablization Fund Deferred	Provisional Rate Water	Total Water Revenue	Number of Water Customers
2022	5,264,657	6,533,851	196,015,502	1,921,599,725	$9,967,089	(710,547)	-	$9,256,542	20,574
2023	5,610,303	7,691,290	230,738,709	2,047,760,505	11,548,952	(454,849)	-	11,094,103	21,134
2024	5,880,465	7,885,520	236,565,592	2,146,369,700	12,513,010	-	-	12,513,010	21,390
2025	6,022,200	7,345,017	220,350,513	2,198,103,001	12,787,086	(479,487)	-	12,307,599	21,689
2026 (1)	5,619,099	7,150,195	214,505,860	1,180,623,707	9,753,007	-	-	9,753,007	21,875

(1) Unaudited.

TABLE 13 – TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)(AS OF SEPTEMBER 30, 2025)

Customer	Type of Industry	Water Usage (000's)	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Clint High School	School	30,315,017	1.38%	$ 195,201	1.59%
ZTEX Construction Inc.	Water Hauler	16,110,953	0.73%	103,659	0.84%
Bain Construction	Water Hauler	13,507,126	0.61%	86,860	0.71%
City of Socorro	City	11,830,622	0.54%	76,860	0.62%
El Paso Community College	Institution	11,855,906	0.54%	76,755	0.62%
Bain Construction	Water Hauler	11,073,040	0.50%	71,335	0.58%
SEISD High School	School	10,785,773	0.49%	69,888	0.57%
Del Mar Contracting. Inc.	Water Hauler	10,415,652	0.47%	67,343	0.55%
Bain Construction	Water Hauler	9,933,233	0.45%	64,022	0.52%
City of El Paso Environmental Services	Commercial/Landfill	8,922,824	0.41%	57,934	0.47%
		134,750,145	6.13%	$ 869,855	7.07%

(The remainder of this page intentionally left blank)

TABLE 14 – MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2025)

Residential Water Rates

Meter Size in Inches	Water in Minimum (CCF)	Minimum Charge	Usage Charge Per Level Above the Minimum Usage: Level 1 (4.1-10.0 CCF)	Level 2 (10.1-50.0 CCF)	Level 3 (50.1 and above)
3/4	4	$ 18.25 (1)	$ 3.06	$ 4.43	$ 5.52
1	4	32.00	3.06	4.43	5.52
1 1/2	4	37.25	3.06	4.43	5.52
2	4	42.25	3.06	4.43	5.52

Commercial Service Rates

Meter Size in Inches	Water in Minimum (CCF)	Minimum Charge	Usage Charge Per Level Above the Minimum Usage: Level 1 (4.1-10.0 CCF)	Level 2 (10.1-50.0 CCF)	Level 3 (50.1 and above)
3/4	4	$ 33.90	$ 3.06	$ 4.43	$ 5.52
1	4	52.00	3.06	4.43	5.52
1 1/2	4	72.25	3.06	4.43	5.52
2	4	92.25	3.06	4.43	5.52
3	4	108.75	3.06	4.43	5.52
4	4	125.25	3.06	4.43	5.52
6	4	152.75	3.06	4.43	5.52
8	4	184.25	3.06	4.43	5.52
10	4	324.67	3.06	4.43	5.52
12	4	551.00	3.06	4.43	5.52

Water Hauler Service Rates

Meter Size in Inches	Water in Minimum (CCF)	Minimum Charge	Usage Charge Per Level Above the Minimum Usage: Level 1 (4.1-10.0 CCF)	Level 2 (10.1-50.0 CCF)	Level 3 (50.1 and above)
1 1/2	4	72.25	$ 3.06	$ 4.43	$ 5.52
2	4	92.25	3.06	4.43	5.52
3	4	108.75	3.06	4.43	5.52

Volumetric Rate Schedule

Residential Customer		Commercial Customer	
Tier 1 (4.01 to 10 CCFs)	3.06	Tier 1 (4.01 to 10 CCFs)	3.06
Tier 2 (10.01 to 50 CCFs)	4.43	Tier 2 (10.01 to 50 CCFs)	4.43
Tier 3 (Over 50 CCFs)	5.52	Tier 3 (Over 50 CCFs)	5.52

WASTEWATER SYSTEM

Lower Valley Water District currently has 21 Lift Stations, approximately 1,396,485 linear feet of sanitary sewer collection lines that services 19,228 connections, approximately 61,530 residents or 86.75 percent of the District's population. This sewage flows to the Bustamante Wastewater Treatment Plant owned and operated by El Paso Water. The District flows on average of about 2.3 million gallons of sewage per day to the Bustamante Wastewater Treatment Plant which has a daily treatment capacity of 40 million gallons per day.

The District also provides sanitary sewer service to 2 additional areas; Tornillo Port of Entry that flows to the Tornillo Wastewater Treatment Plant owned and operated by El Paso County Tornillo Water Improvement District and the Cuadrilla Subdivision Area that services 27 connections, approximately 86 residents. The Cuadrilla Subdivision Area generates about 5,000 gallons per day. This sewage flows to a Decentralized Sewer System (Package Plant).

The District is presently designing a Wastewater Treatment Plant that will be serving 3 existing residential subdivisions (Mesa Del Norte, El Conquistador and Lourdes Estates). These areas consist of 456 connections, approximately 1459.

TABLE 15 – WASTEWATER USAGE (GALLONS)

Fiscal Year Ended	Daily Average	Monthly Average	Total Usage	Sewer Revenues	Provisional Rate Wastewater	Total Wastewater Revenues	Number of Wastewater Customers
2022	3,879,315	117,995,831	1,415,949,968	$ 8,037,705	$ -	$ 8,037,705	17,680
2023	3,972,520	119,175,595	1,430,107,142	9,380,442	-	9,380,442	18,357
2024	4,046,107	121,383,208	1,456,598,491	11,217,274	-	11,217,274	18,668
2025	4,300,016	130,792,163	1,569,505,959	11,776,081	-	11,776,081	19,009
2026 (1)	4,324,629	131,180,412	1,180,623,707	8,227,714	-	8,227,714	19,442

(1) Unaudited.

TABLE 16 – TEN LARGEST WASTEWATER CUSTOMERS (AS OF SEPTEMBER 30, 2025)

Customer	Type of Industry	Wastewater Revenue	% of Total Wastewater Revenue
El Paso Community College	College	$ 48,858	0.41%
Blue Beacon El Paso	Commercial/Truck Stop	36,700	0.31%
Tropicana Homes - J.O.P. Apartments	Apartments	30,381	0.26%
Clint Ind School District	School	25,992	0.22%
CWPS Corp. DBA Mister Car Wash	Commercial/Car Wash	25,602	0.22%
Flying J	Commercial/Truck Stop	25,541	0.22%
Tropicana Homes - Nevarez Palms LTD	Apartments	24,287	0.21%
Flores Raul	Apartments	23,656	0.20%
EPT Tres Misiones LLC	Apartments	21,652	0.18%
AQJ Washes LLC	Commercial/Laundromat	20,766	0.18%
		$ 283,434	2.41%

TABLE 17 – MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2025)

Residential and Nonresidential Sewer Rates	
Minimum Charge for Sewer (0-5 CCFs)	$ 31.00 (1)
Charge for each CCF in Excess of Minimum	3.00

(1) The District adopted a Provisional Rate which adds $6.00 to the minimum wastewater rate effective October 1, 2019. This provisional rate became permanent in October 2022.

Residential service rates are based on average winter consumption (AWC) which is determined by the average of the most recent November, December, January, and February actual water consumption and we drop the lowest consumption. AWC in excess of the minimum will be calculated at $3.00 per CCF. Commercial service rates are based on actual water consumption and usage in excess of the minimum will be calculated at $3.00 per CCF.

Non-residential/Commercial Wastewater Rates

Meter Size	Commercial Wastewater Minimum Monthly Charge 0.00 – 5.00 CCFs
¾”	$ 33.90
1”	52.00
1 ½”	72.25
2”	92.25
3”	108.75
4”	125.25
6”	152.75
8”	184.25
10”	324.67
Volume charge over 5.00 CCFs:	$3.00 per CCF

TCEQ ENFORCEMENT

On June 3, 2025 the District received a “Notice of Enforcement for Compliance Evaluation Investigation” related to an inspection that was conducted by the TCEQ at the District on March 26, 2025. In the Notice, the TCEQ findings noted several violations including unlicensed employees operating certain system facilities, design plans needed for certain system improvements, disposing of waste at incorrect sites and the need for a permanent site, failure to report spills, incorrect records and report filings, failure to supervise employees when coordinating certain testing, and the need for TCEQ approval for a temporary sewage storage operation at one of its plants. While the TCEQ provided recommended corrective action, the District cannot predict what kind of administrative penalties if any, they may be subject to after undertaking corrective measures; provided, however, the District doesn’t believe it would have a material impact on the District.

(The remainder of this page intentionally left blank)

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears as APPENDIX C hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in certificates pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Resolution subsequent to the issuance of the Bonds. The Resolution contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

TAX CHANGES . . . Existing law may change to reduce or eliminate the benefit to Registered Owners of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

ANCILLARY TAX CONSEQUENCES . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

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

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

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

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS . . . The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreements for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB through EMMA is available free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 17 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time the District will provide unaudited financial information and operating data which is customarily prepared by the District by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is 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.

MATERIAL EVENT NOTICES . . . The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into 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 Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the District (as defined by the Rule, which includes certain debt, debt- like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Resolution make any provision for debt service reserves, credit enhancement (though the District has applied for a municipal bond insurance policy), or liquidity enhancement. In the Resolution, the District will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the MSRB.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34- 83885 dated August 20, 2018.

AVAILABILITY OF INFORMATION FROM MSRB . . . All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Beneficial Owners of the Bonds. The District may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The District has during the past five years complied in all material respects with continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign a rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of principal of and interest on the Bonds will be issued by Assured Guaranty Inc. ("AG"). The purchase of such bond insurance shall be at the expense of the Initial Purchaser. The underlying credit rating for the Bonds is rated "Aa3" by Moody's, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

In the opinion of various officials of the District, except as disclosed in this Official Statement, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the District.

At the time of initial delivery of the Bonds, the District will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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 issue 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 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.

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

LEGAL OPINIONS

The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding special obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "PLAN OF FINANCING", "THE BONDS" (exclusive of subcaption "BOOK-ENTRY-ONLY SYSTEM"), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "COMPLIANCE WITH PRIOR UNDERTAKINGS"), and the subcaptions "LEGAL OPINIONS" and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon by Winstead PC, San Antonio, Texas, as disclosure counsel to the District.

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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CYBERSECURITY

The District's operations rely heavily on information technology systems, digital services, and network infrastructure. As a result, the District remains exposed to cybersecurity risks, including attempted cyberattacks, unauthorized access, fraud, service disruptions, and other technology-related incidents. The District continues to assess and monitor cybersecurity risks and is taking active steps to strengthen its overall cybersecurity posture. These efforts include cybersecurity awareness training, technology improvements, internal control reviews, system monitoring, and other measures intended to reduce risk and improve the District's ability to prevent, detect, respond to, and recover from cybersecurity incidents. While the District is making ongoing improvements to reduce cybersecurity and financial fraud risks, no organization can fully eliminate the possibility of cyber incidents or operational disruptions. Events outside the District's control, including cyberattacks, criminal activity, telecommunications outages, electrical outages, natural disasters, or other technology failures, could affect the District's operations and financial condition. The District will continue to conduct cybersecurity risk assessments, enhance administrative, technical, and operational controls, expand security awareness and training initiatives, and invest in appropriate cybersecurity technologies, monitoring capabilities, and governance procedures to strengthen resilience, support business continuity, and protect District systems, data, and assets.

MUNICIPAL ADVISOR

Hilltop Securities Inc. is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Municipal Advisor may also from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Municipal Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

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 Robert W. Baird & Co., Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 98.5% of the principal amount thereof which resulted in a net effective interest rate of 4.741192% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

/s/ GERALD GRIJALVA
General Manager
Lower Valley Water District

ATTEST:

/s/ HENRY TRUJILLO
Secretary/Treasurer
Lower Valley Water District

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A

EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDING 2025.

THIS PAGE INTENTIONALLY LEFT BLANK

bakertilly

Lower Valley Water District
El Paso, Texas

Financial Statements and
Supplementary Information

September 30, 2025 and 2024

Lower Valley Water District

Table of Contents
September 30, 2025 and 2024

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information, as listed in the table of contents, 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Texas Supplementary Information but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Austin, Texas
February 13, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As the management of the Lower Valley Water District (LVWD), we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2025 and 2024. The information presented should be read in conjunction with the financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS:

- The LVWD assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $216.6 million, an increase of $16.3 million compared to fiscal year 2024 and $33.9 million compared to fiscal year 2023.

- Total liabilities increased by $18.73 million during fiscal year 2025, primarily due to the issuance of the Series 2025 bonds to finance capital projects.

- Net position consists primarily by capital assets less the related debt outstanding used to acquire those assets (distribution system, buildings, equipment, furniture and fixtures).

- In fiscal year 2025, the LVWD is reporting an operating income of $988,056, a decrease of 45.9% compared to the fiscal year 2024's operating income of $1,825,569. The decrease was primarily attributable to the allocation of approximately 41% of metered water sales, or $479,487, to the Rate Stabilization Fund in September 2025, as well as higher operating costs related to increased purchased water rates and increased depreciation associated with newly placed capital assets. Overall, increases in wastewater and solid waste revenues outweighed declines in metered water sales, connection fees and other fees, resulting in a net increase in total revenues for fiscal year 2025.

- The Rate Stabilization Fund (RSF), implemented in fiscal year 2022, is used to mitigate future rate increases from the El Paso Water Utility (EPWU). This fund decreases the operating income for the fiscal year, but defers the funds collected to a future year to offset expenditures incurred in that year. During fiscal year 2025, the Board approved additional funding for the RSF, resulting in an additional amount of $479,487. This increased the RSF balance to $1,644,844.

- In fiscal year 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which improves accounting and financial reporting by state and local governments for pensions. In fiscal year 2025 the net pension asset/(liability) was $1,270,734 and in fiscal year 2024 the net pension asset/(liability) was $1,025,854. In fiscal year 2025, deferred outflows and inflows related to the Texas County and District Retirement System (TCDRS) of $742,918 and $184,622, respectively, are reported on the statements of net position.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis are intended to serve as an introduction to LVWD's basic financial statements. This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The LVWD follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with principles generally accepted in the United States of America. The financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the notes to the financial statements.

Lower Valley Water Customer Growth:

LVWD continues to experience consistent customer growth. The following table reflects customer growth within each service group for fiscal years 2025, 2024, and 2023.

Customer Growth	FY 2025	FY 2024	FY 2023
Water Customers			
Metered water customers, beginning of year	21,391	21,134	20,574
Additions, net	298	257	560
Metered water customers, end of year	21,689	21,391	21,134
Wastewater Customers			
Wastewater customers, beginning of year	18,668	18,357	17,680
Additions, net	341	311	677
Wastewater customers, end of year	19,009	18,668	18,357
Solid Waste Customers			
Total Solid Waste customers, beginning of year	20,364	20,029	19,321
Additions, net	311	335	708
Total Solid Waste customers, end of year	20,675	20,364	20,029

In 2025, the LVWD purchased 3.144 million CCFs of water from El Paso Water Utilities for resale. This is a 44,465 CCF increase from 2024. In April 2025, El Paso Water Utilities increased the wholesale water rate to the District by 20% and the wholesale wastewater rate increased by 12%.

Starting October 2023, the minimum usage base rate increased by $1.25 to both residential and commercial water customers. In May 2023, the District changed the wastewater minimum base consumption from 8 CCFs to 5 CCFs. Wastewater usage by the customer is calculated using the average winter consumption which is the average consumption during the most recent months of November, December, January, and February. Effective March 1, 2019, wastewater usage is calculated by the average of the most recent November, December, January, and February actual consumption, excluding the month with the lowest consumption. New residential and/or returning customers requesting service on/or after March 1 of any given year, will be billed based on 100% of the monthly water volumetric usage. The rate will be set through the following February billing cycle.

	Average Residential Bill			FY25 – FY24
	FY 2025	FY 2024	FY 2023	Percent Change
Water (10 ccf)	$ 35.58	$ 35.58	$ 34.33	0%
Wastewater (7 ccf)	35.97	35.97	34.75	0%
Total Bill	$ 71.55	$ 71.55	$ 69.08	0%

Solid Waste:

In addition to providing solid waste services to residential customers, the District offers solid waste service to commercial customers. The District offers various size containers with an option of once or twice a week pickup to customers who desire this service. At the end of fiscal year 2025, the District had 20,675 total solid waste active accounts. In addition, the District provides complimentary bulk waste pickup once a year to all its residential customers. The District also organizes community "clean ups", which provide community-wide solid waste disposal several times a year as funding allows and as authorized by the Board of Directors.

Projects for 2026:

The Lower Valley Water District (LVWD) will continue to utilize both internal and external funding to construct new infrastructure. The communities benefiting from this funding include the City of Socorro, the Town of Clint, the City of San Elizario, and El Paso County.

In fiscal year 2026, LVWD will consistently provide first-time potable water and wastewater services while aiming to deliver the highest quality products and services to our entire customer base. The following projects will be undertaken in the coming year and will continue as needed in future years:

Water:

- Calcot Water Tank and Booster Station are currently in the design phase to provide services to residents in the Mesa Del Norte area. The design services are being performed by CEA Group at a cost of $520,709. LVWD is currently seeking funding for construction-phase services.

- Peyton Water Tank and Booster Station are currently in the design phase to replace the existing booster station and standpipe, which currently provides water service to the Sparks and Horizon Hills Subdivisions. The design services are being performed by H2O Terra, LLC, at a cost of $370,273. LVWD is currently seeking funding for construction-phase services.

- Nuevo Hueco Road Extension is currently in the design phase to provide for the water & sanitary sewer main new installation and relocation system improvements within the Nuevo Hueco Road Improvements. The project consists of the new installation and/or relocation of approximately 11,000 lineal feet of water and sanitary sewer mains as a result of the Nuevo Hueco Road Extension project from Alameda Avenue to North Loop Drive. The design services are being performed by CEA Group at a cost of $224,507. LVWD is currently seeking funding for construction-phase services.

- Water Quality Project is a contract with The University of Texas at El Paso (UTEP) to drill pilot wells at three locations within the district boundaries. UTEP will analyze all data, monitor water level salinity over time, conduct time series water chemistry assessments, and evaluate arsenic levels in the water. The drilling and monitoring services performed by UTEP and its subcontractors at a cost a $1,295,371. LVWD is currently seeking funding for design phase services.

- Fire Hydrant Condition Assessment is a contract with NURAAMI, LLC, to assess the entire LVWD fire hydrant system using pressure gauges, perform static and residual pressures for all fire hydrants, and perform any necessary maintenance. These services are being performed by NURAAMI, LLC, at a cost of $1,300,000.

- Water System Modeling and Training is a contract with Brock & Bustillos, Inc., to develop the existing system hydraulic water model and will provide training to LVWD engineers to operate and maintain the model once developed. These services are being performed by Brock & Bustillos, Inc., at a cost of $225,250.

- Coffin Road Waterline Project was awarded to Bain Construction on December 8, 2025, for $1,099,706 and consists of installing approximately 6,000 linear feet of 12-inch diameter PVC potable water pipe, and 4 residential water connections. LVWD will be providing in-house construction management services, and inspection services are being performed by Brock & Bustillos for $131,971. The construction phase of this project is being funded with 2021 Bond Money managed by NADBank.

- Gateway West Waterline Project was awarded to Allen Concrete, LLC., on April 21, 2025. The cost of this project, including change orders, is $3,322,813 and consists of installing approximately 7,884 linear feet of 12-inch diameter PVC potable water pipe, 2,120 linear feet of 8-inch diameter PVC potable water pipe, and 19 new water connections. LVWD will be providing in-house construction management services, and inspection services are being performed by NURAAMI, LLC., for $69,370, and material testing services by CQC Testing & Engineering, LLC at a cost of $29,327. The construction phase of this project is being funded with 2025 Bond Money.

- LVWD also provides in-house engineering design and construction services on the following short-line extension water projects: Bills and Newman Road, Herring Road, and Coker Road. The construction phase of this project is being funded by Dig Deep.

Wastewater:

- FM-1110 wastewater line extension is currently in the design phase to provide services to commercial properties along FM 1110. The design services were performed by FSXA at a cost of $514,518. LVWD is currently seeking funding for construction-phase services.

- Celum Road wastewater line extension is currently in the design phase to provide services to residential properties along Celum Road. The design services were performed by FSXA at a cost of $152,478. LVWD is currently seeking funding for construction-phase services.

- Buckskin Road wastewater line extension is currently in the design phase to provide services to residential properties along Buckskin Road. The design services were performed by CEA Group at a cost of $201,591. LVWD is currently seeking funding for construction-phase services.

- Cuadrilla Wastewater Collection System is currently in the design phase to replace aging infrastructure throughout the Cuadrilla Subdivision area. The design services were performed by Huitt-Zollars, Inc., at a cost of $258,226. LVWD is currently seeking funding for construction-phase services.

- Fabens Airport Wastewater Collections System is currently in the design phase to provide services to commercial properties within the airport property. The design services were performed by CEA Group at a cost of $270,163. LVWD is currently seeking funding for construction-phase services.

- Mesa del Norte WWTP is currently in the design phase to provide wastewater treatment services to residential properties within the Mesa Del Norte, Lourdes Estates, El Conquistador Del Paso, and San Carlos Estates Subdivisions. The design services are being performed by CEA Group at a cost of $1,430,744. LVWD is currently seeking funding for construction-phase services.

- Septage Receiving Station is currently in the design phase to provide a permanent site for the septic haulers with a pre-treatment component before introducing the sewage into the LVWD collection system. The design services are being performed by Garver, LLC., at a cost of $365,920. LVWD is currently seeking funding for construction-phase services.

- Lift Station No. 4 Rehabilitation is currently in the design phase to identify items necessary to rehabilitate the existing lift station. The design services are being performed by FXSA at a cost of $127,857. LVWD is currently seeking funding for construction-phase services.

- Lift Station No. 9 Rehabilitation is currently in the design phase to identify items necessary to rehabilitate the existing lift station. The design services are being performed by FXSA at a cost of $164,548. LVWD is currently seeking funding for construction-phase services.

- Sandhills Wastewater Collection System project is currently in the design phase to provide services to six colonias subdivisions (Vista Larga, Colonia Del Paso, Ascencion Park Estates, Dairyland, College Park Addition, and Darrington Park). The design services are being performed by CEA Group at a cost of $2,999,726. The County of El Paso received $2.5 million in Federal Community Project Funding through Congressman Gonzalez's office under the FY2023 appropriations cycle, and LVWD provided a cash match of $500,000 towards this project. LVWD is currently seeking funding for construction-phase services per colonia.

- LVWD also provides in-house engineering design and construction services on the following short-line extension sanitary sewer projects: Rebote area, Sanchez Road. LVWD is currently seeking funding for construction-phase services.

- Angels Park Subdivision was awarded to CMD Endeavors, Inc., on February 13, 2024. The cost of this project, including change orders, is for $7,483,975 and consists of installing approximately 23,955 linear feet of 8-inch diameter PVC Sewer Pipe SDR-35, 55 manholes, and 351 new sewer service connections. Moreno Cardenas, Inc. is providing construction management services. The construction management and construction phase of this project is being funded by the American Rescue Plan Act (ARPA).

- Athena West North was awarded to Bain Construction on March 28, 2024. The cost of this project, including change orders, is $7,007,289 and consists of installing approximately 22,704 linear feet of 8-inch diameter PVC Sewer Pipe SDR-35, 9,760 linear feet of 12-inch diameter PVC Sewer Pipe SDR-35, 67 manholes, and 80 new sewer service connections. Moreno Cardenas, Inc. is providing construction management services. The construction management and construction phase of this project is being funded by the American Rescue Plan Act (ARPA).

- Panorama Village and Lift Station No. 19 was awarded to Spartan Construction of Texas, Inc., on May 28, 2024. The cost of this project, including change orders, is $4,593,819 and consists of installing approximately 9,316 linear feet of 8-inch diameter PVC Sewer Pipe SDR-35, 1,842 linear feet of 6-inch diameter forcemain DR-18, 36 manholes, and 216 new sewer service connections. Moreno Cardenas, Inc. is providing construction management services. The construction management and construction phase of this project is being funded by the American Rescue Plan Act (ARPA).

- North Loop Extension was awarded to S.J. Louis Construction, Inc., on November 6, 2024. The cost of this project, including change orders, is $2,991,975 and consists of installing approximately 130 linear feet of 8-inch diameter PVC Sewer Pipe SDR-35, 5,003 linear feet of 12-inch diameter PVC Sewer Pipe SDR-35, and 17 manholes. Moreno Cardenas, Inc. is providing construction management services. The construction management and construction phase of this project is being funded by the American Rescue Plan Act (ARPA) and 2025 Bond Money.

- Wildhorse & Hacienda Real Subdivisions was awarded to CMD Endeavors, Inc., on January 13, 2025. The cost of this project, including change orders, is $1,671,000 and consists of installing approximately 5,345 linear feet of 8-inch diameter PVC Sewer Pipe SDR-35, 155 linear feet of 12-inch diameter PVC Sewer Pipe SDR-35, 13 manholes, and 54 new sewer service connections. Moreno Cardenas, Inc. is providing construction management services. The construction management and construction phase of this project is being funded by the American Rescue Plan Act (ARPA) and 2025 Bond Money.

- Mesa Verde wastewater line extension was awarded to CSA Constructors on December 10, 2025, for $1,134,786 and consists of installing approximately 420 linear feet of 12-inch diameter PVC Sewer Pipe SDR-35, 1,600 linear feet of 8-inch diameter PVC Sewer Pipe SDR-35, 6 manholes, and 30 new sewer service connections. NURAAMI, LLC., is providing construction management services in the amount of $67,375. The construction management and construction phase of this project is being funded by the 2025 Bond Money.

- Lift Station No. 6 Rehabilitation was awarded to Bain Construction on September 22, 2025, for $6,403,250 and consists of a complete rehabilitation of the existing lift station. CEA Group is providing construction management services in the amount of $511,624. The construction management and construction phase of this project is being funded by the LVWD general fund.

New Subdivisions:

- LVWD is working with developers to design and construct new subdivisions. The estimated revenue from right-to-connect fees for water and sewer from residential developments is $2,280,000.

Subdivision	Number of Lots	Zoning	Status	Design Firm
Cotton Cove Unit Two	17	Residential	Design	H2O Terra
Crossland Unit 1	31	Residential	Construction	TRE
Crossland Unit 2	105	Residential	Design	TRE
Crossland Unit 3	106	Residential	Design	TRE
Eastwind Hills 1	5	Industrial	Construction	CEA
Eastwind Hills 2	6	Industrial	Construction	CEA
El Paso Lower Valley Commerce	2	Industrial	Design	TRE
Flor Del Bosque	146	Residential	Design	CEA
Hermanos Farm	3	Industrial	Construction	CEA
Horizon Park Unit 2	92	Residential	Construction	CEA
Horizon Park Unit 3	17	Residential	Construction	CEA
Horizon Park Unit 4	18	Residential	Design	CEA
Horizon Park Unit 4 (off-site)	0	Residential	Design	CEA
Isabella Valley	48	Residential	Design	CEA
Pa Kita	TBD	Residential	Design	CEA
San Carlos Estates	98	Residential	Construction	CEA
Sunset Valley Unit 3	136	Residential	Construction	Del Rio
TCC Speedway	1	Industrial	Construction	CEA
Trujillo Subdivision Unit 2, Replat B	11	Residential	Design	Dorado
Valley Quail Estates	79	Residential	Completed	Del Rio
Vista Bonita Estates Unit 2	219	Residential	Design	TRE
Total	**1140**			

Customer Service:

Customers are offered various payment methods, cash, debit/credit card, checks and money orders. Online payment services are also available through Tyler Payments web services, pay by phone (IVR), and automated clearing house (ACH).

The District's Board of Directors approved a loan program for individuals who have limited resources and are unable to initiate water or sewer service with the District. In addition, LVWD offers loans for septic tank decommissioning. In October 2022, the Board approved implementing an interest rate cap of 5.50%, based on the Wall Street Journal Prime Rate.

Employee Benefits:

LVWD currently provides dental, vision, and health insurance to its employees and the District anticipates providing these benefits in the coming year. The District participates in the Texas County and District Retirement System (TCDRS). The District's expense to fund the retirement plan will increase from 8.52% to 8.76% beginning January 2026. Employees contribute 6.0% of their salary to the retirement plan.

Information Technology:

The LVWD IT Department hosts and manages the Enterprise Resource Planning (ERP) system, which supports Financials, Human Capital Management, Utility Billing, Work Orders, and Asset Maintenance modules.

The IT Department manages the district's IT Infrastructure including network, firewall, and point-to-multipoint connectivity between LVWD sites. The Geographic Information Systems (GIS) Department, which operates within the IT Department, is responsible for analyzing and importing new Automatic Meter Infrastructure (AMI) data collectors and water meters from Ready Manager.

The IT Department has established a Cybersecurity Awareness Training program, including phishing simulations, and manages all software licenses and security certificates for the LVWD domain and systems. All information technology, network, hardware, software, and devices are managed by the IT and GIS Departments. Additionally, the IT Department maintains the district's website, supports applications for field operations, and provides automated tools required for job performance.

Fiscal Year 2023-2025 Financial Information:

	FY 2025	FY 2024	FY 2023
ASSETS			
Assets Other Than Capital Assets	$ 61,913,220	$ 50,668,030	$ 55,906,620
Capital Assets	223,228,786	198,915,233	171,844,415
Total Assets	285,142,006	249,583,263	227,751,035
DEFERRED OUTFLOWS OF RESOURCES	742,918	729,180	1,040,993
LIABILITIES			
Current Liabilities	13,973,062	17,171,173	10,396,415
Noncurrent Liabilities	53,523,830	31,597,560	34,399,721
Total Liabilities	67,496,892	48,768,733	44,796,136
DEFERRED INFLOWS OF RESOURCES	1,829,506	1,298,122	1,406,405
NET POSITION			
Net Investment in Capital Assets	185,479,966	174,826,789	155,606,010
Restricted	2,655,077	2,132,676	1,548,157
Unrestricted	28,423,483	23,286,123	25,435,320
Total Net Position	$ 216,558,526	$ 200,245,588	$ 182,589,487

Highlights of the condensed statements of net position for the year ended September 30, 2025 are as follows:

- From FY 2024 to FY 2025, assets other than capital assets increased by $11.2 million, primarily due to an increase in noncurrent assets restricted for construction and improvements. This increase is largely attributable to approximately $9.3 million in construction expenditures initially paid from the operating cash and subsequently reimbursed from the $25,000,000 Series 2025 bond issuance.

- During FY 2025, the District began depreciating the following projects: North Loop Phase 1 Water & Sewer, Fire Hydrant Condition Assessment, and Manhole Rehabilitation.

- The net change in total liabilities was primarily driven by higher long-term bond obligations and lower accounts payable. Long-term bonds increased from $31,500,000 in FY 2024 to $53,433,183 in FY 2025, while accounts payable declined from $11,868,537 to $7,902,962, reflecting the payment of construction invoices included in the prior year's aging. As noted above, the District issued $25,000,000 in bonds during FY 2025.

- Deferred inflows of resources increased by $531,384, primarily due to an increase in deferred inflows related to pensions in accordance with GASB Statement No. 68. In addition, the rate stabilization fund increased by $479,487 as the Board approved allocating 41% of the metered water sales for September 2025 to the fund.

Highlights of the condensed statements of net position for the year ended September 30, 2024 are as follows:

- From FY 2023 to 2024, assets other than capital assets decreased by $5.2 million, mainly due to a decrease in noncurrent assets restricted for construction and improvements cash. This is related to construction amounts paid from the general fund that were reimbursed from Series 2021 and Series 2021A bonds.

- During FY 2024, we started to depreciate the following projects: Alarcon, Ormsby, Varela, Pioneer, Lourdes & Conquistador, Lift Station 10, Manhole Rehabilitation, Santiago Bustamante and District Wide Meter Replacement.

- The net change in total liabilities is mainly due to the reduction of the long-term portion of bonds which changed from $34,385,000 in FY 2023 to $31,500,000 in FY 2024 and an increase in the accounts payable from $5,160,756 in FY 2023 to $11,686,552 in FY 2024. The increase in accounts payable is associated with construction invoices that were part of the A/P Aging.

- Deferred inflows of resources decreased by $108,283 is due to a decrease in deferred inflow related to pension with respect to GASB Statement No. 68. The rate stabilization fund amount remained the same.

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

	FY 2025	FY 2024	FY 2023	Change
Operating Revenues:				
Metered Water Sales	$12,787,086	$12,513,010	$11,548,952	2.2%
Rate Stabilization	(479,487)	-	(454,850)	100%
Wastewater Service	11,776,081	11,217,274	9,380,442	5.0%
Solid waste collection	7,384,045	6,785,317	6,364,297	8.8%
Other operating revenue	2,985,995	3,282,047	3,132,413	-9.0%
Total Operating Revenue	34,453,720	33,797,648	29,971,254	1.9%
Operating Expenses	33,465,664	31,972,079	29,165,489	4.7%
Operating Income (Loss)	988,056	1,825,569	805,765	-45.9%
Non-Operating Revenues (Expenses)	5,912,187	7,122,122	6,548,754	-17.0%
Income (Loss) Before Contributions	6,900,243	8,947,691	7,354,519	-22.9%
Capital Contributions	9,412,695	8,708,410	905,901	8.1%
Change in Net Position	16,312,938	17,656,101	8,260,420	-7.6%
Total Net Position- Beginning	200,245,588	182,589,487	174,329,067	9.7%
Total Net Position- Ending	$216,558,526	$200,245,588	$182,589,487	8.1%

Highlights of the condensed statements of revenues, expenses, and changes in net position for the year ended September 30, 2025, are as follows:

- Operating water revenues increased by 2.2%, primarily due to increased customer usage and continued growth in the customer base. Wastewater service revenues increased by 5.0%, mainly attributable to increased service demand and customer growth. Solid waste collection service revenues increased by 8.8%, or $598,728. This increase was primarily due to growth in the customer base and the segregation of Other operating revenues among water, wastewater, and solid waste, which began in June 2024. Of the $598,728 increase, $358,016 is related to this segregation. Consequently, Other operating revenues decreased by 9.0%. Overall, total operating revenues increased by 1.9% in FY 2025.

- Operating expenses increased by 4.7%, driven primarily by higher purchased water costs and increased depreciation, partially offset by lower wastewater treatment and solid waste operating costs.

- The increase in operating revenues and the higher rate of increase in operating expenses resulted in an Operating Income of $988,056, representing a decrease from the prior fiscal year.

- Change in net position for fiscal year 2025 was $16,312,938, primarily due to capital contributions totaling $9,412,695, which supported ongoing infrastructure improvements and capital projects.

Highlights of the condensed statements of revenues, expenses, and changes in net position for the year ended September 30, 2024, are as follows:

- Operating water revenues increased by 12.8% due to meter replacements and also an increase in the customer base. Wastewater revenues increased by 19.6% mainly due to a $2.00 rate increase in December 2023 to the sewage haulers and also an increase in the customer base. Solid Waste collection service revenues increased by 6.6% primarily due to an increase in the customer base. The overall increase in total operating revenues for FY 2024 is 12.8%.

- Operating expenses increased by 9.6% mainly due to increases of 12.5% in the cost of water and 19.2% in wastewater in FY 2024. To offset the costs, the District implemented a $1.25 increase in water and wastewater base rates for FY 2024.

- The increase in operating revenues and the increase in operating expenses resulted in an Operating Income of $1,825,569.

- Change in net position for fiscal year 2024 is $17,656,101 mainly due to an increase in capital contributions in the amount of $7,802,509.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The LVWD reported net capital assets of $223,228,786 at fiscal year-end 2025, representing a net increase of 12.2% from fiscal year 2024. The following table reflects changes within each classification of capital assets, net of accumulated depreciation.

As of September 30, 2025, LVWD's solid waste equipment and containers totaled $8,387,241, an increase of 15.4% from fiscal year 2024. Distribution and transmission system assets totaled $235,836,785, an increase of 4.9% from the prior fiscal year, primarily due to continued infrastructure improvements. Construction in progress totaled $50,820,811, representing an increase of 51.2% from fiscal year 2024, mainly attributable to ongoing capital improvement projects that had not yet been placed into service.

Buildings increased to $4,264,775, while equipment, furniture, and fixtures increased to $7,935,623, each reflecting an increase of 23.6% compared to fiscal year 2024. Vehicles, subscription assets, land, and water rights remained unchanged from the prior fiscal year. Lease assets increased during fiscal year 2025 due to the addition of a new leased asset. Accumulated depreciation increased by 9.2%, primarily due to depreciation on newly capitalized assets.

	FY 2025	FY 2024	FY 2023	Change
Distribution and transmission system	$235,836,785	$224,898,616	$215,266,109	4.9%
Solid Waste equipment and containers	8,387,241	7,269,211	11,672,768	15.4%
Buildings	4,264,775	3,449,259	3,406,880	23.6%
Equipment, furniture, and fixtures	7,935,623	6,419,103	10,988,644	23.6%
Vehicles	365,330	365,330	1,575,723	0%
Subscription assets	338,935	338,935	544,604	0%
Land	2,695,308	2,695,308	2,695,308	0%
Construction in progress	50,820,811	33,623,114	16,980,461	51.2%
Water rights	113,425	113,425	113,425	0%
Lease Assets	85,804	-	-	100%
Less accumulated depreciation	(87,615,251)	(80,257,068)	(91,399,507)	9.2%
Total	$223,228,786	$198,915,233	$171,844,415	12.2%

Long Term Debt

At the end of FY 2025, LVWD had $56,500,000 in outstanding bonds, representing a 64.3% increase compared to FY 2024. The increase is primarily attributable to the issuance of the Utility Tax Bonds, Series 2025, for $25,000,000. The District's Utility System Revenue Bonds, which include the Revenue Refunding Bonds, Series 2020, and the Meter Replacement Bonds, Series 2020, mature in 2033 and 2039, respectively. The Unlimited Utility Tax Bonds, Series 2021A, mature in 2047. During FY 2025, outstanding Revenue Bonds decreased due to scheduled principal payments, declining from $10,340,000 in FY 2024 to $8,455,000 in FY 2025. Similarly, the balance of Unlimited Utility Tax Bonds – 2021 & 2021A decreased from $24,045,000 to $23,045,000 and the District fully paid off Series 2021 A bonds during the year.

	FY 2025	FY 2024	FY 2023	Change
Revenue Bonds	$8,455,000	$10,340,000	$12,210,000	-18.2%
Unlimited Utility Tax Bonds 2021 & 2021A	23,045,000	24,045,000	24,995,000	-4.2%
Utility Tax Bonds, Series 2025	25,000,000	-	-	100%
Total	$56,500,000	$34,385,000	$37,205,000	64.3%

Economic Factors and Next Year's Budgets and Rates

- ✓ Budgeted service revenues for fiscal year 2026 are expected to increase compared to fiscal year 2025, primarily due to a $1.00 increase in the base rate and a 15% increase in charges for water usage exceeding 10 CCFs. Wastewater revenues are also expected to increase as a result of a $1.00 increase in the wastewater base rate. In addition, the District anticipates higher revenues from water, wastewater, and solid waste services as customers connected to projects completed in prior years contribute a full year of service revenues.

- ✓ The tax year 2025 certified total taxable value of all property within the District's boundaries was used to budget debt service tax revenue of $3,214,590 and maintenance and operations tax revenue of $4,668,250 for fiscal year 2026. The increase in maintenance and operations tax revenue is mainly attributable to growth in property values within the District.

- ✓ Investment earnings are expected to remain conservative due to ongoing market volatility and anticipated interest rate adjustments by the Federal Reserve. The District continues to prioritize safety and liquidity in its investment strategy.

- ✓ To help mitigate the impact of future rate adjustments, the District has $1,644,884 in the Rate Stabilization Fund (RSF). The RSF balance remains available to offset unanticipated budgetary changes. Any use of RSF funds or withdrawals from the rate stabilization account requires Board approval.

- ✓ New development dedications continue to be an important source of capital contributions to the District's system. Ongoing development allows the District to extend water and wastewater infrastructure and connect new customers more efficiently than would otherwise be possible with limited internal resources. The District expects to continue accepting developer dedications throughout fiscal year 2026.

- ✓ The District continues to actively manage projects funded through the American Rescue Plan Act (ARPA) award received in coordination with El Paso County. The total ARPA allocation of $21,748,097 supports five identified projects. Construction activity on ARPA-funded projects is expected to continue, with all funds required to be expended by December 2026.

- ✓ During fiscal year 2026, the District expects to issue $10.0 million of Unlimited Utility Tax Bonds, Series 2026, to support a wastewater capital project.

- ✓ The District continues to advance planning efforts associated with the Sandhills Wastewater Collection System through funding awarded under Congressman Tony Gonzales' Community Project Funding (CPF) program. The $2.5 million allocation supports the design phase for extending first-time wastewater service to five colonias/subdivisions within the District's service area.

Contacting the District's Financial Management

This report is designed to provide the board of directors, citizens, customers, bond rating agencies, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: General Manager, LVWD, 1557 FM110, Clint, TX 79836, or call 915-791 4480.

Lower Valley Water District

Statements of Net Position
September 30, 2025 and 2024

	2025	2024
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 28,601,787	$ 26,450,951
Taxes receivable, net	574,388	504,168
Accounts receivable, net	3,999,250	4,050,759
Installment notes receivable, net	55,280	66,579
Other receivables	87,068	79,180
Due from other governments	3,094,000	3,348,826
Grants receivable	9,465	137,517
Materials inventory	486,001	422,420
Prepaid expenses	320	522
Restricted current assets:		
Cash and cash equivalents, customer deposits	1,738,967	1,693,385
Total current assets	38,646,526	36,754,307
Noncurrent Assets		
Restricted noncurrent assets:		
Cash and cash equivalents:		
Restricted for bond requirements	1,381,339	1,103,862
Restricted for construction and improvements	18,966,733	10,615,650
Restricted for grant requirements	3,004	2,960
Net pension asset	1,270,734	1,025,854
Cash and cash equivalents, rate stabilization	1,644,884	1,165,397
Capital assets:		
Plant in service	260,023,226	245,549,187
Accumulated depreciation/amortization	(87,615,251)	(80,257,068)
Construction in progress	50,820,811	33,623,114
Total noncurrent assets	246,495,480	212,828,956
Total assets	285,142,006	249,583,263
Deferred Outflows of Resources		
Deferred outflow related to pension	742,918	729,180
Total deferred outflows of resources	742,918	729,180
Total assets and deferred outflows of resources	$ 285,884,924	$ 250,312,443

See notes to financial statements

Lower Valley Water District

Statements of Net Position
September 30, 2025 and 2024

	2025	2024
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 7,902,972	$ 11,686,552
Accrued liabilities and other expenses	496,655	428,497
Unearned revenue	61,290	131,197
Current subscription and lease liabilities	87,100	70,792
Compensated absences	388,988	250,640
Current liabilities payable from restricted assets:		
Current portion of bonds	3,110,000	2,885,000
Accrued interest	187,090	32,370
Customer deposits	1,738,967	1,686,125
Total current liabilities	13,973,062	17,171,173
Noncurrent Liabilities		
Bonds payable	53,390,000	31,500,000
Subscription and lease liabilities	90,647	97,560
Unamortized premium	43,183	-
Total noncurrent liabilities	53,523,830	31,597,560
Total liabilities	67,496,892	48,768,733
Deferred Inflows of Resources		
Unearned revenue, rate stabilization	1,644,884	1,165,397
Deferred inflow related to pension	184,622	132,725
Total deferred inflows of resources	1,829,506	1,298,122
Total liabilities and deferred inflows of resources	69,326,398	50,066,855
Net Position		
Net investment in capital assets	185,479,966	174,826,789
Restricted for:		
Restricted for bond requirements	1,381,339	1,103,862
Restricted for grant requirements	3,004	2,960
Restricted for pension	1,270,734	1,025,854
Unrestricted	28,423,483	23,286,123
Total net position	216,558,526	200,245,588
Total liabilities, deferred inflows of resources and net position	$ 285,884,924	$ 250,312,443

See notes to financial statements

Lower Valley Water District

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2025 and 2024

	2025	2024
Operating Revenues		
Metered water sales	$ 12,307,599	$ 12,513,010
Wastewater service	11,776,081	11,217,274
Solid waste collection service fees	7,384,045	6,785,317
Connection fees	273,399	324,310
Water allotment sales	687,402	657,405
Property rental	46,396	42,783
Other fees	1,978,798	2,257,549
Total operating revenues	34,453,720	33,797,648
Operating Expenses		
Cost of water, EPWU	7,567,447	6,681,776
Cost of wastewater treatment, EPWU	4,390,796	4,883,081
Cost of solid waste collection	1,425,603	1,228,141
Connection costs	163,602	141,171
Maintenance and operations, water and wastewater	9,671,956	9,391,715
Maintenance and operations, solid waste	2,888,080	2,947,326
Depreciation and amortization expense	7,358,180	6,698,869
Total operating expenses	33,465,664	31,972,079
Operating income	988,056	1,825,569
Nonoperating Revenues (Expenses)		
Property taxes, including penalties and interest	6,013,636	5,401,359
Investment income	1,681,916	2,620,627
Interest expense	(953,277)	(839,532)
Debt issuance costs	(839,800)	(135,370)
Gain on disposal of assets	9,712	75,038
Total nonoperating revenues	5,912,187	7,122,122
Income before contributions	6,900,243	8,947,691
Capital Contributions	9,412,695	8,708,410
Change in net position	16,312,938	17,656,101
Net Position, Beginning	200,245,588	182,589,487
Net Position, Ending	$ 216,558,526	$ 200,245,588

See notes to financial statements

Lower Valley Water District

Statements of Cash Flows
Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Cash receipts from customers	$ 35,013,806	$ 33,677,211
Cash payment to suppliers for goods and services	(20,332,189)	(16,146,700)
Cash payments to employees for services	(7,900,980)	(7,296,440)
Customer deposits, net of refunds	52,842	117,698
Cash receipts (payments) from program loan activities	3,411	71,664
Net cash flows from operating activities	6,836,890	10,423,433
Cash Flows From Noncapital Financing Activities		
Property taxes, including penalties and interest	5,943,416	5,364,531
Net cash flows from noncapital financing activities	5,943,416	5,364,531
Cash Flows From Capital and Related Financing Activities		
Proceeds from bond issuance	25,000,000	-
Purchases of capital assets	(33,141,877)	(29,227,204)
Principal payments on bonds	(2,885,000)	(2,820,000)
Principal payments on subscriptions	(76,409)	(125,815)
Interest paid on debt	(800,356)	(840,429)
Debt issuance costs	(839,800)	(135,370)
Premium received	44,982	-
Cash receipts from capital contributions	9,540,747	6,020,501
Net cash flows from capital and related financing activities	(3,157,713)	(27,128,317)
Cash Flows From Investing Activities		
Interest from investments	1,681,916	2,620,627
Net cash flows from investing activities	1,681,916	2,620,627
Net change in cash and cash equivalents	11,304,509	(8,719,726)
Cash and Cash Equivalents, Beginning	41,032,205	49,751,931
Cash and Cash Equivalents, Ending	$ 52,336,714	$ 41,032,205

Lower Valley Water District

Statements of Cash Flows
Years Ended September 30, 2025 and 2024

	2025	2024
Reconciliation of Total Cash and Cash Equivalents		
Current assets, cash and cash equivalents	$ 28,601,787	$ 26,450,951
Restricted current assets, cash and cash equivalents	1,738,967	1,693,385
Noncurrent assets, cash and cash equivalents	1,644,884	1,165,397
Restricted noncurrent assets, cash and cash equivalents:		
Restricted for bond requirements	1,381,339	1,103,862
Restricted for construction and improvements	18,966,733	10,615,650
Restricted for grant requirements	3,004	2,960
Total cash and cash equivalents	$ 52,336,714	$ 41,032,205
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income	$ 988,056	$ 1,825,569
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	7,358,180	6,698,869
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivables	51,509	(21,839)
Installment notes receivable	3,411	71,664
Due from other governments	32,256	(5,961)
Other receivables	(3,166)	(46,815)
Materials inventory	(63,581)	(144,778)
Prepaid expenses	202	91
Accounts payable	(1,992,184)	2,209,460
Accrued liabilities and compensated absences	136,599	86,324
Customer deposits	52,842	117,698
Unearned revenue, rate stabilization	479,487	-
Pension related deferrals and asset	(206,721)	(321,027)
Unearned revenue	-	(45,822)
Net cash flows from operating activities	$ 6,836,890	$ 10,423,433
Noncash Capital and Related Financing Activities		
Amortization expense	$ 1,799	$ -
Lease and subscription asset	$ 85,804	$ 146,043

See notes to financial statements

1. Summary of Significant Accounting Policies

The financial statements of the Lower Valley Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the District are described below.

Reporting Entity

The El Paso County Lower Valley Water District was a conservation and reclamation district created by the 69th Legislature of Texas on May 17, 1985, with amendments by the 70th and 71st Legislature of Texas in 1987 and 1988. The District operates as a municipal utility district under Chapter 54 of the Texas Water Code. The Board of Directors held its first meeting on November 17, 1986. On May 23, 1995, the Texas Legislature approved changing the name of the District to the Lower Valley Water District effective August 28, 1995.

On August 28, 1989, the District acquired the water distribution system within the District's boundaries and now operates a water works system which supplies water to customers located within the District.

Because the Board of Directors (the Board) is elected by the public; has the authority to make decisions, appoint administrators and managers and significantly influence operations; and has the primary accountability for fiscal matters; the District is not considered a component unit of the County of El Paso or any other governmental "reporting entity" as defined by the (GASB).

The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GASB. The most primary standard for including or excluding a potential component unit is whether it is financially dependent on the reporting entity. The fiscal dependency criterion also requires that a financial benefit or burden relationship be present for a potential component unit to be included in the financial reporting entity. Other manifestations of the ability to exercise oversight responsibility include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations and accountability for fiscal matters. The second standard used to evaluate potential component units is the scope of public services. Application of this standard entails considering whether the activity benefits the District, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. The third standard involved in evaluating whether potential component units are included or excluded from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

At September 30, 2025 and 2024, the District does not have any component units for which it is financially accountable.

The District provides water, wastewater and solid waste collection services for the District residents. In addition to the water and wastewater system and solid waste revenues the District receives funding from local, state and federal government sources and must comply with the requirements of these funding entities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District operates as a governmental proprietary activity accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, deferred inflows of resources and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented October 1, 2024. The prior year impact of the standard was not considered material to the financial statements, therefore the prior year balances were not adjusted for the change.

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

Budget

The District formally adopted a budget on September 26, 2024 for the fiscal year ended September 30, 2025, and on September 28, 2023 for the fiscal year ended September 30, 2024. In accordance with state statutes the District prepares, and the Board of Directors approves, an annual budget for its operations. All budget amendments must be approved by the Board. No formal budgetary integration for management control purposes was employed during the year except for monthly reviews comparing budgetary and actual data.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

The District may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas (PFIA). The District is allowed to invest in: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than AA or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above or credit unions that are guaranteed by the National Credit Union Association; and (6) fully collateralized direct repurchase agreements having a defined termination date.

The District has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are currently stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year-end. Investments with an original maturity of less than one year are reported at amortized cost. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year end.

Receivables

Taxes Receivable - Taxes receivable pertains to property taxes. A provision for uncollectible amounts is made for these receivables based on historical collection rates although delinquent taxes attach to the property as an enforceable lien for a limited period of time.

Accounts Receivable - Accounts receivable pertains to amounts due from customers for water, wastewater, solid waste and related services. These receivables are reduced by an allowance for estimated uncollectible accounts which is based on historical collection rates.

Installment Notes Receivables - Installment notes receivable consists of loans and other amounts due from residents of the District who qualify for financial assistance under the District's deferred payment programs. Under these programs, the District pays the costs of connecting qualified residents in exchange for a note receivable with annual interest at a maximum of 5.50%. Notes receivable range from 1 to 2 years and the loans should not exceed 2 years.

Due From Other Governments - Due from other governments consists primarily of receivable amounts resulting from interlocal agreements with other governments related to construction projects and from water rights dedications to the El Paso Water Utilities Public Service Board.

Grants Receivable - The District receives funding from federal, state and pass-through entities to support water and wastewater improvements in the District's service area. Grants receivable includes amounts, both billed and unbilled, for capital hookup project costs incurred for various projects in progress within the District which are funded through grants. Amounts include provisions for certain retainage, which will be received upon completion of the related project.

Materials Inventory

Materials and supplies are generally used for construction, operation and maintenance work, not for resale. The inventory is stated at the weighted average costing method and charged to expense when used.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The following accounts are reported as restricted assets:

Bond requirements -	Used to segregate resources accumulated for debt service and reserves to make up potential deficiencies for the debt service.
Construction -	Used to report debt proceeds restricted for use in construction.
Customer deposits -	Used to segregate resources accumulated for deposits to be refunded to customers.

Grants -	Used to segregate resources accumulated for deposits restricted for grant use.
Pension asset -	Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Capital Assets

Capital assets, which include land, water rights, distribution and transmission systems, machinery, equipment, subscription assets, lease assets and vehicles are reported in the District's financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the financial statements.

Lease and subscription assets are defined in accordance with GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Technology Arrangements*, with an initial cost or more than $50,000. Lease and subscription assets are defined as: An intangible right-to-use asset that represents a right to use an underlying non-financial asset for the lease and subscription term. Lease and subscription assets are classified as intangible assets and are amortized over the shorter of the lease or subscription term or the useful life of the underlying asset.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Contributed or donated capital assets are valued at their estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

	Years
Buildings	35-50
Distribution and transmission system	35-50
Furniture and fixtures	5
Waste disposal containers	5
Leasehold improvements	3-5
Vehicles and equipment	5-10
Water rights	75
Subscription and lease assets	3-6

Deferred Outflow of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Accrued Liabilities

Accrued liabilities consist of accrued assessments and benefit related liabilities.

Unearned Revenue

Unearned revenue consists of funds collected from customers for services that will be performed in future periods.

Customer Deposits

This account represents amounts received from new or delinquent customers. Deposits are refunded to the customer or credited when they close the accounts or upon termination of services. The District does not pay interest on deposits. The corresponding cash is shown as restricted for customer deposits.

Compensated Absences

Vacation Leave – All full-time employees earn vacation leave based on their length of service. Employees earn ten days per year for the first two years of service, and one additional day per year thereafter, up to a maximum at ten years of service. Vacation leave may be accumulated and carried forward in accordance with LVWD's policies. Unused vacation is payable upon retirement, termination, or resignation. A liability for accrued vacation leave is reported in the financial statements.

Sick Leave – All full-time employees earn sick leave at a rate of 96 hours per year (3.69 per pay period). Sick leave may be accumulated and used during employment; however, under LVWD policy, unused sick leave is not payable upon retirement, termination, or resignation. A liability for sick leave was recorded in the current fiscal year in accordance with GASB Statement No. 101, *Compensated Absences*.

Pension Plan

The District provides pension benefits for all its full-status employees through the Texas County and District Retirement System (TCDRS). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the TCDRS and additions to/deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Long-Term Obligations

Long-term debt, subscription and lease liabilities and other obligations are reported as District liabilities. Revenue bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Rate Stabilization Fund (RSF) - The District created a rate stabilization fund effective October 1, 2021 to minimize possible future water rate increases. Semiannually the Board determines the deposit, as a percentage of metered water sales, with an initial goal of a $1 million reserve balance.

The RSF may be used to pay for unanticipated changes in budgeted costs, subject to Board approval.

For fiscal year 2025, the Board approved to fund the RSF from 41% of the metered water sales for the month of September 2025. This resulted in increases to unearned revenue and corresponding decrease to operating revenue of $479,487 for fiscal year 2025. The Board has designated a separate account to track the deposited funds.

Net Position

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

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 improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

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

Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges for water, wastewater and solid waste services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the District include the cost of goods and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

Billings are rendered and recorded monthly based on metered usage. The District does accrue revenues beyond billing dates. The District's unbilled revenue as of September 30, 2025 and 2024 were $1,670,596 and $1,605,664, respectively.

Current water rates were approved by the Board effective October 1, 2023.

Current wastewater rates were approved by the Board effective October 1, 2023.

Current solid waste rates were approved by the Board and effective October 1, 2021.

Property Taxes

The District levies real and personal property taxes for maintenance and operating expenses. The maximum tax rate of $0.12000 per $100 valuation was authorized by election on April 4, 1987. During 1996, the District was authorized to levy taxes for payment of debt service relating to payment of the District's revenue bonds. The levy authorization is a stand-by authorization in the event future net revenues of the District are not sufficient to meet the debt service requirements of the revenue bonds currently issued and future issues made to support the expansion of the District's water and sewer systems. The tax levy rates per $100 valuation for maintenance operations and debt service were $0.102177 and $0.042539, respectively, for fiscal year 2024-2025 for the 2024 tax levy. The tax levy rates per $100 valuation for maintenance operations and debt service were $0.102301 and $0.047965, respectively, for fiscal year 2023-2024 for the 2023 tax levy.

The District recognizes revenues from property taxes in the period for which they were levied. Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business property located within the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. All unpaid taxes attach as a lien on the property as of January 1 and become enforceable February 1. The El Paso City/County Consolidated Tax Office bills and collects taxes for the District based upon assessed valuations provided by the El Paso County Central Appraisal District (contracted under a separate agreement) at a rate determined by the District's Board of Directors. The assessed valuations for tax years 2024 and 2023 were $4,013,537,892 and $3,486,959,180 respectively.

Capital Contributions

Cash and capital assets are contributed to the District from customers, grantors or other external parties. The value of property contributed to the District is reported as revenue on the statements of revenues, expenses and changes in net position.

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved the following:

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*
- Statement No. 105, *Subsequent Events*

When they become effective, application of these standards may restate portions of these financial statements.

2. Cash and Investments

Cash, cash equivalents, and investments consisted of the following as of September 30, 2025, and September 30, 2024:

	Carrying Value 2025	Carrying Value 2024	Risks
Cash	$ 1,259,139	$ 4,855,866	Custodial credit risk
Money market	40,892	40,389	Custodial credit risk
Investment pools	51,036,683	36,135,950	Credit risk
Total	$ 52,336,714	$ 41,032,205	

The District's temporary investments as of September 30, 2025, and 2024, respectively, are shown below. Due to the immediate availability of the temporary investments listed, these funds are reported in cash and cash equivalents.

2025

Investment Type	Fair Value	WAM (Days)	Credit Rating Standard & Poor's	Level
Public funds investment pools:				
Local Government Investment Cooperative (LOGIC)	$ 7,864,802	72	AAAm	1
Lone Star Investment Pool	24,334,353	85	AAAm	1
Texas Class Government	10,999,096	84	AAAm	1
TexPool Prime	7,838,432	74	AAAm	1
Total temporary investments	$ 51,036,683			

2024

Investment Type	Fair Value	WAM (Days)	Credit Rating Standard & Poor's	Level
Public funds investment pools:				
Local Government Investment Cooperative (LOGIC)	$ 1,747,947	46	AAAm	1
Lone Star Investment Pool	25,983,300	120	AAAm	1
Texas Class Government	7,629,848	101	AAAm	1
TexPool Prime	774,855	27	AAAm	1
Total temporary investments	$ 36,135,950			

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of the Public Funds Investment Act. Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote the liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous fating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within on half of one percent of the value of its shares.

LOGIC, and TexStar, are investment pools created under the Interlocal Cooperation Act and are administered by First Southwest Asset Management Inc. and JP Morgan Chase. Texas Class Governmental was established in 1996. Public Trust Advisors, LLC (Public Trust) is the Program Administrator of Texas Class and Wells Fargo Bank Texas, N.A. is the Custodian. Lone Star Investment Pool was launched in 1991 as part of First Public, LLC which was originated in 1987 as a Texas Association of School Boards (TASB) Financial Services. A registered broker-dealer with the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Municipal Securities Rule Making Board and is licensed with the Texas Department of Insurance. TexPool was established in 1989. The Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the TexPool Portfolios. Federated Hermes, Inc. under an agreement with the Comptroller, is the full service provider, acting on behalf of the Trust Company. TexPool is governed by the Texas Public Funds Investment Act. GASB 79 created an election option for external investment pools and pool participants to utilize amortized cost accounting, rather than fair value for certain investment pools and pool participants to utilize amortized cost accounting, rather than fair value for certain investment pools and eliminated the reference to SEC 2a-7 guidance. Participants in qualifying pools would be permitted to continue measuring investments at amortized cost if they met certain criteria. The District's investment pools are in compliance with GASB 79 but have elected to continue to measure its investments at fair value. The District has mirrored these valuations. LOGIC, TexStar, Lone Star, Texas Class Governmental and TexPool issue annual financial statements which are available to the participants upon request.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value of all investment pool funds as of September 30, 2025 and September 30, 2024 are considered level 1.

Additional policies and contractual provision governing cash, cash equivalents, and investments for the District are specified below:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires deposits to be collateralized by securities pledged by the District's agent, the District's financial institution or the financial institution's trust department, less the amounts of the Federal Deposit Insurance Corporation insurance (FDIC). The Board approves and designates all authorized depository institutions.

At September 30, 2025, the carrying amount of the District's cash deposits (cash and money market accounts included in investments) was $1,296,906 and the bank balance was $1,109,339. The District also had $3,125 in petty cash. At September 30, 2024, the carrying amount of the District's cash deposits (cash and money market accounts included investments) was $4,893,130 and the bank balance was $4,632,869. The District also had $3,125 in petty cash. The District's cash deposits at September 30, 2025 and 2024 and during the years then ended were entirely covered by FDIC Insurance or by pledged collateral held by the District's agent bank in the District's name.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the investment policies adopted by the Board in complying with state statutes. State law limits investments in investment pools to those continuously rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The District limits investments in public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations.

Concentration Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District requires its investment portfolio not to exceed 270 days on a weighted average maturity (WAM) basis. The District's investment pools are excluded from the interest rate risk disclosure requirement

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The District attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency and the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

3. Receivables

Receivables reported net of allowance for uncollectible accounts as of September 30, 2025 and 2024, respectively, are presented below:

	2025		
	Taxes Receivable	Accounts Receivable	Installment Notes Receivable
Gross receivable	$ 1,009,388	$ 4,572,487	$ 69,298
Less allowance for uncollectible accounts	(435,000)	(573,237)	(14,018)
Net receivable	$ 574,388	$ 3,999,250	$ 55,280

	2024		
	Taxes Receivable	Accounts Receivable	Installment Notes Receivable
Gross receivable	$ 939,168	$ 4,627,641	$ 80,597
Less allowance for uncollectible accounts	(435,000)	(576,882)	(14,018)
Net receivable	$ 504,168	$ 4,050,759	$ 66,579

Uncollectible amounts related to accounts receivable and property taxes receivable are reported as an offset to revenues. Total uncollectible amounts written off were $57,248 and $154,586 for the years ended September 30, 2025 and 2024, respectively.

For due from other governments and grants receivable, management has deemed that an allowance for uncollectible accounts is not necessary for fair presentation as there is usually no risk of collectability. For other receivables, management believes an allowance for uncollectible accounts is not necessary for fair presentation as the balance is immaterial.

4. Capital Assets

Capital asset activity for the year ended September 30, 2025 was as follows:

	2025			
	Balance October 1, 2024	Increases	Decreases	Balance September 30, 2025
Capital assets, not being depreciated:				
Land	$ 2,695,308	$ -	$ -	$ 2,695,308
Construction and work in progress	33,623,114	25,277,490	(8,079,793)	50,820,811
Total capital assets, not being depreciated	36,318,422	25,277,490	(8,079,793)	53,516,119
Capital assets being depreciated:				
Vehicles	365,330	-	-	365,330
Equipment, furniture and fixtures, tools	6,419,103	1,516,520	-	7,935,623
Solid waste equipment containers	7,269,211	1,118,030	-	8,387,241
Distribution and transmission system	224,898,616	10,938,169	-	235,836,785
Buildings	3,449,259	815,516	-	4,264,775
Water rights	113,425	-	-	113,425
Subscription assets	338,935	-	-	338,935
Lease assets	-	85,804	-	85,804
Total capital assets being depreciated	242,853,879	14,474,039	-	257,327,918
Less accumulated depreciation/amortization for:				
Vehicles	214,022	63,280	-	277,302
Equipment, furniture and fixtures, tools	3,465,410	799,035	-	4,264,445
Solid waste equipment containers	3,077,907	925,627	-	4,003,534
Distribution and transmission system	71,990,977	5,244,437	-	77,235,414
Buildings	1,298,855	247,883	-	1,546,738
Water rights	39,314	1,512	-	40,826
Subscription assets	170,583	70,792	-	241,375
Lease assets	-	5,617	-	5,617
Total accumulated depreciation	80,257,068	7,358,183	-	87,615,251
Net capital assets being depreciated	162,596,811	7,115,856	-	169,712,667
Net capital assets	$ 198,915,233	$ 32,393,346	$ (8,079,793)	$ 223,228,786

Capital asset activity for the year ended September 30, 2024 was as follows:

	2024			
	Balance October 1, 2023	Increases	Decreases	Balance September 30, 2024
Capital assets, not being depreciated:				
Land	$ 2,695,308	$ -	$ -	$ 2,695,308
Construction and work in progress	16,980,461	25,526,033	(8,883,380)	33,623,114
Total capital assets, not being depreciated	19,675,769	25,526,033	(8,883,380)	36,318,422
Capital assets being depreciated:				
Vehicles	1,575,723	-	(1,210,393)	365,330
Equipment, furniture and fixtures, tools	10,988,644	636,021	(5,205,562)	6,419,103
Solid waste equipment containers	11,672,768	1,361,354	(5,764,911)	7,269,211
Distribution and transmission system	215,266,109	14,900,300	(5,267,793)	224,898,616
Buildings	3,406,880	78,252	(35,873)	3,449,259
Water rights	113,425	-	-	113,425
Subscription assets	544,604	146,043	(351,712)	338,935
Total capital assets being depreciated	243,568,153	17,121,970	(17,836,244)	242,853,879
Less accumulated depreciation/amortization for:				
Vehicles	1,356,250	68,165	(1,210,393)	214,022
Equipment, furniture and fixtures, tools	7,871,197	799,775	(5,205,562)	3,465,410
Solid waste equipment containers	8,044,742	798,076	(5,764,911)	3,077,907
Distribution and transmission system	72,517,310	4,741,460	(5,267,793)	71,990,977
Buildings	1,170,445	164,283	(35,873)	1,298,855
Water rights	38,018	1,296	-	39,314
Subscription assets	401,545	120,750	(351,712)	170,583
Total accumulated depreciation	91,399,507	6,693,805	(17,836,244)	80,257,068
Net capital assets being depreciated	152,168,646	10,428,165	-	162,596,811
Net capital assets	$ 171,844,415	$ 35,954,198	$ (8,883,380)	$ 198,915,233

5. Long-Term Liabilities

Tax and Revenue Bonds

The following Tax and Revenue Bonds have been issued, all of which are direct placement bonds, except for the Unlimited Tax, Series 2025 bonds:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 9/30/25
05/28/2020	Utility System Revenue Bonds, Series 2020	09/15/2039	0%	$ 5,220,000	$ 3,845,000
12/08/2020	Utility System Revenue Refunding Bonds, Series 2020	09/15/2033	1.35	12,540,000	4,610,000
08/04/2021	Utility System Revenue Bonds, Series 2021	09/30/2025	1.6	4,455,000	-
08/04/2021	Utility System Revenue Bonds, Series 2021A	09/15/2047	3.0	23,045,000	23,045,000
08/21/2025	Unlimited Tax, Series 2025	09/15/2050	4.78	25,000,000	25,000,000

Debt service requirements are as follows:

	Principal	Interest	Total
Years ending September 30:			
2026	$ 3,110,000	$ 2,073,390	$ 5,183,390
2027	3,255,000	1,919,345	5,174,345
2028	1,920,000	1,840,520	3,760,520
2029	1,980,000	1,778,143	3,758,143
2030–2034	10,225,000	7,871,349	18,096,349
2035–2039	11,130,000	6,064,155	17,194,155
2040–2044	11,815,000	3,974,750	15,789,750
2045–2049	11,380,000	1,468,600	12,848,600
2050	1,685,000	50,550	1,735,550
Total	$ 56,500,000	$ 27,040,802	$ 83,540,802

Subscription and Lease Liabilities

Description	Date of Contract	Final Maturity	Interest Rates	Balance 9/30/25
GPS fleet tracking system	12/09/2020	01/31/2027	1.60%	$ 97,560
Xerox Corporation (lease)	05/01/2025	05/01/2030	8.00	80,187
Total subscription and lease liabilities				$ 177,747

Future minimum subscription payments are as follows:

Years	Principal	Interest	Total
2026	$ 72,872	$ 1,588	$ 74,460
2027	24,688	132	24,820
Total	$ 97,560	$ 1,720	$ 99,280

Future lease payments are as follows:

Years	Principal	Interest	Total
2026	$ 14,228	$ 8,237	$ 22,465
2027	16,025	6,440	22,465
2028	17,822	4,643	22,465
2029	19,619	2,846	22,465
2030	12,493	612	13,105
Total	$ 80,187	$ 22,778	$ 102,965

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 34,385,000	$ 25,000,000	$ (2,885,000)	$ 56,500,000	$ 3,110,000
Subscription & lease liabilities	168,352	85,804	(76,409)	177,747	87,100
Unamortized premiums	-	44,982	(1,799)	43,183	-
Total long-term liabilities	$ 34,553,352	$ 25,130,786	$ (2,963,208)	$ 56,720,930	$ 3,197,100

Long-term liability activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 37,205,000	$ -	$ (2,820,000)	$ 34,385,000	$ 2,885,000
Subscription liabilities	143,059	146,043	(120,750)	168,352	70,792
Total long-term liabilities	$ 37,348,059	$ 146,043	$ (2,940,750)	$ 34,553,352	$ 2,955,792

The District has no unused lines of credit as of September 30, 2025 and 2024.

The District's outstanding bonds contain a provision that in case of default, the lender shall have all of the rights and remedies set forth in the Loan Documents, and available at law and in equity, for the enforcement thereof. The outstanding amounts become immediately due and the lenders continue to have the right of interest payments until the debt is paid in full and the cost of insurance. All of the above bonds are subject to redemption prior to scheduled maturity at the option of the issuer.

6. Service Rates

Water Service

At September 30, 2025 and 2024, the District has 21,689 and 21,391 active water service accounts, respectively.

The District operated under the water service rates at the year ended September 30, 2025 as listed below. The increase in usage rates from Level 1 to Level 3 is based upon the rate of monthly consumption.

The following water service rates for residential customers became effective October 1, 2023:

			Usage Charge Per CCF		
Meter Size in Inches	Water Minimum (CCF)	Minimum Charge	Level 1	Level 2	Level 3
¾	4	$ 17.25	$ 3.06	$ 3.85	$ 4.80
1	4	31.00	3.06	3.85	4.80
1 ½	4	36.25	3.06	3.85	4.80
2	4	41.25	3.06	3.85	4.80

Water rates in effect for the year ending September 30, 2025, became effective October 1, 2023.

Wastewater Service

At September 30, 2025 and 2024, the District had 19,009 and 18,668 active wastewater service accounts, respectively. Effective October 1, 2023, the rates are $30.00 minimum per 5 CCF and $3.00 per CCF in excess of the minimum. The rates billed for the year ending September 30, 2025 went into effect on October 1, 2023. New residential and/or returning customers requesting service on/or after March 1 of any given year, will be billed based on 100% of the monthly water volumetric usage. The rate will be set through the following February billing cycle.

Solid Waste Collection

The District started managing the operation of the waste disposal division in March 2004. At September 30, 2025 and 2024, the District had 20,675 and 20,364 total active solid waste accounts, respectively. The monthly residential rate at September 30, 2025 and 2024 in effect since October 1, 2021, for basic residential solid waste services was $18.35 and $8.00 for each additional poly cart. The District started commercial solid waste service in October 2008. The monthly commercial rates at September 30, 2025 and 2024 in effect since October 9, 2008, varied from $58.00 to $210.00 based on container size, available in sizes from 2 to 8 yards, and the frequency of pickups, once or twice per week.

7. Employees' Retirement Plan

TCDRS Defined Benefit Pension Plan

Plan Description

The District provides a pension benefit for all of its full-time and part-time non-temporary employees (regardless of the number of hours they work in a year) through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Employees in temporary positions are not eligible for membership. TCDRS is an agency created by the State of Texas and administered in accordance with the TCDRS Act, Title 8, Subtitle F, Texas Government Code (the TCDRS Act). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multiple-employer public retirement system consisting of over 700 employers. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at: https://www.tcdrs.org/Employer/EmployerServices/Pages/Publications.aspx.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits. The Plan provisions are adopted by the governing body of the District. They may be amended as of January 1 each year but must remain in conformity and within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that resulting benefits are expected to be adequately financed by the District's commitment to contribute. By law, the employee accounts earn 7% interest on beginning of year balances annually. At retirement, disability or death, the account is matched at an employer set percentage (current match is 250%) and is then converted to an annuity.

The employees covered by the benefit terms at the December 31, 2024, and 2023 valuation and measurement dates were as follows:

	2024	2023
Inactive employees or beneficiaries currently receiving benefits	32	26
Inactive employees entitled to but not yet receiving benefits	125	116
Active employees	124	121
Total covered employees	281	263

Members can retire at 30 years of service at any age, with 10 years of service at age 60, or when the sum of their age and years of service equals 75 years or more. Members are vested after ten years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer. There are no automatic post-employment benefit changes, including automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees.

Contributions

The contribution rates for employees are adopted by the District's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Under the TCDRS Act, the employer is legally required to make 100% of the contribution specified in the funding policy on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members for the plan's calendar years 2025 and 2024 was 6%. The District contributed using the actuarially determined rate of 8.52% for calendar year 2025 and 8.68% for calendar year 2024. The employee contribution rate and the employer contribution rate may be amended by the governing body of the employer within the options available under the TCDRS Act. The District's contributions to TCDRS for the years ended September 30, 2025, and 2024 were $524,830 and $496,566, respectively, and were equal to the required contributions.

Net Pension Liability (Asset)

The District's net pension liability (asset) (NPL/NPA) recorded as of September 30, 2025, and 2024 was measured as of December 31, 2024, and 2023, respectively, and the total pension liability (asset) (TPL/TPA) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The December 31, 2024, actuarial valuation is the most recent valuation.

Actuarial Valuation Information

The total pension liability (asset) in the December 31, 2024, and 2023 actuarial valuations were determined using the following actuarial assumptions:

	2024	2023
Actuarial valuation dates	December 31, 2024	December 31, 2023
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	17.0 years	17.3 years
Asset valuation method	5 year smoothed market	5 year smoothed market
Actuarial assumptions:		
Investment return* (includes administrative expenses)	7.5%	7.5%
Projected salary increases*	4.7%	4.7%
Inflation	2.5%	2.5%
Cost of living adjustments	0%	0%

* Includes inflation at the stated rate.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates used to measure the total pension liability (asset) as of December 31, 2024, consist of a general wage inflation component of 3% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee. The annual rates used to measure the total pension liability (asset) as of December 31, 2023, consist of a general wage inflation component of 3.0% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

In the December 31, 2024, and 2023 actuarial valuation, the mortality rates for active members were based on gender-distinct Pub-2010 General Employee Amount-Weighted Mortality Table, projected with 100% of the MP-2021 Ultimate scale after 2010. Mortality rates for retirees, beneficiaries, and nonactive members were based on the gender-distinct Pub-2010 General Retirees Amount-Weighted Mortality Table, projected with 100% of the MP-2021 Ultimate scale after 2010. For disabled annuitants, the gender-distinct Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table is used, projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on pension plan investments used to measure the total pension liability (asset) as of December 31, 2024, and 2023 was 7.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

The capital market assumptions and information are provided by TCDRS's investment consultants, Cliffwater LLC. The numbers shown are based on January 2025 and 2024, respectively, information for a 10-year time horizon.

Asset Class	Target Allocation[1]	2025 Geometric Real Rate of Return (Expected Minus Inflation)[2]	2024 Geometric Real Rate of Return (Expected Minus Inflation)[3]
U.S. equities	13.00 %	5.35 %	4.75 %
%Global equities	4.00	5.15	4.75
International equities, developed	6.00	4.75	4.75
International equities, emerging	0.00	4.75	4.75
Investment-grade bonds	3.00	2.55	2.35
Strategic credit	9.00	3.70	3.65
Direct lending	16.00	6.85	7.25
Distressed debt	4.00	6.80	6.90
REIT equities	2.00	3.95	4.10
Master Limited Partnerships (MLPs)	2.00	4.95	5.20
Commodities	2.00	1.00	0.00
Private real estate partnerships	6.00	5.75	5.70
Private equity	25.00	8.15	7.75
Hedge funds	6.00	3.60	3.25
Cash equivalents	2.00	1.10	0.60
Total	100.00 %		

(1) Target asset allocation adopted at the March 2025 and March 2024 TCDRS Board meeting.
(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions.
(3) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.2%, per Cliffwater's 2024 capital market assumptions.

Discount Rate

A single discount rate of 7.6% was used to measure the Total Pension Liability (Asset) as of September 30, 2025, and 2024. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (Asset).

	2025		
	Increase (Decrease)		
Changes in Net Pension Liability/(Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of September 30, 2024	$ 13,001,800	$ 14,027,654	$ (1,025,854)
Changes for the year:			
Service cost	746,649	-	746,649
Interest on total pension liability[1]	1,030,982	-	1,030,982
Effect of economic/demographic gains or losses	297,926	-	297,926
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(30,693)	(30,693)	-
Benefit payments	(341,924)	(341,924)	-
Administrative expenses	-	(8,696)	8,696
Member contributions	-	350,721	(350,721)
Net investment income	-	1,440,163	(1,440,163)
Employer contributions	-	507,376	(507,376)
Other[2]	-	30,873	(30,873)
Balances as of September 30, 2025	$ 14,704,740	$ 15,975,474	$ (1,270,734)

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[2] Relates to allocation of system-wide items.

	2024		
	Increase (Decrease)		
Changes in Net Pension Liability/(Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of September 30, 2023	$ 11,736,895	$ 12,238,192	$ (501,297)
Changes for the year:			
Service cost	695,876	-	695,876
Interest on total pension liability[1]	930,411	-	930,411
Effect of economic/demographic gains or losses	26,767	-	26,767
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(125,844)	(125,844)	-
Benefit payments	(262,305)	(262,305)	-
Administrative expenses	-	(7,325)	7,325
Member contributions	-	327,396	(327,396)
Net investment income	-	1,349,162	(1,349,162)
Employer contributions	-	482,363	(482,363)
Other[2]	-	26,015	(26,015)
Balances as of September 30, 2024	$ 13,001,800	$ 14,027,654	$ (1,025,854)

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[2] Relates to allocation of system-wide items.

Sensitivity Analysis

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

	2025		
	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Total pension liability	$ 16,883,851	$ 14,704,740	$ 12,900,339
Fiduciary net position	15,975,477	15,975,474	15,975,477
Total net pension liability (asset)	$ 908,374	$ (1,270,734)	$ (3,075,138)

	2024		
	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Total pension liability	$ 14,950,719	$ 13,001,800	$ 11,387,384
Fiduciary net position	14,027,657	14,027,654	14,027,657
Total net pension liability (asset)	$ 923,062	$ (1,025,854)	$ (2,640,273)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TCDRS financial report. That report may be obtained on the internet at www.tcdrs.org.

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

For the years ended September 30, 2025, and 2024, the GASB Statement No. 68 actuarial report reflected pension expense of $318,108 and $175,539 respectively. As of September 30, 2025, and 2024, the District reported the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 63,159	$ 248,377
Changes of assumptions	-	110,196
Net difference between projected and actual earnings	121,463	-
Contributions made subsequent to the measurement date	-	384,345
Total	$ 184,622	$ 742,918

	2024	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 132,725	$ 39,158
Changes of assumptions	-	220,395
Net difference between projected and actual earnings	-	102,735
Contributions made subsequent to the measurement date	-	366,892
Total	$ 132,725	$ 729,180

For the year ended September 30, 2025, the $384,345 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

For the year ended September 30, 2024, the $366,892 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date was recognized as a reduction of the net pension liability for the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:	
2025	$ 61,625
2026	255,067
2027	(71,717)
2028	(71,024)
2029	-
Thereafter	-
	$ 173,951

Payable to the Pension Plan

At September 30, 2025 and 2024, the District reported a payable, including accruals, of $68,104 and $68,264, respectively, for the outstanding amount of contributions to the pension plan required for each fiscal year.

8. City of El Paso Water Utilities Public Service Board Transactions

The District purchases water from the Public Service Board (PSB) at wholesale rates established by the PSB. The following summarizes transactions with the Board for the years ended September 30:

	2025	2024
Revenues:		
Water rights, allotment (Note 10)	$ 687,402	$ 657,405
Water rights contracts processing fee	28,480	50,425
Total revenues	$ 715,882	$ 707,830
Expenses:		
Water purchased	$ 7,567,447	$ 6,681,776
Wastewater charges	4,390,796	4,883,081
Bacteriological sample testing and other	21,769	22,245
Total expenses	$ 11,980,012	$ 11,587,102
Amounts included in due from other governments	$ 54,331	$ 86,587
Amounts included in liabilities	$ 1,084,371	$ 2,064,354

The District has an agreement with the PSB whereby the District incurred a capacity buy-in cost for the Roberto R. Bustamante Wastewater Treatment Plant and Jonathan W. Rogers Water Treatment Plant. The District received a grant from the Texas Water Development Board for the capacity buy-in. The funds received by the PSB are included in the calculation of the water and wastewater wholesale rates charged by the PSB (Note 10).

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; workers compensation; and natural disasters. With the exception of insurance coverage for workers compensation claims, the District has provided for commercial insurance for potential risks. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage for each of the past three fiscal years.

The District has joined the Texas Municipal League Intergovernmental Risk Pool Workers' Compensation Joint Insurance Fund. The interlocal agreement with the pool provides that the pool will be self-sustaining through member premiums. The Texas Municipal League Intergovernmental Risk Pool publishes its own financial report for the years ended September 30, 2025 and 2024 which can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The District carries commercial fidelity bonds for Board Directors and all employees, and commercial health and life insurance for all employees.

The District is not aware of any contingent losses as of September 30, 2025, and 2024.

10. Wholesale Water Supply and Wastewater Treatment Contracts

In January 1989, the District entered into a contract with the El Paso Water Utilities Public Service Board (PSB). In part, the District agreed to provide a water supply for a new plant to be constructed jointly with PSB. Pursuant to the contract, the District is required to "acquire and dedicate to (PSB) a raw water supply which is sufficient at 2.2 feet per acre per year in each and every year to be at least equal to the projected total annual water requirements of the District's customers for at least 20 years in the future." In exchange for raw water and other charges, PSB agreed to supply the District with drinking water. During irrigation season, the District supplies PSB with raw surface water; during non-irrigation season, PSB supplies drinking water to the District using groundwater. By making deliveries of excess raw surface water to PSB during the irrigation season, the District develops a summer surface water credit against which supplies may be drawn during the winter.

An addendum was approved by the District's Board on October 15, 2001 which supplements the contract that (1) clarifies the amount of water rights required to be dedicated to El Paso Water Utility; (2) provides for the acquisition and dedication of additional water rights; (3) provides for water and wastewater service by the District to the Clint Independent School District, the Town of Clint and the Burbridge Acres Subdivision; (4) establishes new wholesale water rates for the District that recognize the grant funds awarded to the City for the Jonathan W. Rogers Water Treatment Plant; and (5) establishes new wastewater treatment rates. The District's contract amendments with El Paso Water Utility are continuously renewed and currently up to date. The most recent signed amendment is dated February 2018.

The District had acquired an accumulated total of 4,811 and 4,757 acres of water rights at September 30, 2025 and September 30, 2024, respectively, assigned by the El Paso County Water Improvement District No. 1. These water rights have been dedicated by the District pursuant to its contract with the City of El Paso Water Utilities-Public Service Board.

11. Interlocal Agreement

The District entered into an agreement with the Town of Clint for the reconstruction of Fenter Road, a project included in the 2021A bond series. The project included the extension of water and wastewater services along Fenter Road, which looped the water system to the Town of Clint and provided wastewater services to area residents. The Town of Clint committed a total of $758,737 toward the project, funded through a combination of ARPA funds and Town operating funds. During fiscal year 2025, the project was completed, and the District and the final capital contribution was recognized.

In September 2022, the Lower Valley Water District Board of Directors approved an interlocal agreement with El Paso County for the operation and maintenance of new water and sewer infrastructure. El Paso County identified five projects under this agreement: Angels Park, Athena West, Panorama Village, Wildhorse, and Hacienda, as well as portions of North Loop. The County's share of funding for these projects was to be paid exclusively with ARPA funds in the amount of $17,698,097. In addition, the County agreed to fund engineering design services and construction management, initially estimated at $3,626,335.

In July 2024, the First Amendment to the interlocal agreement was approved to address project funding shortfalls, increasing the County's total allocation by $4,050,000, for a revised total of $21,748,097. The District's original cash contribution of $1,969,609 was subsequently increased to $7,516,842 on November 16, 2023, and further increased to $8,206,712 on March 27, 2025, to cover additional construction costs.

On March 10, 2025, the Second Amendment to the interlocal agreement was approved, extending the deadline for ARPA fund expenditures to December 31, 2026. The District is actively advancing construction on ARPA-funded projects and is awaiting the County's reallocation of funds from certain ARPA projects. Capital contributions related to these projects will be recognized in alignment with construction expenditures.

12. Construction Commitments and Other Contingencies

In the ordinary course of conducting its business, the District may be subjected to loss contingencies arising from lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on the District's financial position or results of future operations.

The District has received federal and state financial assistance for specific purposes that are subject to review and audit by the grantor agencies. Although management believes compliance with grant guidelines is adhered to, grantor audits could result in requests for reimbursement of expenditures determined to be disallowed. Management believes such disallowances, if any, will be immaterial.

The District has ongoing construction projects under non-cancelable contracts. At September 30, 2025, appropriations and commitments for services yet to be performed amounted to $10,240,417.

Rebate arbitrage is evaluated and estimated on an annual basis by a third-party arbitrage rebate service company. The company has estimated no liability for the District as of September 30, 2025. During fiscal year 2025, the District paid $21,424 related to arbitrage rebate.

13. Related-Party Transactions

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed, and he/she is required to abstain from any discussion or voting regarding that matter. Management is not aware of any material related-party transactions that occurred during the 2025 and 2024 fiscal years.

14. Subsequent Events

Subsequent events were evaluated through February 13, 2025, which is the date the financial statements were able to be issued, and the following items were noted:

Effective October 1, 2025, the District increased $1.00 to the water and wastewater base rates for both residential and commercial customers. In addition, a 15% increase was implemented to the residential and commercial volumetric rates for customers using over 10 CCF's.

On November 7, 2025, the District executed a CAP Grant Agreement with the North American Development Bank (NADB), awarding LVWD $514,350 for the Bejar Estates Project. The project will provide first-time access to wastewater collection and treatment services for 65 existing residences. During fiscal year 2026, the District will recognize the capital contributions related to Bejar Estates.

REQUIRED SUPPLEMENTARY INFORMATION

Lower Valley Water District

Schedule of Changes in the Employer's Net Pension Liability (Asset) and Related Ratios (unaudited)
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	$ 746,649	$ 695,876	$ 642,418	$ 682,675	$ 585,826	$ 642,336	$ 570,575	$ 557,763	$ 501,368	$ 408,191
Interest on the total pension liability	1,030,982	930,411	851,469	776,113	681,862	614,767	542,097	496,438	419,729	372,317
Effect of plan changes	-	-	-	-	-	-	-	-	-	(87,187)
Effect of assumption changes	-	-	-	(101,416)	635,141	-	-	3,092	-	51,633
Effect of economic/demographic (gains) or losses	297,926	26,767	(107,186)	21,708	53,232	(138,545)	(33,280)	(271,032)	(102,157)	(90,164)
Benefit payments/refunds of contributions	(372,617)	(388,149)	(414,262)	(282,753)	(235,711)	(231,802)	(275,343)	(196,943)	(171,296)	(95,343)
Net change in total pension liability	1,702,940	1,264,905	972,439	1,096,327	1,720,350	886,756	804,049	589,318	647,644	559,447
Total Pension Liability, Beginning	13,001,800	11,736,895	10,764,456	9,668,129	7,947,779	7,061,023	6,256,974	5,667,656	5,020,012	4,460,565
Total Pension Liability, Ending	$ 14,704,740	$ 13,001,800	$ 11,736,895	$ 10,764,456	$ 9,668,129	$ 7,947,779	$ 7,061,023	$ 6,256,974	$ 5,667,656	$ 5,020,012
Fiduciary Net Position										
Employer contributions	$ 507,376	$ 482,363	$ 494,947	$ 360,120	$ 375,000	$ 349,149	$ 389,146	$ 359,572	$ 310,882	$ 276,281
Member contributions	350,721	327,396	293,737	280,979	284,451	272,065	270,554	242,137	222,855	192,530
Investment income, net of investment expenses	1,440,163	1,349,162	(769,209)	2,233,156	894,939	1,164,385	(122,853)	823,322	359,704	(120,697)
Benefit payments/refunds of contributions	(372,617)	(388,149)	(414,262)	(282,753)	(235,711)	(231,802)	(275,343)	(196,943)	(171,296)	(95,343)
Administrative expense	(8,696)	(7,325)	(7,172)	(6,804)	(7,300)	(6,595)	(5,697)	(4,539)	(3,910)	(3,405)
Other	30,873	26,015	63,226	12,901	13,395	14,539	12,137	5,380	48,636	1,730
Net change in plan fiduciary net position	1,947,820	1,789,462	(338,733)	2,597,599	1,324,774	1,561,741	267,944	1,228,929	766,871	251,096
Plan Fiduciary Net Position, Beginning	14,027,654	12,238,192	12,576,925	9,979,326	8,654,552	7,092,811	6,824,867	5,595,938	4,829,067	4,577,971
Plan Fiduciary Net Position, Ending (b)	$ 15,975,474	$ 14,027,654	$ 12,238,192	$ 12,576,925	$ 9,979,326	$ 8,654,552	$ 7,092,811	$ 6,824,867	$ 5,595,938	$ 4,829,067
Net Pension Liability (Asset) (a) - (b)	$ (1,270,734)	$ (1,025,854)	$ (501,297)	$ (1,812,469)	$ (311,197)	$ (706,773)	$ (31,788)	$ (567,893)	$ 71,718	$ 190,945
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.64%	107.89%	104.27%	116.84%	103.22%	108.89%	100.45%	109.08%	98.73%	96.20%
Covered Payroll	$ 5,845,346	$ 5,456,596	$ 4,895,618	$ 4,682,980	$ 4,740,852	$ 4,534,419	$ 4,509,239	$ 4,035,615	$ 3,714,251	$ 3,208,839
Net Pension Liability (Asset) as a Percentage of Total Covered Payroll	-21.74%	-18.80%	-10.24%	-38.70%	-6.56%	-15.59%	-0.70%	-14.07%	1.93%	5.95%

Lower Valley Water District

Schedule of District Contributions (unaudited)
Last Ten Fiscal Years 2016 through 2025

Years Ended September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2025	$ 524,830	$ 524,830	$ -	$ 6,129,576	8.5%
2024	496,566	496,566	-	5,694,617	8.7%
2023	494,258	494,258	-	5,389,984	9.2%
2022	451,108	451,108	-	4,766,201	9.5%
2021	360,120	360,120	-	4,683,465	7.7%
2020	375,000	375,000	-	4,474,336	8.4%
2019	349,149	349,149	-	4,633,806	7.5%
2018	389,146	389,146	-	4,311,262	9.0%
2017	359,572	359,572	-	4,035,615	8.9%
2016	310,882	310,882	-	3,714,251	8.4%

See notes to required supplementary information

Notes to Schedule of Employer Contributions

Valuation Date

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17.0 Years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.5%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New Investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015 - 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018 - 2024: No changes in plan provisions were reflected in the Schedule.

SUPPLEMENTARY INFORMATION

Lower Valley Water District

Maintenance and Operations - Water and Wastewater
Years Ended September 30, 2025 and 2024

	2025	2024
Salaries	$ 4,515,464	$ 4,181,066
Payroll taxes	361,691	320,308
Employee benefits	209,319	85,913
Administrative fees	19,160	20,821
Water rights, taxes	661,551	621,253
Water rights, maintenance fee	26,251	36,152
Insurance, group medical	879,104	776,907
Insurance	232,407	195,336
Supplies	277,414	289,033
Professional fees	407,588	412,474
Tax assessor fees	17,005	22,463
Tax appraisal district fees	90,401	78,247
Advertising/public relations	29,696	33,343
Repairs and maintenance	269,785	202,689
Utilities	332,427	339,344
Travel and fuel	30,939	28,862
Contracted services	636,980	584,058
Equipment rental	164,623	252,872
Licenses and fees	81,934	71,531
Education and training	23,532	29,934
Other	404,685	809,109
Total	$ 9,671,956	$ 9,391,715

Lower Valley Water District

Maintenance and Operations - Solid Waste
Years Ended September 30, 2025 and 2024

	2025	2024
Salaries	$ 1,382,098	$ 1,388,605
Payroll taxes	105,369	107,529
Professional fees	8,115	4,879
Employee benefits	132,014	133,690
Insurance, group medical	315,921	302,426
Supplies	46,659	48,982
Repairs and maintenance	458,330	407,139
Advertising/public relations	924	1,017
Travel and fuel	407,057	524,042
Contracted services	6,161	7,081
Licenses and fees	8,921	8,475
Education and training	-	586
Other	16,511	12,875
Total	$ 2,888,080	$ 2,947,326

Lower Valley Water District

Solid Waste Revenue and Expenses
Years Ended September 30, 2025 and 2024

	2025	2024
Operating Revenues		
Service fees	$ 7,381,030	$ 6,782,122
Container replacement fee	3,015	3,195
Total operating revenues	7,384,045	6,785,317
Solid Waste Collection Cost		
Landfill fees	1,425,603	1,228,141
Total solid waste collection cost	1,425,603	1,228,141
Gross Margin	5,958,442	5,557,176
Operating Expenses		
Maintenance and operations	2,888,080	2,947,326
Depreciation and amortization expense	937,741	810,246
Total operating expenses	3,825,821	3,757,572
Total operating income	$ 2,132,621	$ 1,799,604

OTHER INFORMATION
(TEXAS SUPPLEMENTARY INFORMATION)
(UNAUDITED)

Lower Valley Water District

Budgetary Comparison Schedule - Proprietary Fund
Year Ended September 30, 2025

	Budget			Variance
	Original	As Amended	Actual	Favorable (Unfavorable)
Revenues				
Metered water sales	$ 12,900,026	$ 12,900,026	$ 12,787,086	$ (112,940)
Rate stabilization	399,968	399,968	(479,487)	(879,455)
Wastewater service	12,407,331	12,407,331	11,776,081	(631,250)
Solid waste collection fees:	6,989,095	6,989,095	7,384,045	394,950
Connection fees	314,880	314,880	273,399	(41,481)
Water allotment sales	600,000	600,000	687,402	87,402
Property rental	45,794	45,794	46,396	602
Other miscellaneous fees	2,400,055	2,400,055	1,978,798	(421,257)
Total revenues	36,057,149	36,057,149	34,453,720	(1,603,429)
Expenses				
Service operations:				
Cost of water	7,518,212	7,518,212	7,567,447	(49,235)
Cost of wastewater treatment	5,522,438	5,522,438	4,390,796	1,131,642
Cost of solid waste collection	1,707,971	1,707,971	1,425,603	282,368
Connection costs	154,142	154,142	163,602	(9,460)
Maintenance and operations	13,970,842	13,970,842	12,560,036	1,410,806
Total expenses	28,873,605	28,873,605	26,107,484	2,766,121
Operating income before nonoperating revenues (expenses), depreciation	7,183,544	7,183,544	8,346,236	1,162,692
Nonoperating Revenues (Expenses)				
Property taxes, including penalties and interest	5,808,263	5,808,263	6,013,636	205,373
Interest income	1,970,625	1,970,625	1,681,916	(288,709)
Interest expense	(792,885)	(792,885)	(953,277)	(160,392)
Debt issuance costs	-	-	(839,800)	(839,800)
Gain (loss) on disposal of assets	-	-	9,712	9,712
Total nonoperating revenues (expenses)	6,986,003	6,986,003	5,912,187	(1,073,816)
Income (loss) before depreciation and amortization expenses	14,169,547	14,169,547	14,258,423	88,876
Depreciation and amortization expense	(7,183,544)	(7,183,544)	(7,358,180)	(174,636)
Income (loss) before capital contributions	6,986,003	6,986,003	6,900,243	(85,760)
Capital contributions	13,937,873	13,937,873	9,412,695	(4,525,178)
Change in net position	$ 20,923,876	$ 20,923,876	$ 16,312,938	$ (4,610,938)

Lower Valley Water District

TSI-1 Services and Rates
Year Ended September 30, 2025

1. Services Provided by the District During the Fiscal Year:

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

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

___ Other (specify): ______

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or Equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per ccf Over Use	Usage Levels
Water	$ 17.25	4CCF	Y	3.06	4.01 to 10.00
				3.85	10.01 to 50.00
				4.80	above 50.01
Wastewater	$ 30.00	5CCF	Y	3.00	above 5.01
Surcharge					

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

Total charges per 10,000 gallons usage: Water $ 48.52 Wastewater $ 55.03

b. Water and Wastewater Retail Connections

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
<3/4"	22,567	21,001	x 1.0	21,001
1"	323	275	x 2.5	688
1-1/2"	71	52	x 5.0	260
2"	208	173	x 8.0	1,384
3"	118	65	x 15.0	975
4"	48	44	x 25.0	1,100
6"	54	48	x 50.0	2,400
8"	32	28	x 80.0	2,240
10"	-	-	x 115.0	-
12"	3	3	x 160.0	480
Total Water	23,424	21,689		30,528
Total Wastewater	19,992	19,009	x 1.0	19,009

3. Total Water Consumption During the Fiscal Year (Rounded to the Nearest Thousand):

Gallons pumped into system: 2,351,685,483

Gallons billed to customers: 2,198,519,696

Water Accountability Ratio: (Gallons billed / Gallons pumped) 93%

4. Standby Fees (Authorized Only Under TWC Section 49.231):

The District does not levy standby fees. - section not applicable

5. Location of District - No Changes From Prior Year.

Lower Valley Water District

TSI-2 Enterprise Fund Expenses
Year Ended September 30, 2025

Personnel Expenses (Including Benefits) *	$ 7,900,980
Professional Fees	
Accounting and auditing	90,455
Legal	30,578
Computer consulting	290,950
Other professional fees	3,720
Purchased Services for Resale	
Bulk water purchases	7,567,447
Wastewater treatment	4,390,796
Solid waste collection	1,425,603
Connection costs	163,602
Contracted Services	
Appraisal district	90,401
Tax collector	17,005
Other contracted services	643,141
Utilities	332,427
Repairs and Maintenance	728,115
Administrative Expenses	
Supplies	324,073
Insurance	232,407
Equipment rental	164,623
Water rights taxes	661,551
Travel and fuel	437,996
Education and training	23,532
Public relations	30,620
Other administrative and operating expenses	557,462
Subtotal	26,107,484
Depreciation and Amortization Expense	7,358,180
Total	$ 33,465,664

* Number of persons employed by the district: 131 Full-time 1 Part-time

	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at 9/30/2025	Accrued Interest Receivable at End of Year
Local Government Investment Cooperative (LOGIC) (a Texas public funds investment pool)				$ 7,864,802	
Lone Star				24,334,353	
Texas Class				10,999,096	
TexPool Prime				7,838,432	
Total investment pool				$ 51,036,683	
Total temporary investments				$ 51,036,683	

Lower Valley Water District

TSI-4 Taxes Levied and Receivable
Year Ended September 30, 2025

	Maintenance Tax	Debt Services Taxes
Taxes receivable at beginning of year	$ 587,249	$ 351,919
2024 original tax levy	4,199,564	1,748,390
Adjustments	(34,672)	(20,512)
Total to be accounted for	4,752,141	2,079,797
Tax Collections		
Current year	3,993,681	1,662,676
Prior years	110,289	55,904
Total tax collections	4,103,970	1,718,580
Taxes receivable at end of year	$ 648,171	$ 361,217
Taxes Receivable by Tax Year		
2006 and prior years	$ 49,929	$ 56,636
2007	8,615	7,760
2008	10,847	8,721
2009	11,330	8,497
2010	11,947	8,810
2011	13,028	9,161
2012	14,895	10,125
2013	16,427	10,856
2014	16,919	10,838
2015	16,143	9,860
2016	16,791	9,720
2017	18,369	9,965
2018	24,272	8,327
2019	28,953	8,075
2020	29,428	18,401
2021	37,520	21,136
2022	51,145	26,823
2023	84,263	39,507
2024	187,350	77,999
Taxes receivable at end of year	$ 648,171	$ 361,217

Lower Valley Water District

TSI-4 Taxes Levied and Receivable
Year Ended September 30, 2025

	2024	2023	2022	2021	2020	2019	2018	2017
Property Valuations	$ 4,098,985,856	$ 3,579,257,114	$ 3,008,698,090	$ 2,539,661,013	$ 2,199,841,599	$ 2,079,773,045	$ 1,921,925,402	$ 1,716,373,889
Tax Rates per $100 Valuation								
Debt service tax rates	0.042539	0.047965	0.056066	0.063533	0.075033	0.033469	0.041167	0.065095
Maintenance tax rates	0.102177	0.102301	0.106902	0.112782	0.120000	0.120000	0.120000	0.120000
Total tax rates per $100 valuation	0.144716	0.150266	0.162968	0.176315	0.195033	0.153469	0.161167	0.185095
Original Tax Levy	$ 5,947,954	$ 5,384,590	$ 4,911,355	$ 4,483,575	$ 4,297,042	$ 3,198,487	$ 3,105,117	$ 3,185,059
Percent of current taxes collected to current taxes levied	95.10%	94.95%	95.06%	95.53%	95.75%	94.93%	95.03%	95.39%
Percent of current and delinquent taxes collected to current taxes levied and delinquent taxes outstanding at the beginning of the year	84.54%	83.61%	83.01%	82.56%	81.99%	78.30%	77.90%	78.85%

Lower Valley Water District

TSI-5 Long-Term Debt Service Requirements
Year Ended September 30, 2025

Due During Fiscal Years Ending	Summary of Debt Service Requirements: Principal Due 09/15	Interest Due 03/15, 09/15	Total
2026	$ 3,110,000	$ 2,073,390	$ 5,183,390
2027	3,255,000	1,919,345	5,174,345
2028	1,920,000	1,840,520	3,760,520
2029	1,980,000	1,778,143	3,758,143
2030	1,970,000	1,713,148	3,683,148
2031	2,030,000	1,646,480	3,676,480
2032	2,085,000	1,576,963	3,661,963
2033	2,130,000	1,504,893	3,634,893
2034	2,010,000	1,429,865	3,439,865
2035	2,080,000	1,360,265	3,440,265
2036	2,145,000	1,289,715	3,434,715
2037	2,225,000	1,216,102	3,441,102
2038	2,300,000	1,139,145	3,439,145
2039	2,380,000	1,058,928	3,438,928
2040	2,185,000	975,300	3,160,300
2041	2,275,000	888,850	3,163,850
2042	2,360,000	798,600	3,158,600
2043	2,450,000	704,800	3,154,800
2044	2,545,000	607,200	3,152,200
2045	2,645,000	505,650	3,150,650
2046	2,750,000	399,900	3,149,900
2047	2,860,000	289,700	3,149,700
2048	1,525,000	174,800	1,699,800
2049	1,600,000	98,550	1,698,550
2050	1,685,000	50,550	1,735,550
	$ 56,500,000	$ 27,040,802	$ 83,540,802

Lower Valley Water District

TSI-5 Long-Term Debt Service Requirements
Year Ended September 30, 2025

Due During Fiscal Years Ending	Utility System Revenue Bonds, Series 2020 Principal Due 09/15	Interest Due 03/15, 09/15	Total
2026	$ 275,000	$ 1,565	$ 276,565
2027	275,000	1,565	276,565
2028	275,000	1,565	276,565
2029	275,000	1,565	276,565
2030	275,000	1,565	276,565
2031	275,000	1,565	276,565
2032	275,000	1,565	276,565
2033	275,000	1,565	276,565
2034	275,000	1,565	276,565
2035	275,000	1,565	276,565
2036	270,000	1,565	271,565
2037	275,000	1,402	276,402
2038	275,000	1,045	276,045
2039	275,000	578	275,578
	$ 3,845,000	$ 20,240	$ 3,865,240

Lower Valley Water District

TSI-5 Long-Term Debt Service Requirements
Year Ended September 30, 2025

Due During Fiscal Years Ending	Utility System Revenue Refunding, Series 2020 Principal Due 09/15	Interest Due 03/15, 09/15	Total
2026	$ 1,630,000	$ 62,235	$ 1,692,235
2027	1,650,000	40,230	1,690,230
2028	265,000	17,955	282,955
2029	270,000	14,378	284,378
2030	205,000	10,733	215,733
2031	205,000	7,965	212,965
2032	205,000	5,198	210,198
2033	180,000	2,428	182,428
	$ 4,610,000	$ 161,122	$ 4,771,122

Lower Valley Water District

TSI-5 Long-Term Debt Service Requirements
Year Ended September 30, 2025

Due During Fiscal Years Ending	Utility Tax Bonds, Series 2021A Principal Due 09/15	Interest Due 03/15, 09/15	Total
2026	$ 755,000	$ 691,350	$ 1,446,350
2027	775,000	668,700	1,443,700
2028	800,000	645,450	1,445,450
2029	825,000	621,450	1,446,450
2030	850,000	596,700	1,446,700
2031	875,000	571,200	1,446,200
2032	900,000	544,950	1,444,950
2033	930,000	517,950	1,447,950
2034	955,000	490,050	1,445,050
2035	985,000	461,400	1,446,400
2036	1,015,000	431,850	1,446,850
2037	1,045,000	401,400	1,446,400
2038	1,075,000	370,050	1,445,050
2039	1,110,000	337,800	1,447,800
2040	1,140,000	304,500	1,444,500
2041	1,175,000	270,300	1,445,300
2042	1,210,000	235,050	1,445,050
2043	1,245,000	198,750	1,443,750
2044	1,285,000	161,400	1,446,400
2045	1,325,000	122,850	1,447,850
2046	1,365,000	83,100	1,448,100
2047	1,405,000	42,150	1,447,150
	$ 23,045,000	$ 8,768,400	$ 31,813,400

Lower Valley Water District

TSI-5 Long-Term Debt Service Requirements
Year Ended September 30, 2025

Due During Fiscal Years Ending	Utility Tax Bonds, Series 2025 Due During Years Ending	Principal Due 09/15	03/15, 09/15
2026	$ 450,000	$ 1,318,240	$ 1,768,240
2027	555,000	1,208,850	1,763,850
2028	580,000	1,175,550	1,755,550
2029	610,000	1,140,750	1,750,750
2030	640,000	1,104,150	1,744,150
2031	675,000	1,065,750	1,740,750
2032	705,000	1,025,250	1,730,250
2033	745,000	982,950	1,727,950
2034	780,000	938,250	1,718,250
2035	820,000	897,300	1,717,300
2036	860,000	856,300	1,716,300
2037	905,000	813,300	1,718,300
2038	950,000	768,050	1,718,050
2039	995,000	720,550	1,715,550
2040	1,045,000	670,800	1,715,800
2041	1,100,000	618,550	1,718,550
2042	1,150,000	563,550	1,713,550
2043	1,205,000	506,050	1,711,050
2044	1,260,000	445,800	1,705,800
2045	1,320,000	382,800	1,702,800
2046	1,385,000	316,800	1,701,800
2047	1,455,000	247,550	1,702,550
2048	1,525,000	174,800	1,699,800
2049	1,600,000	98,550	1,698,550
2050	1,685,000	50,550	1,735,550
	$ 25,000,000	$ 18,091,040	$ 43,091,040

Lower Valley Water District
TSI-6 Changes in Long-Term Bonded Debt
Year Ended September 30, 2025

	Bond Issues			Bond Issues	
	Revenue 2020	Revenue Refunding 2020	Unlimited Tax 2021	Unlimited Tax 2021A	Unlimited Tax 2025
Interest rate	0.00 - 0.21%	1.35%	1.60%	3.00%	4.78%
Dates interest payable	3/15-9/15	3/15-9/15	3/15-9/15	3/15-9/15	3/15-9/15
Maturity dates	03/15/2020 to 09/30/2039	12/20/2020 to 09/30/2033	08/04/2021 to 09/30/2025	8/4/2021 to 09/30/2047	8/21/2025 to 09/30/2050
Beginning bonds outstanding	$ 4,120,000	$ 6,220,000	$ 1,000,000	$ 23,045,000	$ -
Bonds sold during the fiscal year	-	-	-	-	25,000,000
Bonds retired during the fiscal year	275,000	1,610,000	1,000,000	-	-
Ending bonds outstanding	$ 3,845,000	$ 4,610,000	$ -	$ 23,045,000	$ 25,000,000
Interest paid during the fiscal year	$ 1,565	$ 83,970	$ 16,000	$ 691,350	$ -
Paying agent's name and city	Zions Bancorporation, N.A. Houston, TX	Alliance Bank	BOKF, N.A. Dallas, TX	BOKF, N.A. Dallas, TX	BOKF, N.A. Dallas, TX

Bond Authority	Revenue Bonds	Refunding Bonds	Unlimited Tax Bonds	Unlimited Tax Bonds	Unlimited Tax Bonds
Amount authorized by Board	$ 5,220,000	$ 12,540,000	$ 4,455,000	23,045,000	$ 35,000,000
Amount issued	5,220,000	12,540,000	4,455,000	23,045,000	25,000,000
Remaining to be issued	-	-	-	-	$ 10,000,000

Interest & Sinking fund for tax bonds cash and temporary investment balances as of September 30, 2025	$ 238,124
Debt service fund cash and temporary investment balances (revenue debt) as of September 30, 2025	$ 1,143,215
Average annual debt service payment (Principal and Interest) for remaining term of revenue debt	$ 616,883

Lower Valley Water District

TSI-7 Comparative Schedule of Revenues and Expenses - Five Years
Year Ended September 30, 2025

	Amount					Percent of Fund Total Revenues				
	2025	2024	2023	Restated 2022	Restated 2021	2025	2024	2023	2022	2021
Operating Revenues										
Water sales	$ 12,307,599	$ 12,513,010	$ 11,094,102	$ 9,256,542	$ 8,764,518	35.8 %	37.0 %	37.1 %	34.8 %	35.1 %
Wastewater services	11,776,081	11,217,274	9,380,442	8,037,705	7,566,712	34.2	33.2	31.3	30.2	30.2
Solid waste collection service fees	7,384,045	6,785,317	6,364,297	5,933,714	5,564,780	21.4	20.1	21.2	22.3	22.2
Connection fees	273,399	324,310	550,942	528,375	492,938	0.8	1.0	1.8	2.0	2.0
Water allotment sales	687,402	657,405	644,251	713,473	635,593	2.0	1.9	2.1	2.7	2.5
Property rental	46,396	42,783	45,794	45,791	44,915	0.1	0.1	0.2	0.2	0.2
Other fees	1,978,798	2,257,549	1,891,426	2,061,941	1,956,046	5.7	6.7	6.3	7.8	7.8
Total operating revenues	34,453,720	33,797,648	29,971,254	26,577,541	25,025,502	100.0	100.0	100.0	100.0	100.0
Operating Expenses										
Cost of water	7,567,447	6,681,776	5,937,289	5,284,702	4,131,297	22.0	19.8	19.8	19.9	16.5
Cost of wastewater treatment	4,390,796	4,883,081	4,098,166	2,732,765	2,019,245	12.7	14.4	13.7	10.3	8.1
Cost of solid waste collection	1,425,603	1,228,141	1,140,446	1,135,449	1,161,045	4.1	3.6	3.8	4.3	4.6
Administrative expenses	19,160	20,821	22,439	22,044	24,730	0.1	0.1	0.1	0.1	0.1
Payroll and related costs	7,900,980	7,296,444	6,931,646	6,323,826	5,239,312	22.9	21.6	23.1	23.8	20.9
Professional fees	415,703	417,353	179,281	114,453	312,412	1.2	1.2	0.6	0.4	1.2
Office equipment and rental	164,623	252,872	101,265	150,843	173,404	0.5	0.7	0.3	0.6	0.7
Utilities	332,427	339,344	325,791	346,393	303,514	1.0	1.0	1.1	1.3	1.2
Repairs and maintenance	728,115	609,828	720,667	650,818	927,948	2.1	1.8	2.4	2.4	3.7
Tax assessor/collector fees	107,406	100,710	86,955	74,653	74,983	0.3	0.3	0.3	0.3	0.3
Other recurring operations	2,869,853	3,279,424	2,662,794	2,827,838	3,602,204	8.3	9.7	8.9	10.6	14.4
Bacteriological testing	21,769	22,245	24,458	28,411	30,656	0.1	0.1	0.1	0.1	0.1
Connection costs	163,602	141,171	142,872	148,294	112,297	0.5	0.4	0.5	0.6	0.4
Depreciation and amortization expense	7,358,180	6,698,869	6,791,420	6,036,981	5,515,482	21.4	19.8	22.7	22.7	22.0
Total operating expenses	33,465,664	31,972,079	29,165,489	25,877,470	23,628,529	97.2	94.5	97.4	97.4	94.2
Operating income (loss)	988,056	1,825,569	805,765	700,071	1,396,973	2.8	5.5	2.6	2.6	5.8
Nonoperating Revenues (Expenses)										
Property taxes	5,892,770	5,293,177	4,824,993	4,456,477	4,243,547	17.1	15.7	16.1	16.8	17.0
Penalty and interest on taxes	120,866	108,182	109,935	103,630	91,295	0.4	0.3	0.4	0.4	0.4
Interest revenue	1,681,916	2,620,627	2,506,001	450,187	113,076	4.9	7.8	8.4	1.7	0.5
Interest expense	(953,277)	(839,532)	(874,142)	(913,980)	(378,780)	(2.8)	(2.5)	(2.9)	(3.4)	(1.5)
Bond premium and loss amortization	-	-	(26,457)	(28,863)	(28,862)	-	-	(0.1)	(0.1)	(0.1)
Gain (loss) on disposal of assets	9,712	75,038	8,424	-	56,195	-	0.2	-	-	0.2
Debt issuance costs	(839,800)	(135,370)	-	-	(444,905)	(2.4)	(0.4)	-	-	(1.8)
Total nonoperating revenues (expenses)	5,912,187	7,122,122	6,548,754	4,067,451	3,651,566	17.2	21.1	21.9	15.4	14.7
Income before capital contributions	6,900,243	8,947,691	7,354,519	4,767,522	5,048,539	20.0	26.6	24.5	18.0	20.5
Capital contributions	9,412,695	8,708,410	905,901	600,746	1,743,196	27.3	25.8	3.0	2.3	7.0
Change in net position	$ 16,312,938	$ 17,656,101	$ 8,260,420	$ 5,368,268	$ 6,791,735	47.3 %	52.4 %	27.5 %	20.3 %	27.5 %

Lower Valley Water District

TSI-8. Board Members, Key Personnel and Consultants
Year Ended September 30, 2025

Complete District Mailing Address:	P.O. Box 909 Clint, TX 79836
District Business Telephone Number:	915 791 4480
Submission Date of the most recent District Registration Form:	11/21/2024
Limit on Fees of Office That a Director may receive during a fiscal year:	$ 7,200

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office September 30, 2025	Expense Reimbursements September 30, 2025	Title at Year-End
Board Members				
Rosalinda Vigil % Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	(Elected) 11/2022 11/2026	$ 5,400	$ -	President
Henry Trujillo % Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	(Elected) 11/2022 11/2026	$ 7,200	$ -	Secretary/ Treasurer
David Estrada % Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	(Elected) 11/2024 11/2028	$ 7,200	$ -	Director
David G. Carrasco % Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	(Elected) 11/2024 11/2028	$ 7,050	$ 517	Vice President
Rodrigo Chavez % Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	(Elected) 11/2022 11/2026	$ 4,050	$ -	Director
Key Administrative Personnel:				
Gerald Grijalva c/o Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	1/1/2018	$ 206,091	$ -	General Manager/ Investment Officer
Jose Hernandez c/o Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	2/5/2018	$ 142,718	$ 112	Chief Financial Officer/Investment Officer
Sabrina Ontiveros c/o Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	5/1/2017	$ 110,265	$ -	Human Resources Manager
Jesus E. Long c/o Lower Valley Water Dist. P.O. Box 909 Clint, TX 79836	2/12/2018	$ 142,637	$ -	Chief Operations & Technical Officer

Lower Valley Water District

TSI-8. Board Members, Key Personnel and Consultants
Year Ended September 30, 2025

Complete District Mailing Address: P.O. Box 909, Clint, TX 79836

District Business Telephone Number: 915 791 4480

Submission Date of the most recent District Registration Form: 11/21/2024

Limit on Fees of Office That a Director may receive during a fiscal year: $ 7,200

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office September 30, 2025	Expense Reimbursements September 30, 2025	Title at Year-End
Consultants:				
Blanco Ordonez and Wallace PC 5715 Cromo Dr. El Paso, TX 79912	5/2/2016	$ 30,578	$ -	Consulting Services
Baker Tilly US, LLP P.O Box 7398 Madison, WI 53707	9/30/2022	$ 93,829	$ -	Accountants
Brock & Bustillos, Inc. 417 Executive Center Blvd. El Paso, TX 79912	7/24/2015	$ 101,658	$ -	Surveying Services
CEA Engineering Group 4712 Woodrow Bean, Ste. F El Paso, TX 79924	8/7/2003	$ 450,464	$ -	Engineering Services
CQC Testing & Engineering LLC 4606 Titanic Ave El Paso, TX 79904	5/2/2016	$ 38,250	$ -	Engineering Services
Environmental Intelligence LLC 7000 Independence Pkwy. STE. 156-305 Plano, TX 75205	12/12/2018	$ 12,729	$ -	Cybersecurity Services
Environmental Systems Research Institute, PO Box 741076 Los Angeles, CA 90074	5/2/2016	$ 92,350	$ -	GIS Technology Service
Franklin Mountain Land Services LLC 7220 San Marino El Paso, TX 79912	2/25/2025	$ 49,170	$ -	Consulting Services
Frank X Spencer & Assocs INC 1130 Montana Ave. El Paso, TX 79902	5/2/2016	$ 328,111	$ -	Engineering Services
Garver LLC 4701 Northshore Drive North Little Rock, AR 72118	6/26/2024	$ 160,062	$ -	Engineering Services
H20 Terra, LLC 2020 E Mills Ave. El Paso, TX 79901	6/29/2023	$ 106,514	$ -	Engineering Services
Huitt-Zollars Inc 5430 Lyndon B Johnson Fwy, Ste 1500 Dallas, TX 75240	5/2/2016	$ 155,652	$ -	Engineering Services
Nurabami, LLC PO BOX 13762 El Paso, TX 79913	5/10/2024	$ 744,285	$ -	Engineering Services

Lower Valley Water District
Insurance Coverage
Year Ended September 30, 2025

Type of Coverage		Amount of Coverage	Insurer Name	Policy Clause Co-Insurance
Errors & Omissions				
Occurrence	$	1,000,000.00	Texas Municipal League	No
Aggregate	$	2,000,000.00	Texas Municipal League	No
Deductible	$	2,000.00	Texas Municipal League	No
Property				
Building	$	31,725,131.00	Texas Municipal League	No
Deductible (Other than Wind and Hail)	$	5,000.00	Texas Municipal League	No
Wind and Hail:	$	5,000.00	Texas Municipal League	No
Mobile Equipment	$	1,871,288.00	Texas Municipal League	No
Deductible	$	250.00	Texas Municipal League	No
Boiler and Machinery	$	100,000.00	Texas Municipal League	No
Deductible	$	5,000.00	Texas Municipal League	No
Crime- Public Employee Dishonesty	$	150,000.00	Texas Municipal League	No
Deductible	$	1,000.00	Texas Municipal League	No
Cyber Incident Response (Clause 1)				
Incident Response Costs	$	2,000,000.00	CFC	No
Deductible	$	-	CFC	No
Legal and Regulatory Costs	$	2,000,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
IT Security and Forensic Costs	$	2,000,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Crisis Communication Costs	$	2,000,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Privacy Breach Management Costs	$	2,000,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Third Party Breach Management Costs	$	2,000,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Post Breach Remediation Costs	$	50,000.00	CFC	No
Deductible	$	-	CFC	No
Cyber Crime (Clause 2)				
Funds Transfer Fraud	$	250,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Invoice Manipulation	$	250,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Theft Of Personal Funds	$	250,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Corporate Identity Theft	$	250,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Theft Of Funds Held In Escrow	$	250,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Push Payment Fraud	$	50,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Telphone Hacking	$	250,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Unauthorized Use Of Computer Resources	$	250,000.00	CFC	No
Deductible	$	20,000.00	CFC	No
Cyber Extortion	$	2,000,000.00	CFC	No
Deductible	$	20,000.00	CFC	No

Type of Coverage	Insurer: Amount of Coverage	Insurer: Name	Policy Clause Co-Insurance
System Damage And Business Interruption (Clause 3)			
System Damage aAnd RectificationCosts	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Hardware Replacement Costs	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Income Loss And Extra Expense	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Additional Extra Expense	$ 100,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Dependent Buisness Interruption	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Consequential Reputational Harm	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Claim Preparation Costs	$ 25,000.00	CFC	No
Deductible	$ -	CFC	No
Network Security Liability & Privacy Liability (Clause 4)			
Network Security Liability	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Privacy Liability	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Management Liability	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Regulatory Fines, Penalties And Investigation Costs	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
PCI Fines, Penalties, And Assessments	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Contingent Bodily Injury	$ 250,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Criminal Reward Coverage	$ 50,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Media Liability (Clause 5)			
Deflamation	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Intellectual property Rights Infringement	$ 2,000,000.00	CFC	No
Deductible	$ 20,000.00	CFC	No
Technology Errors And Omissions (Clause 6)	No Cover Given	CFC	No
Court Attendance Costs (Clause 7)	$ 100,000.00	CFC	No
Deductible	$ -	CFC	No
Liability			
General Liability			
Occurrence	$ 1,000,000.00	Texas Municipal League	No
Sudden Events Involving Pollution		Texas Municipal League	No
Occurrence	$ 1,000,000.00	Texas Municipal League	No
Aggregate	$ 2,000,000.00	Texas Municipal League	No
Deductible	$ 1,000.00	Texas Municipal League	No
Supplemental Sewage Backup			
Structure	$ 25,000.00	Texas Municipal League	No
Occurrence	$ 50,000.00	Texas Municipal League	No
Deductible	$ 1,000.00	Texas Municipal League	No
Automobile Liability			
Occurrence	$ 1,000,000.00	Texas Municipal League	No
Medical payments limit (each person)	$ 25,000.00	Texas Municipal League	No
Deductible	$ 250.00	Texas Municipal League	No
Automobile Physical Damage			
Deductible (each vehicle)	$ 500.00	Texas Municipal League	No
Deductible (each occurence)	$ 10,000.00	Texas Municipal League	No

APPENDIX B

FORM OF BOND COUNSEL'S OPINION

THIS PAGE INTENTIONALLY LEFT BLANK

September 24, 2026

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "Lower Valley Water District Unlimited Tax Bonds, Series 2026" (the *Bonds*), dated September 15, 2026, in the aggregate original principal amount of $10,000,000, we have reviewed the legality and validity of the issuance thereof by the Lower Valley Water District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of September 15 in each of the years 2030 through 2049, and September 15, 2051, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the *Resolution*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Resolution; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Resolution and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

THIS PAGE INTENTIONALLY LEFT BLANK

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By ______________________________
Authorized Officer

Municipal Advisory Services
Provided By

Hilltop Securities
Investment Banking Solutions