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

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 20, 2026

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

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

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

NEW ISSUE-Book-Entry-Only

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D

(A political subdivision of the State of Texas located within Comal County)

$4,000,000
UNLIMITED TAX ROAD BONDS
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Comal County Water Improvement District No. 1D (the "District") and are not obligations of the State of Texas, Comal County, the City of New Braunfels, the Master District (as defined herein) or any entity other than the District. The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. THE BONDS ARE SUBJECT TO RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

Dated: December 1, 2026 **Due: September 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected to be on or about December 17, 2026) (the "Date of Delivery"), and is payable each September 1 and March 1, commencing September 1, 2027, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

MATURITY SCHEDULE

Principal Amount (a)	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)	Principal Amount (a)	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)
$ 50,000	2028		%	%	$ 160,000	2040 (d)		%	%
85,000	2029				170,000	2041 (d)			
90,000	2030				180,000	2042 (d)			
95,000	2031				190,000	2043 (d)			
105,000	2032				200,000	2044 (d)			
110,000	2033 (d)				215,000	2045 (d)			
115,000	2034 (d)				225,000	2046 (d)			
120,000	2035 (d)				240,000	2047 (d)			
130,000	2036 (d)				250,000	2048 (d)			
135,000	2037 (d)				265,000	2049 (d)			
145,000	2038 (d)				280,000	2050 (d)			
150,000	2039 (d)				295,000	2051 (d)			

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

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 17, 2026.

Bids Due: Tuesday, November 17, 2026, at 9:15 A.M., Central Time in New Braunfels, Texas
Bid Award: Tuesday, November 17, 2026, at 12:00 P.M., Central Time in New Braunfels, Texas

TABLE OF CONTENTS

MATURITY SCHEDULE **1**
USE OF INFORMATION IN OFFICIAL STATEMENT **3**
SALE AND DISTRIBUTION OF THE BONDS **4**
Award of the Bonds 4
Prices and Marketability 4
Securities Laws 4
OFFICIAL STATEMENT SUMMARY **5**
SELECTED FINANCIAL INFORMATION (UNAUDITED) **8**
THE BONDS **9**
General 9
Method of Payment of Principal and Interest 9
Source of and Security for Payment 10
Funds 10
Redemption Provisions 10
Authority for Issuance 10
Registration and Transfer 11
Lost, Stolen or Destroyed Bonds 11
Replacement of Paying Agent/Registrar 11
Issuance of Additional Debt 12
No Arbitrage 12
Consolidation 12
Annexation by the City of New Braunfels 12
Remedies in Event of Default 13
Legal Investment and Eligibility to Secure Public Funds in Texas 13
Defeasance 13
BOOK-ENTRY-ONLY SYSTEM **14**
USE AND DISTRIBUTION OF BOND PROCEEDS **16**
VERAMENDI **16**
THE DEVELOPER **16**
Role of a Developer 16
The Developer 17
THE DISTRICT **17**
General 17
Description and Location 17
Land Use 18
Status of Development 18
Homebuilding 18
Future Development 18
MANAGEMENT OF THE DISTRICT **19**
Board of Directors 19
District Consultants 19
WATER, WASTEWATER AND DRAINAGE **19**
Utility Agreement Between the District and the City of New Braunfels 19
Water Supply and Wastewater Treatment 20
Water Distribution, Wastewater, Collection and Storm Drainage 20
The Master District 20
Flood Protection 22
Regulation 22
General Fund Summary 22
ROAD SYSTEM **23**
FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) **23**
Investments of the District 23
Outstanding Bonds 24
Debt Service Requirements 24
Estimated Overlapping Debt 25
Overlapping Taxes 25
TAX DATA **26**
Debt Service Tax 26
Contract Tax 26
Maintenance and Operations Tax 26
Tax Rate Distribution 26
Historical Tax Collections 26
Tax Roll Information 27
Principal Taxpayers 27
Tax Adequacy for Debt Service 28
TAXING PROCEDURES **28**
Authority to Levy Taxes 28
Property Tax Code and County-Wide Appraisal District 28
Property Subject to Taxation by the District 28
Tax Abatement 29
Valuation of Property for Taxation 29
District and Taxpayer Remedies 30
Levy and Collection of Taxes 30
Tax Payment Installments After Disaster 31
Rollback of Operation and Maintenance Tax Rate 31
District's Rights in the Event of Tax Delinquencies 32
RISK FACTORS **32**
General 32
Dependence on Major Taxpayers and the Developer 32
Economic Factors and Interest Rates 33
Credit Markets and Liquidity in the Financial Markets 33
Competition 33
Increase in Costs of Building Materials and Labor Shortages 33
Possible Impact on District Tax Rate 33
Overlapping Master District Debt and Contract Tax 34
Undeveloped Acreage and Vacant Lots 34
Developer Under No Obligation to the District 34
Tax Collections Limitations and Foreclosure Remedies 35
Specific Flood Type Risks 35
Registered Owners' Remedies and Bankruptcy Limitations 35
Future Debt 36
Environmental Regulations 36
Marketability of the Bonds 38
Continuing Compliance with Certain Covenants 38
Cybersecurity 38
Risk Factors Related to the Purchase of Municipal Bond Insurance 38
LEGAL MATTERS **38**
Legal Proceedings 38
No Material Adverse Change 39
No-Litigation Certificate 39
TAX MATTERS **39**
Tax Exemption 39
Qualified Tax-Exempt Obligations 40
Additional Federal Income Tax Considerations 40
MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE **41**
PREPARATION OF OFFICIAL STATEMENT **42**
Sources and Compilation of Information 42
Financial Advisor 42
Consultants 42
Updating the Official Statement 42
Certification of Official Statement 43
CONTINUING DISCLOSURE OF INFORMATION **43**
Annual Reports 43
Specified Event Notices 43
Availability of Information from MSRB 44
Limitations and Amendments 44
Compliance with Prior Undertakings 44
MISCELLANEOUS **45**
LOCATION MAP
PHOTOGRAPHS OF THE DISTRICT
APPENDIX A - Independent Auditor's Report and Financial Statements for the Fiscal Year Ended June 30, 2026
APPENDIX B - Financial Information Concerning the Developer

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description...	Comal County Water Improvement District No. 1D (the "District") is a political subdivision of the State of Texas. The District was created pursuant to an order of division of Comal County Water Improvement District No. 1B dated February 5, 2021, and a corrected order of division of Comal County Water Improvement District No. 1B dated March 12, 2024, and operates pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 51, Texas Water Code, as amended. The District currently includes approximately 398 acres of land. See "THE DISTRICT."
Location...	The District is located in Comal County, approximately 33 miles northeast of San Antonio, Texas and within the extraterritorial jurisdiction of the City of New Braunfels and within the New Braunfels Independent School District. The District is located on either side of Hill Country Drive, approximately one mile northeast of Texas State Highway 46 and north of Texas State Highway Loop 337. Access to the City of New Braunfels is through Oak Run Parkway, Borchers Boulevard, and Word Parkway. See "THE DISTRICT" and "AERIAL LOCATION MAP."
Veramendi...	The District is a part of the approximate 2,445-acre master planned community of Veramendi. Veramendi encompasses seven (7) water improvement districts: the District, Comal County Master Water Improvement District (the "Master District"), Comal County Water Improvement District No. 1A ("WID 1A"), Comal County Water Improvement District No. 1B ("WID 1B") Comal County Water Improvement District No. 1C ("WID 1C"), Comal County Water Improvement District No. 1E ("WID 1E"), and Comal County Water Improvement District No. 1F ("WID 1F"). The District, WID 1A, WID 1B, WID 1C, WID 1E, WID 1F, and the Master District (defined herein) are collectively referred to as, the "Veramendi Districts." Each of the Veramendi Districts has authority to provide water, wastewater, and drainage facilities as provided by general law and Article XVI, Section 59, Texas Constitution. Each of the Veramendi Districts except the Master District (defined herein) has authority to provide road facilities as provided by general law and Article III, Section 52, Texas Constitution. See "THE DISTRICT—Status of Development."
The Developer…	Word-Borchers Ranch Real Estate Limited Partnership, a Texas limited partnership (the "Landowner"), initially owned all of the approximately 2,445 acres within the Veramendi project boundaries. The Landowner currently owns approximately 849 acres of undeveloped land within the Veramendi project boundaries, approximately 93 acres of which is located within the District boundaries. The Landowner is a landholding company and does not participate in any type of development. The developer of the Service Area (defined herein), Veramendi Development Company, LLC, a Texas limited liability company, ("VDCo") has an exclusive option to purchase, via VDCo Affiliates (defined below), all of the land within the Veramendi project boundaries from the Landowner. The current VDCo Affiliates are Veramendi PE-Adelaide LLC, Veramendi PE-Brisbane LLC, Veramendi PE-Cairns LLC, Veramendi PE-Darwin LLC, Veramendi PE-Fremantle LLC, Veramendi PE-Emerald LLC, and Veramendi PE-Gold Coast LLC, and Veramendi PE-Hobart, LLC. To date, VDCo or VDCo Affiliates have purchased approximately 1,578 acres in the Veramendi project boundaries from the Landowner, approximately 318 of which are located within the District. Veramendi PE-Emerald LLC, Veramendi PE-Fremantle and Veramendi PE-Darwin LLC are the VDCo Affiliates currently developing land within the District. VDCo and each of the VDCo Affiliates (collectively the "Developer") is owned equally by ASA Properties LLC, a Texas limited liability company and Word Borchers Investor Partner Ltd., a Texas limited partnership. ASA Properties LLC is the sole manager of VDCo and Peter James is the President of ASA Properties LLC. See "THE DEVELOPER" and "APPENDIX B."
Homebuilding…	Homebuilders actively marketing or building homes in the District include Beazer Homes, David Weekley Homes, DRB Homes, Drees Homes, Highland Homes and Perry Homes. See "THE DISTRICT—Status of Development."

Status of Development… The land within the District is being developed primarily as a single-family residential community of Veramendi, currently consisting of 427 single-family residential lots on approximately 130 acres. As of October 2, 2026, the District consisted of 106 occupied homes, 31 homes under construction or in a builder's name, and 290 vacant developed lots available for home construction. According to the Developer, homes within the District range in sales price from approximately $424,000 to $1,500,000. In addition, utility construction for 205 single-family residential lots (approximately 80 acres) is underway with completion expected in the fourth quarter of 2026. Approximately 152 acres within the District are undeveloped and developable, and the remaining approximately 36 acres within the District are undevelopable. See "THE DISTRICT—Land Use" and "—Status of Development."

Payment Record... The District has previously issued $3,300,000 principal amount of unlimited tax bonds for constructing or acquiring road facilities in one series, and $3,020,000 principal amount of unlimited tax bonds for financing water, wastewater and drainage improvements in one series, of which $6,125,000 principal amount of such bonds remains outstanding (the "Outstanding Bonds"). The District capitalized twenty-four (24) months of interest from proceeds of the Series 2025 Bonds in September 2025 and an amount equal to the lesser of $230,000 or twelve (12) months of interest will be capitalized from Bond proceeds. The District has never defaulted on the Outstanding Bonds debt service payments. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

Water and Wastewater… New Braunfels Utilities ("NBU") provides retail water and wastewater services to the District's residents. See "WATER, WASTEWATER AND DRAINAGE—Utility Agreement Between the District and the City of New Braunfels" and "—Water Supply and Wastewater Treatment."

THE BONDS

Description... Comal County Water Improvement District No. 1D Unlimited Tax Road Bonds, Series 2026, in the aggregate principal amount of $4,000,000 maturing serially on September 1 in each of the years 2028 through 2051, both inclusive. Interest accrues from the Date of Delivery, at the rates per annum set forth on the cover page hereof, and is payable on September 1, 2027, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds, pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution"), adopted by the Board of Directors of the District (the "Board"), in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000. See "THE BONDS—General."

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

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

Use of Proceeds... Proceeds of the Bonds will be used to pay construction costs outlined herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," to capitalize an amount equal to the lesser of $230,000 or twelve (12) months of interest, to pay interest on funds that have been advanced by the Developer on behalf of the District; and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance...	The Bonds are the second series of bonds issued out of an aggregate of $53,500,000 principal amount of unlimited tax bonds authorized by the District's voters on May 1, 2021, for the purpose of constructing roads and related improvements. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution to be adopted by the Board of Directors of the District, Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 51 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "RISK FACTORS—Future Debt," "THE BONDS—Authority for Issuance" and "Issuance of Additional Debt."
Source of Payment...	Principal of and interest on the Bonds, the Outstanding Bonds, and such additional tax bonds as may hereafter be issued by the District are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS—Source of and Security for Payment."
Municipal Bond Rating And Municipal Bond Insurance…	The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. Applications have been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, purchase of such insurance will be available at the option of the Underwriter at the Underwriter's expense including any rating fees associated with the insurance. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
Qualified Tax-Exempt Obligations...	The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations."
Bond Counsel...	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
Disclosure Counsel...	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "PREPARATION OF THE OFFICIAL STATEMENT."
Paying Agent/Registrar...	The Bank of New York Mellon Trust Company, N.A. in Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Taxable Assessed Valuation	$84,645,026	(a)
Estimated Taxable Assessed Valuation as of September 1, 2026	$92,714,289	(b)
Gross Direct Debt Outstanding	$10,125,000	(c)
Estimated Overlapping Debt	7,364,058	(d)
Gross Direct Debt and Estimated Overlapping Debt	$17,489,058	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	11.96%	
Estimated Taxable Assessed Valuation as of September 1, 2026	10.92%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	20.66%	
Estimated Taxable Assessed Valuation as of September 1, 2026	18.86%	
Funds Available for Debt Service:		
Road Debt Service Fund as of October 20, 2026	$ 71,549	(e)
Water, Sewer and Drainage Debt Service Fund as of October 20, 2026	169,074	(e)
Twelve (12) Months of Capitalized Interest from Bond Proceeds	230,000	(f)
Total Funds Available for Debt Service	$470,623	
Funds Available in the Contract Tax Fund as of October 20, 2026	$ 1,244	
Funds Available in the General Operating Fund as of October 20, 2026	$404,738	
Funds Available in the Capital Projects Fund as of October 20, 2026	$ 84,488	
2026 Debt Service Tax Rate	$0.510	
2026 Maintenance and Operations Tax Rate	0.215	
2026 Contract Tax Rate	0.125	
2026 Total Tax Rate	$0.850	
Average Annual Debt Service Requirement (2027-2051)	$732,225	(g)
Maximum Annual Debt Service Requirement (2050)	$758,800	(g)
Tax Rate Required to Pay Average Annual Debt Service (2027-2051) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	$0.92	(h)
Based upon Estimated Taxable Assessed Valuation as of September 1, 2026	$0.84	(h)
Tax Rate Required to Pay Maximum Annual Debt Service (2050) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	$0.95	(h)
Based upon Estimated Taxable Assessed Valuation as of September 1, 2026	$0.87	(h)
Status of Development as of October 2, 2026 (i):		
Total Developed Lots	427	
Occupied Homes	106	
Homes Under Construction or in a Builder's Name	31	
Lots Under Construction	205	
Vacant Developed Lots Available for Home Construction	290	
Estimated Population	371	(j)

(a) The Comal Appraisal District (the "Appraisal District") has certified $83,063,896 of taxable value and an additional $1,581,130 of taxable value remains uncertified and is subject to review and downward adjustment. The 2026 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for information purposes only. Such amount reflects increases in value occurring between January 1, 2026, and September 1, 2026. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District for purposes of taxation on January 1, 2027. See "TAXING PROCEDURES."

(c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds"

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) Funds in the Road Debt Service Fund are available to pay debt service on the bonds issued for road facilities (including the Bonds) and are not available to pay debt service on the District's bonds issued for water, wastewater and drainage facilities. Funds in the Water, Sewer and Drainage Debt Service Fund are available to pay debt service on the bonds issued for water, wastewater and drainage facilities and are not available to pay debt service on bonds issued for road facilities. Neither Texas law nor any bond resolution requires the District to maintain any minimum balance in the debt service funds.

(f) The District will capitalize an amount equal to the lesser of $230,000 or twelve (12) months of interest from Bond proceeds and deposit such funds in the Road Debt Service Fund. The amount shown above is estimated at 5.75%.

(g) The debt service calculations herein are based on an estimated interest rate of 5.75%.

(h) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

(i) See "THE DISTRICT—Land Use" and "—Status of Development."

(j) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

$4,000,000

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
(A political subdivision of the State of Texas located within Comal County)

UNLIMITED TAX ROAD BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Comal County Water Improvement District No. 1D (the "District") of its $4,000,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued by the District pursuant to the terms and conditions of a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article III, Section 52 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, an election held within the District on May 1, 2021, and general laws of the State of Texas ("Texas") relating to the issuance of bonds by political subdivisions of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and certain other information about Word-Borchers Ranch Real Estate Limited Partnership, a Texas limited partnership (the "Landowner") and Veramendi Development Company, LLC, a Texas limited liability company and its affiliates (collectively, the "Developer"), and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP ("Bond Counsel"), 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027 upon payment of the costs of duplication therefore.

THE BONDS

General

Following is a description of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated December 1, 2026 and will accrue interest from the Date of Delivery, with interest payable on each September 1 and March 1 commencing September 1, 2027, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the principal amounts and years and accrue interest at the rates shown on the cover page of this OFFICIAL STATEMENT. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

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

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

Source of and Security for Payment

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

The Bonds are obligations of the District and are not the obligations of the State of Texas, Comal County, the City of New Braunfels, the Master District (defined herein) or any entity other than the District.

Funds

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

The District also maintains a Water, Sewer and Drainage Debt Service Fund that is not pledged to or available to pay principal and interest on bonds issued to finance road facilities ("Road Bonds"), including the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on bonds issued to finance water, wastewater and drainage facilities (the "Water, Sewer and Drainage Bonds").

An amount equal to the lesser of $230,000 or twelve (12) months of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Road Capital Projects Fund, to pay the costs of acquiring or constructing road improvements and facilities, paying Developer interest, and for paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

Redemption Provisions

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

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

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

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

Authority for Issuance

At a bond election held within the District on May 1, 2021, the voters of the District authorized the issuance of a total of $53,500,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring road facilities. The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, Article III, Section 52 of the Texas Constitution; Chapters 49 and 51 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of the bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

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

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

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

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

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have $46,200,000 principal amount of unlimited tax bonds for the purposes of financing road improvements and facilities authorized but unissued and $129,980,000 principal amount of unlimited tax bonds for the purposes of financing water, wastewater and drainage facilities authorized but unissued. The District has authorized but unissued refunding bonds in an amount of $199,500,000 of bonds or other evidences of indebtedness previously issued by the District for water, wastewater, and drainage facilities and authorized but unissued refunding bonds in an amount of $80,250,000 of bonds or other evidences of indebtedness previously issued by the District for road improvements and facilities. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "RISK FACTORS—Future Debt."

After approval by the District's voters, the City of New Braunfels and the Texas Commission on Environmental Quality (the "TCEQ"), the District also has the power to issue unlimited tax bonds for the purpose of providing fire-fighting facilities. The District has not considered calling an election to authorize bonds for fire-fighting facilities at this time.

The issuance of additional debt for any of the above-described purposes and the levy of taxes to pay debt service on such debt could dilute the investment security for the Bonds.

No Arbitrage

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

Consolidation

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

Annexation by the City of New Braunfels

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of New Braunfels. Generally, the District may be annexed by the City of New Braunfels without the District's consent, and the City of New Braunfels cannot annex territory within the District unless it annexes the entire District; however, the City of New Braunfels may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City of New Braunfels and Comal County Water Improvement District No. 1, now known as Comal County Master Water Improvement District, specifying the procedures for full purpose annexation of all or a portion of land within the District. Full purpose annexation by the City of New Braunfels of land within the District's boundaries is governed by that certain Strategic Partnership Agreement, approved February 25, 2013, between Comal County Water Improvement District No. 1 now known as Comal County Master Water Improvement District, and the City of New Braunfels and the Development Agreement between the City of New Braunfels and Comal County Water Improvement District No. 1, which prohibits annexation, unless and until the earlier of (1) the expiration or termination of the Development Agreement, or (2) the 15th anniversary of the District's confirmation election, or (3) the 30th anniversary following the earlier date of the Development Agreement, or (4) at least 90% of the public improvements in the District have been constructed, provided, however, the City of New Braunfels first assumes all obligations and performs all actions required by Sections 43.0715 and 43.075 of the Texas Local Government Code.

If the District is annexed, the City of New Braunfels will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of New Braunfels is a policy-making matter within the discretion of the Mayor and City Council of the City of New Braunfels, and therefore, the District makes no representation that the City of New Braunfels will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of New Braunfels to make debt service payments should annexation occur.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S & P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by LJA, Inc., the District's engineer (the "Engineer"). Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

I.	**CONSTRUCTION COSTS**		
	Word Parkway, Phase 3:		
	• Paving	$	2,328,591
	• Storm Sewer		302,394
	• Earthwork, Clearing & ESC		293,443
	• Engineering, Testing and Fees		217,337
	Total Construction Costs	**$**	**3,141,765**
II.	**NON-CONSTRUCTION COSTS**		
	• Bond Discount (Estimated at 3.00%)	$	120,000
	• Capitalized Interest (Twelve (12) Months Estimated at 5.75%) (a)		230,000
	• Developer Interest		229,912
	Total Non-Construction Costs	**$**	**579,912**
III.	**ISSUANCE COSTS AND FEES**		
	• Issuance Costs and Professional Fees	$	244,323
	• Bond Engineering Report		30,000
	• Attorney General Fees		4,000
	Total Issuance Costs and Fees	**$**	**278,323**
	TOTAL BOND ISSUE	**$**	**4,000,000**

(a) The District will capitalize the lesser of $230,000 or twelve (12) months of interest.

VERAMENDI

The District is a part of an approximate 2,445 acre master planned community of Veramendi. Veramendi encompasses seven (7) water improvement districts: the District, Comal County Master Water Improvement District (the "Master District"), Comal County Water Improvement District No. 1A ("WID 1A"), Comal County Water Improvement District No. 1B ("WID 1B"), Comal County Water Improvement District No. 1C ("WID 1C"), Comal County Water Improvement District No. 1E ("WID 1E"), and Comal County Water Improvement District No. 1F ("WID 1F"). The District, the Master District (defined herein), WID 1A, WID 1B, WID 1C, WID 1E, and WID 1F are collectively referred to as the "Veramendi Districts." Each of the Veramendi Districts has the authority to provide water, wastewater, and drainage facilities as provided by general law and Section 59, Article XVI, Texas Constitution. Each of the Veramendi Districts except the Master District (defined herein) has the authority to provide road facilities as provided by general law and Section 52, Article III, Texas Constitution, that relate to the construction, acquisition, improvement, operation, or maintenance of roads.

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a water improvement district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas being financed with bond proceeds, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

The Developer

Word-Borchers Ranch Real Estate Limited Partnership, a Texas limited partnership (the "Landowner"), initially owned all of the approximately 2,445 acres within the Veramendi project boundaries. The Landowner currently owns approximately 849 acres of undeveloped land within the Veramendi project boundaries, approximately 93 acres of which is located within the District boundaries. The Landowner is a landholding company and does not participate in any type of development. The developer, Veramendi Development Company, LLC, a Texas limited liability company, ("VDCo") has an exclusive option to purchase, via VDCo Affiliates (defined below), all of the land within the Veramendi project boundaries from the Landowner. The current VDCo Affiliates are Veramendi PE-Adelaide LLC, Veramendi PE-Brisbane LLC, Veramendi PE-Cairns LLC, Veramendi PE-Darwin LLC, Veramendi PE-Fremantle LLC, Veramendi PE-Emerald, LLC, and Veramendi PE-Gold Coast LLC, and Veramendi PE-Hobart, LLC. To date, VDCo or VDCo Affiliates have purchased approximately 1,578 acres in the Veramendi project boundaries from the Landowner, approximately 318 of which are located within the District. Veramendi PE-Emerald LLC, Veramendi PE-Fremantle LLC and Veramendi PE-Darwin LLC are the VDCo Affiliates currently developing land within the District. VDCo and each of the VDCo Affiliates (collectively the "Developer") is owned equally by ASA Properties LLC, a Texas limited liability company and Word Borchers Investor Partner Ltd., a Texas limited partnership. ASA Properties LLC is the sole manager of Veramendi Development Company, LLC and Peter James is the President of ASA Properties LLC.

Certain financial information concerning the Developer is attached hereto as "APPENDIX B—Financial Information Concerning the Developer." Neither the Developer nor an affiliated company is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor any affiliated company has any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE INFORMATION." See "RISK FACTORS—Dependence on Major Taxpayers and the Developer."

THE DISTRICT

General

The District is a political subdivision of the State of Texas. The District was created pursuant to an order of division of Comal County Water Improvement District No. 1B dated February 5, 2021, and a corrected order of division of Comal County Water Improvement District No. 1B dated March 12, 2024, and operates pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 51, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water; and the construction of roads, among other things. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District is subject to the continuing supervision of the TCEQ.

The District is required to observe certain requirements of the City of New Braunfels which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, road and firefighting facilities and the refunding of outstanding debt obligations; require approval by the City of New Braunfels of District construction plans; and permit connections only to lots and reserves described in plats which have been approved by the City of New Braunfels and filed in the real property records of Comal County, Texas. The District is also required to obtain TCEQ approvals prior to acquiring, constructing and financing water, wastewater, drainage, recreation and fire-fighting facilities. See "WATER, WASTEWATER AND DRAINAGE—Regulation."

Description and Location

The District is located in Comal County, approximately 33 miles northeast of San Antonio, Texas and within the extraterritorial jurisdiction of the City of New Braunfels and within the New Braunfels Independent School District. The District is located on either side of Hill Country Drive, approximately one mile northeast of Texas State Highway 46 and north of Texas State Highway Loop 337. Access to the City of New Braunfels is through Oak Run Parkway, Borchers Boulevard, and Word Parkway. The District currently includes approximately 398 acres. See "AERIAL LOCATION MAP" herein.

Land Use

The following table has been provided by the Engineer and the Developer and represents the current land use within the District.

Single-Family Residential	Approximate Acres	Lots
Veramendi, Section 4, Unit 1	15	62
Veramendi, Section 16, Unit 1	30	107
Veramendi, Section 18, Unit 1	76	215
Veramendi, Section 4, Unit 2	7	34
Veramendi, Section 4, Unit 3	2	9
Veramendi, Section 18, Unit 2 (a)	42	127
Veramendi, Section 19, Unit 1 (a)	38	78
Subtotal	210	632
Future Development	152	
Undevelopable (b)	36	---
District Total	398	632

(a) Construction is underway on 205 single-family residential lots on approximately 80 acres with completion expected in fourth quarter of 2026.
(b) Consists of street easements, drainage detention, parks and recreation space and utility sites.

Status of Development

Single Family Residential: The development in the District currently includes 427 single-family residential lots on approximately 130 acres. As of October 2, 2026, the District consisted of 106 occupied homes, 31 homes under construction or in a builder's name, and 290 vacant developed lots available for home construction. According to the Developer, new homes within the District range in price from approximately $424,000 to $1,500,000. In addition, utility construction for 205 single-family residential lots (approximately 80 acres) is underway with completion expected in the fourth quarter of 2026. The remainder of the District is comprised of approximately 152 acres of undeveloped but developable land in the District and approximately 36 acres that are undevelopable. The estimated population within the District is 371 based upon 3.5 persons per occupied single-family residence.

Homebuilding

Homebuilders actively marketing or building homes in the District include Beazer Homes, David Weekley Homes, DRB Homes, Drees Homes, Highland Homes and Perry Homes.

Future Development

The District is currently being developed primarily as a single-family residential development. Approximately 152 developable acres of land currently within the District (excluding the above described 80 acres under construction for the development of 205 single-family residential lots) are not yet fully served with water distribution and supply, wastewater collection and treatment, storm drainage facilities or roads. See "RISK FACTORS—Future Debt." The Engineer has stated that under regulatory criteria and current development plans, the remaining authorized but unissued bonds (after issuance of the Bonds) in the aggregate principal amount of $176,180,000 should be sufficient to finance the construction of facilities to complete the District's water, wastewater, drainage, and roads for full development of the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

Name	District Board Title	Term Expires
Reyes Villarreal	President	May 2030
Sandra Stolte	Vice President	May 2028
Spencer Brandt	Secretary	May 2028
Lark Mason III	Assistant Secretary	May 2030
Jolene Lane-Huereca	Assistant Secretary	May 2028

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel and General Counsel: Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

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

Auditor: The financial statements of the District as of June 30, 2026, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC (the "Auditor"), independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's audited financials for the year ended June 30, 2026.

Engineer: The District's consulting engineer is LJA, Inc.

Tax Appraisal: The Comal Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Utility Tax Service, LLC has been employed by the District to service in this capacity.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, LP (the "Bookkeeper") for bookkeeping services.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District in connection with the issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

WATER, WASTEWATER AND DRAINAGE

Utility Agreement Between the District and the City of New Braunfels

Customers of the District receive water and wastewater service from New Braunfels Utilities ("NBU"), a municipally owned utility with exclusive management and control of the water and sewer systems serving the City of New Braunfels, as standard NBU customers pursuant to the Third Amendment to the Utility Agreement, dated June 12, 2020, between the District and NBU (the "Utility Agreement"). As a condition of such service, the Utility Agreement obligates the District to acquire, construct, and extend water and sanitary sewer facilities (the "System") to serve land within the District and, when completed in accordance with approved plans and specifications, to convey title to the System to NBU. NBU then operates and maintains the System, and is responsible for establishing water and sewer rates and billing and collecting for such services. The components of the System which serve only the District (the "Internal Facilities") are acquired, constructed and extended by the District and the components of the System that serve the Service Area, as defined below, are acquired, constructed and extended by the Master District, as defined below.

The District has agreed to extend the System to serve future users as necessary so that ultimately all landowners in the District will be in a position to receive services from the System; however, the District's obligation to extend the System is conditioned upon continued development within the District, the City of New Braunfels' performance under the provisions of the Utility Agreement, and satisfaction of certain determinations of economic feasibility by the Board of Directors of the District and the TCEQ, and TCEQ approval and the ability of the District to sell bonds.

Water Supply and Wastewater Treatment

Water supply for the District is currently provided by NBU which operates an 8,000,000 gallon per day ("gpd") surface water treatment plant located along Gruene Road south of Texas State Highway Loop of 337. Based on the Utility Agreement, NBU currently has sufficient capacity to supply water to all of the equivalent single-family connections in the Service Area.

Wastewater treatment for the District is currently provided by NBU through the Gruene Road Water Reclamation Facility Wastewater Treatment Facility located at Gruene Loop Road at the Guadalupe River which has a capacity of 1,100,000 gallons per day ("gpd"). Based on the Utility Agreement, NBU currently has sufficient capacity to provide wastewater treatment to all of the equivalent single-family connections in the Service Area.

The District, through its agreement with NBU, has sufficient water and wastewater capacity to serve all current development and development proposed within the District.

Water Distribution, Wastewater, Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities have been constructed by the Developer to serve 427 single family residential lots. In addition, 205 single-family residential lots are under construction with expected completion in the fourth quarter of 2026. See "THE DISTRICT—Land Use" and "—Status of Development."

The Master District

Comal County Master Water Improvement District, as the Master District, is a political subdivision of the State of Texas, created pursuant to an Order Dividing Comal County Water Improvement District No. 1, Establishing Terms of Division, Creating the Master District, WID 1A and WID 1B and Appointing Directors, dated August 11, 2017, in accordance with and pursuant to the Act creating Comal County Water Improvement District No. 1, as a conservation and reclamation district created under and essential to accomplish the purposes of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution, and operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended. The Master District serves as a provider of the regional water delivery facilities, the regional wastewater collection facilities and the regional drainage and detention facilities (collectively, the "Master District Facilities") to the approximate 2,445 acre Service Area (the "Service Area"), which includes the following water improvement districts: the District, WID 1A, WID 1B, WID 1C, WID 1E and WID 1F (collectively, the "WIDs"). The Master District, WID 1A and WID 1B have each executed a Contract for the Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, and Drainage Facilities (the "Master District Contract") on February 14, 2020, as amended, and WID 1B partially assigned, and each of the District, WID 1C, WID 1E and WID 1F assumed all right, title, interest, duty and obligation in, to and under the Master District Contract and each of the Districts has obtained approval of the Master District Contract from voters at an election held within each Districts' respective boundaries. The Master District Contract was amended to allow the Master District to designate Districts as "Participants" under the Master District Contract, irrevocably obligating the designated Participants to unconditionally levy a Contract Tax (as defined herein) on all taxable property within their boundaries and pay all obligations under the Master District Contract.

Currently, the District, WID 1A, WID 1B and WID 1F have been designated as the "Participants" by the Master District, based on active development within their boundaries, receipt of services provided by Master District Facilities, and in accordance with the terms of the Master District Contract. The remaining WIDs are expected to be designated by the Master District as "Participants" under the Master District Contract in the future, however the Master District cannot determine a date at this time when any of the other WIDs will become a Participant under the Master District Contract.

The Master District Contract provides that the Master District can issue Contract Revenue Bonds (as defined in "RISK FACTORS—Overlapping Master District Debt and Contract Tax"). The Master District Contract provides that, once designated, each Participant shall pay a pro rata share of debt service on the Contract Revenue Bonds based upon each Participant's Certified Appraised Valuation as a percentage of the Certified Appraised Valuation of all the Participants, calculated annually (the "Contract Payments"). Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of annual ad valorem tax without legal limit as to rate or amount (the "Contract Tax"), including the revenues from any other legally available funds. The Contract Tax will consist of a tax for the payment of debt service on the Contract Revenue Bonds. The Contract Payments may be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Contract Revenue Bonds, the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution or indenture of trust. Contract Payments will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions. The Developer on behalf of the Master District constructed and the Master District operates the regional stormwater facility known as the Veramendi Regional Detention Pond and other regional drainage and detention facilities serving the Service Area. The regional water and sanitary sewer facilities constructed by the Master District pursuant to the Master District Contract have been or are anticipated to be conveyed to New Braunfels Utilities ("NBU") upon completion and acceptance by NBU. After completion and acceptance of the regional water supply and distribution facilities and wastewater collection facilities, NBU will own, operate, and maintain such facilities as the retail provider of water and wastewater treatment service to residents living in the Service Area, including those residents living in the Participants, pursuant to the Utility Agreement. Any internal facilities not constructed pursuant to the Master District Contract are expected to be financed with unlimited tax bonds sold by each of the Participants.

It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of the Service Area. In the event that the Master District fails to meet its obligations to provide Master District Facilities as required by the Service Area, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide it with service, and convey such Master District Facilities to the Master District (or to NBU, as applicable) in consideration of payment by the Master District of the actual and reasonable necessary capital costs expended by it for such Master District Facilities.

Each Participant is further obligated to pay monthly charges to the Master District for services rendered pursuant to the Master District Contract. The monthly charges to be paid by each Participant to the Master District will be used to pay its share of operation and maintenance expenses, to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses, and to pay debt service requirements on the Contract Revenue Bonds, as necessary. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense, reserve requirements, and debt service requirements, if any, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." The Master District intends to prepare a budget no later than forty-five days prior to the end of its fiscal year, June 30, showing all of the anticipated foregoing expenses and bill each Participant's share. The Master District anticipates the funding of the operation and maintenance expenses reserve to be funded monthly, with the Master District billing the Participants at a rate equal to one hundred fifty percent (150%) of the Participant's share of budgeted monthly charges until such a time the Master District's reserve requirements have been fully funded. Each Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to it on the first day of the previous month by the unit cost per equivalent single-family residential connection. The Master District assesses to each Participant its monthly charge following the adoption of the Master District budget at the beginning of each budget period, beginning June 30, 2024, and following the deemed approval of each Participant. Pursuant to the Master District Contract each Participant is obligated to establish and maintain rates, fees, and charges, together with taxes levied and funds received from other lawful sources, sufficient at all times to pay the monthly charges assessed by the Master District to each Participant. The Master District does not expect that revenues from the Participants' monthly charges will ever be sufficient to pay a significant portion of Contract Payments for application to debt service on the Contract Revenue Bonds.

Pursuant to the Master District Contract each Participant is obligated to levy and annually assess and collect a continuing, direct ad valorem tax on all taxable property within the boundaries of the Participant to make timely payment to the Master District of all charges required under the Master Contract, including such amounts sufficient at all times to pay operation and maintenance charges of the Master District, and to pay the Participant's pro rata share of the funds needed by the Master District to pay debt service requirements on the Master District's Contract Revenue Bonds issued pursuant to the Master Contract. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid by such Participants without set off, counterclaim, abatement, suspension or diminution and the Master District Contract shall not terminate, nor shall the Participants have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor shall the obligations of the Participants under the Master District Contract be otherwise affected for any reason.

The Master District Contract obligates the Master District to provide notices to the Participants (and other Districts within the Service Area) of its intent to issue Contract Revenue Bonds. The Master District has timely provided such notices of its intent to issue bonds in accordance with the terms of the Master District Contract.

Flood Protection

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater New Braunfels area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the Engineer, approximately 8 acres in the District are within the 100-year flood plain, however none of the developed land within the District is within the 100-year flood plain. See "RISK FACTORS—Specific Flood Type Risks."

Regulation

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

General Fund Summary

The Bonds and Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's general fund are not pledged to the payment of the Bonds and Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and Outstanding Bonds, at the discretion and upon action of the Board. The District is provided with water and sewer services by NBU as described under "WATER, WASTEWATER AND DRAINAGE." Consequently, the District's general fund is used primarily for administrative expenses of the District and is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or Outstanding Bonds.

The following statement sets forth in condensed form the historical results of operation of the District's General Fund as derived from the District's audited financial statements for the fiscal years ended June 30, 2022 through June 30, 2026. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information for the fiscal year ended June 30, 2026.

	Fiscal Year Ended				
	6/30/2026	6/30/2025	6/30/2024	6/30/2023	6/30/2022
Revenues:					
Property Taxes	$ 398,653	$ 268,990	$ 97,488	$ 84,807	$ 376
Penalty and Interest	-	1,831	2,372	-	-
Investment and Other Revenues	11,194	3,766	148	129	-
Total Revenue	$ 409,847	$ 274,587	$ 100,008	$ 84,936	$ 376
Expenditures:					
Professional Fees	$ 77,494	$ 69,841	$ 43,527	$ 12,229	$ -
Contracted Services	31,446	31,157	36,544	5,293	1,551
Capacity Reservation Fees	10,282	12,465	-	-	-
Repairs & Maintenance	5,241	1,050	1,050	-	-
Bond Issuance Costs	4,500	36,508	-	-	-
Other	16,795	19,741	14,222	10,022	6,380
Total Expenditures	$ 145,758	$ 170,762	$ 95,343	$ 27,544	$ 7,931
NET REVENUES	$ 264,089	$ 103,825	$ 4,665	$ 57,392	$ (7,555)
Other Sources of Revenue	$ 36,508 (b)	$ -	$ -	$ 9,000 (a)	$ 4,500 (a)
General Operating Fund Balance (Beginning of Year)	$ 176,813	$ 72,988	$ 68,323	$ 1,931	$ 4,986
General Operating Fund Balance (End of Year)	$ 477,410	$ 176,813	$ 72,988	$ 68,323	$ 1,931

(a) Developer advance.
(b) Interfund transfer.

ROAD SYSTEM

The road system (the "Roads") serves the residents of the District by providing access to major arterials and collectors within Veramendi and the surrounding area. The internal subdivision streets provide access to a collector street, Hill Country Drive, which connects to Geneva Street and Word Parkway. The internal streets also connect to other existing streets in the Veramendi Development including Borchers Boulevard. These internal streets and collectors convey the residents of the District to the major thoroughfares of State Highway Loop 337 and State Highway 46 and ultimately to Interstate Highway 35. All Roads are owned and maintained by Comal County. A portion of the proceeds from the Outstanding Bonds and the Bonds have been or will be expended to reimburse the Developer for road improvements in the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Taxable Assessed Valuation	$84,645,026	(a)
Estimated Taxable Assessed Valuation as of September 1, 2026	$92,714,289	(b)
Gross Direct Debt Outstanding	$10,125,000	(c)
Estimated Overlapping Debt	7,364,058	(d)
Gross Direct Debt and Estimated Overlapping Debt	$17,489,058	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	11.96%	
Estimated Taxable Assessed Valuation as of September 1, 2026	10.92%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	20.66%	
Estimated Taxable Assessed Valuation as of September 1, 2026	18.86%	
Funds Available for Debt Service:		
Road Debt Service Fund as of October 20, 2026	$ 71,549	(e)
Water, Sewer and Drainage Debt Service Fund as of October 20, 2026	169,074	(e)
Twelve (12) Months of Capitalized Interest from Bond Proceeds	230,000	(f)
Total Funds Available for Debt Service	$470,623	
Funds Available in the Contract Tax Fund as of October 20, 2026	$ 1,244	
Funds Available in the General Operating Fund as of October 20, 2026	$404,738	
Funds Available in the Capital Projects Fund as of October 20, 2026	$ 84,488	

(a) The Comal Appraisal District (the "Appraisal District") has certified $83,063,896 of taxable value and an additional $1,581,130 of taxable value remains uncertified and is subject to review and downward adjustment. The 2026 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for information purposes only. Such amount reflects increases in value occurring between January 1, 2026, and September 1, 2026. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District for purposes of taxation on January 1, 2027. See "TAXING PROCEDURES."

(c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds"

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) Funds in the Road Debt Service Fund are available to pay debt service on the bonds issued for road facilities (including the Bonds) and are not available to pay debt service on the District's bonds issued for water, wastewater and drainage facilities. Funds in the Water, Sewer and Drainage Debt Service Fund are available to pay debt service on the bonds issued for water, wastewater and drainage facilities and are not available to pay debt service on bonds issued for road facilities. Neither Texas law nor any bond resolution requires the District to maintain any minimum balance in the debt service funds.

(f) The District will capitalize an amount equal to the lesser of $230,000 or twelve (12) months of interest from Bond proceeds and deposit such funds in the Road Debt Service Fund. The amount shown above is estimated at 5.75%.

Investments of the District

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

Outstanding Bonds

The District has previously issued one series of unlimited tax bonds for water, sewer and drainage facilities and one series of unlimited tax bonds for road facilities, $6,125,000 principal amount of which remains outstanding as of the date hereof (the "Outstanding Bonds"). The following table lists the original principal amount of the Outstanding Bonds and the Outstanding Bonds.

Series		Original Principal Amount	Outstanding Bonds
2023	(a)	$ 3,300,000	$ 3,105,000
2025		3,020,000	3,020,000
Total		$ 6,320,000	$ 6,125,000

(a) Unlimited Tax Road Bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the estimated debt service on the Bonds at an estimated interest rate per annum of 5.75%. The schedule below does not take into account the fact the District capitalized twenty-four (24) months of interest from proceeds of the Series 2025 Bonds in September 2025 and an amount equal to the lesser of $230,000 or twelve (12) months of interest will be capitalized from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 428,238.75		$ 162,277.78	$ 162,277.78	$ 590,516.53
2028	431,433.75	$ 50,000	230,000.00	280,000.00	711,433.75
2029	429,096.25	85,000	227,125.00	312,125.00	741,221.25
2030	426,433.75	90,000	222,237.50	312,237.50	738,671.25
2031	428,523.75	95,000	217,062.50	312,062.50	740,586.25
2032	430,036.25	105,000	211,600.00	316,600.00	746,636.25
2033	430,966.25	110,000	205,562.50	315,562.50	746,528.75
2034	431,356.25	115,000	199,237.50	314,237.50	745,593.75
2035	423,356.25	120,000	192,625.00	312,625.00	735,981.25
2036	430,256.25	130,000	185,725.00	315,725.00	745,981.25
2037	431,277.50	135,000	178,250.00	313,250.00	744,527.50
2038	431,747.50	145,000	170,487.50	315,487.50	747,235.00
2039	431,525.00	150,000	162,150.00	312,150.00	743,675.00
2040	435,462.50	160,000	153,525.00	313,525.00	748,987.50
2041	438,562.50	170,000	144,325.00	314,325.00	752,887.50
2042	435,937.50	180,000	134,550.00	314,550.00	750,487.50
2043	437,512.50	190,000	124,200.00	314,200.00	751,712.50
2044	438,362.50	200,000	113,275.00	313,275.00	751,637.50
2045	438,475.00	215,000	101,775.00	316,775.00	755,250.00
2046	437,862.50	225,000	89,412.50	314,412.50	752,275.00
2047	441,312.50	240,000	76,475.00	316,475.00	757,787.50
2048	443,775.00	250,000	62,675.00	312,675.00	756,450.00
2049	445,250.00	265,000	48,300.00	313,300.00	758,550.00
2050	445,737.50	280,000	33,062.50	313,062.50	758,800.00
2051	220,237.50	295,000	16,962.50	311,962.50	532,200.00
Total	$ 10,642,735.00	$ 4,000,000	$ 3,662,877.78	$ 7,662,877.78	$ 18,305,612.78

Average Annual Debt Service Requirements (2027-2051) $732,225
Maximum Annual Debt Service Requirement (2050) $758,800

Estimated Overlapping Debt

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

	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Comal County	$ 85,745,000	9/30/2026	0.183%	$ 156,999
New Braunfels Independent School District	684,803,000	9/30/2026	0.824%	5,645,516
Comal County Master Water Improvement District	12,635,000	9/30/2026	12.359%	1,561,543
Total Estimated Overlapping Debt				$ 7,364,058
The District	$ 10,125,000 (a)			10,125,000
Total Direct and Estimated Overlapping Debt				$ 17,489,058

Direct and Estimated Overlapping Debt as a Percentage of:
2026 Taxable Assessed Valuation of $84,645,026 ..... 20.66%
Estimated Taxable Assessed Valuation as of September 1, 2026 of $92,714,289..... 18.86%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are the taxes levied for the 2026 tax year by all entities overlapping the District and the 2026 tax rate for the District. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Comal County	$ 0.273000
Comal County Lateral Road	0.032015
New Braunfels Independent School District	1.037700
Comal County Emergency Services District No. 7	0.048438
Total Overlapping Tax Rate	$ 1.391153
The District	0.850000
Total Tax Rate	$ 2.241153

TAX DATA

Debt Service Tax

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

Contract Tax

The Master District has the statutory authority and voter authorization of each of the Participants currently participating in the Master District Contract, including the District, to issue Contract Revenue Bonds. Each of the Participants' pro rata share of the debt service requirements on the Contract Revenue Bonds is determined by dividing each Participant's certified appraised value by the total of all the Participants' certified appraised valuation. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of an annual unlimited contract tax, or from any other legally available funds. The debt service requirement includes principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond resolution or indenture pursuant to which the Master District's Contract Revenue Bonds are issued. The District levied its initial contract tax in 2024. See "RISK FACTORS—Overlapping Master District Debt and Contract Tax" and "WATER, WASTEWATER AND DRAINAGE—The Master District."

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted May 1, 2021, and voters of the District authorized the Board, among other things, to levy a maintenance tax at a rate not to exceed $1.20 per $100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Tax Rate Distribution

	2026	2025	2024 (a)	2023	2022
Debt Service Tax	$ 0.510	$ 0.200	$ 0.300	$ 0.350	$ -
Contract Tax	0.125	0.115	0.120	-	-
Maintenance Tax	0.215	0.535	0.430	0.500	0.850
Total District Tax Rate	$ 0.850	$ 0.850	$ 0.850	$ 0.850	$ 0.850

(a) The District levied its initial contract tax in 2024.

Historical Tax Collections

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

	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections As of September 30, 2026 (b) Amount	Percent
2010	$ 47,314	$ 0.794	$ 376	$ 376	100.00%
2022	10,078,410	0.850	85,666	85,666	100.00%
2023	22,076,214	0.850	187,648	187,578	99.96%
2024	62,315,338	0.850	529,680	525,196	99.15%
2025	74,376,414	0.850	632,200	629,291	99.54%
2026	84,645,026	0.850	719,483	(c)	(c)

(a) As certified by the Appraisal District.
(b) Unaudited.
(c) In process of collections. Taxes for 2026 are due by January 31, 2027.

Tax Roll Information

The District's appraised value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2022 through 2026 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Accurate breakdowns related to the uncertified portion ($1,581,130) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2026 are not currently available from the Appraisal District.

Tax Year	Type of Property			Gross Assessed Valuation	Deferments and Exemptions	Uncertified Value	Net Assessed Valuation
	Land	Improvements	Personal Property				
2022	$ 22,518,719	$ 22,470	$ -	$ 22,541,189	$ (12,462,779)	$ -	$ 10,078,410
2023	54,757,726	5,421,180	-	60,178,906	(38,102,692)	-	22,076,214
2024	52,839,457	18,997,416	102,910	71,939,783	(9,624,445)	-	62,315,338
2025	63,821,990	38,317,789	26,500	102,166,279	(27,789,865)	-	74,376,414
2026	69,563,801	37,591,768	1,116,400	108,271,969	(25,208,073)	1,581,130	84,645,026

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property and the principal taxpayer total as a percentage of the certified portion ($83,063,896) of the 2026 Taxable Assessed Valuation of $84,645,026, which represents ownership as of January 1, 2026. Accurate principal taxpayer lists related to the uncertified portion ($1,581,130) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2026 are not available as of the date hereof.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Veramendi PE-Emerald LLC (a)	$ 42,901,988	51.65%
Veramendi PE-Darwin LLC (a)	2,137,716	2.57%
Individual	864,814	1.04%
Pedernales Electric Coop	855,000	1.03%
Individual	558,230	0.67%
Individual	553,720	0.67%
Individual	537,760	0.65%
Individual	518,087	0.62%
Individual	517,730	0.62%
Individual	515,620	0.62%
Total	$ 49,960,665	60.15%

(a) See "THE DEVELOPER," "RISK FACTORS—Dependence on Major Taxpayers and the Developer" and "APPENDIX B."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2026 Taxable Assessed Valuation of $84,645,026 ($83,063,896 of certified value and $1,581,130 of uncertified value) or the Estimated Taxable Assessed Valuation as of September 1, 2026, of $92,714,289. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2027-2051)	$732,225
$0.92 Tax Rate on 2026 Taxable Assessed Valuation	$739,798
$0.84 Tax Rate on Estimated Taxable Assessed Valuation as of September 1, 2026	$739,860
Maximum Annual Debt Service Requirement (2050)	$758,800
$0.95 Tax Rate on 2026 Taxable Assessed Valuation	$763,921
$0.87 Tax Rate on Estimated Taxable Assessed Valuation as of September 1, 2026	$766,284

No representation or suggestion is made that the uncertified portion ($1,581,130) of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of September 1, 2026, provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

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

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 Comal Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Comal County, including the District. Such appraisal values are subject to review and change by the Comal County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and mobile homes, 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; most individually owned automobiles; and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is

entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer 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 that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Comal County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Comal County, the District, and the City of New Braunfels (if it were to annex the District), under certain circumstances, 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. 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.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the

designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the 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.

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, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

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

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

District's Rights in the Event of Tax Delinquencies

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

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 subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". 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. See "RISK FACTORS—Tax Collections Limitations and Foreclosure Remedies."

RISK FACTORS

General

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

Dependence on Major Taxpayers and the Developer

There is a high concentration of ownership of taxable value in the District. The ten principal taxpayers represent $49,960,665 or approximately 60.15% of the certified portion ($83,063,896) of the 2026 Taxable Assessed Valuation of $84,645,026 within the District and represents ownership as of January 1, 2026. The Developer represents $45,039,704 or approximately 54.22% of the certified portion ($83,063,896) of the 2026 Taxable Assessed Valuation of $84,645,026 within the District and represents ownership as of January 1, 2026. Accurate principal taxpayer lists related to the uncertified portion ($1,581,130) of the 2026 Taxable Assessed Valuation of $84,645,026 and the Estimated Taxable Assessed Valuation as of September 1, 2026 of $92,714,289 are not available as of the date hereof. See "TAX DATA—Principal Taxpayers." If the Developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District's Debt Service Funds, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Debt Service Funds. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect on the District's ability to pay debt service on the Bonds.

The Developer has informed the District that its current plans are to continue developing its property in the District. However, neither the Developer, its subsidiaries, its affiliates or any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, its subsidiaries and other landowners to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developer, any of its subsidiaries or affiliates or any other landowners. See "THE DEVELOPER" and "APPENDIX B."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots available for the construction of primary residences. The market value of such homes, lots, and undeveloped land is related to general economic conditions in the San Antonio/New Braunfels, Texas region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets" below and "THE DEVELOPER."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly the liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 33 miles from the central downtown business district of San Antonio and approximately 2 miles from downtown New Braunfels, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the San Antonio/New Braunfels metropolitan and regional economies. A downturn in the economic conditions of the San Antonio/New Braunfels economy and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 33 miles from downtown San Antonio and approximately 2 miles from downtown New Braunfels, could be affected by competition from other residential developments, including other residential developments located in Comal County, the New Braunfels/San Antonio, Texas metropolitan areas, and including within Veramendi. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District and in more established neighborhoods, including within Veramendi. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer in the sale of lots for construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Increase in Costs of Building Materials and Labor Shortages

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developer or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilders.

Possible Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2026 Taxable Assessed Valuation is $84,645,026 ($83,063,896 of certified value and $1,581,130 of uncertified value). After issuance of the Bonds, the maximum debt service requirement will be $758,800 (2050), and the average annual debt service requirement will be $732,225 (2027-2051 inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.95 and $0.92 per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of September 1, 2026 is $92,714,289, which reduces the above calculations to $0.87 and 0.84 per $100 of taxable assessed valuation, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. No representation or suggestion is made that the uncertified portion ($1,581,130) of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of September 1, 2026 will be the amounts ultimately certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. Property within the District also is subject to taxes levied by other political subdivisions. See "TAXING PROCEDURES."

Overlapping Master District Debt and Contract Tax

The Master District serves as a provider of the Master District Facilities to the approximate 2,445-acre Service Area, which includes the District.

The Master District has issued three series of contract revenue bonds for the purpose of purchasing or acquiring regional water, sanitary sewer, and drainage facilities ("Contract Revenue Bonds") in the principal amount of $12,750,000, of which $12,635,000 remains outstanding. All issuances of Contract Revenue Bonds are pursuant to an indenture of trust. The Master District Contract obligates each Participant (as defined herein), including the District, to pay a pro rata share of the debt service on the Contract Revenue Bonds based upon the Certified Appraised Value of each Participant as a percentage of the Certified Appraised Value of all Participants, calculated annually. Each Participant is obligated to make such payments ("Contract Payments") from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on all taxable property within its boundaries ("Contract Tax"), or from any other lawful available source of such Participant's income. The debt service requirement includes principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond resolution or indenture pursuant to which the Master District's contract revenue bonds are issued.

The Contract Tax is in addition to the direct total tax rate of the District. The District cannot represent whether any of the development planned or occurring in the Service Area (defined herein) will be successful or whether the appraised valuation of the land located within the Service Area will justify payment of the Contract Tax by property owners. Increases in the Contract Tax rate could have an adverse impact upon future development and home sales within the District and in the willingness of owners of property located within the District to pay ad valorem taxes levied by the District, including the Contract Tax. The District levied its initial Contract Tax in 2024.

The Contract Tax rate and debt service tax rate that may be required to service debt on any bonds issued by the District or the Master District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of each, regulatory approvals, construction costs and interest rates. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Comal County area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Comal County limit the projected combined total tax rate of entities levying a tax for water, sewer, drainage, and roads facilities to $1.20 per $100 of taxable assessed valuation, including the Contract Tax. In the case of the District, the total combined tax rate under current TCEQ rules includes the tax rate of the District, which includes the Contract Tax. The current combined tax rate of the District is consistent with the rules of the TCEQ. If the total combined tax rate of the District, including the Contract Tax, should ever exceed $1.20 per $100 of taxable assessed valuation, the District and the Master District could be prohibited under rules of the TCEQ from selling additional bonds which require the prior approval of TCEQ. See "Possible Impact on District Tax Rate" above and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (Unaudited)—Estimated Overlapping Debt" and "—Overlapping Taxes."

Undeveloped Acreage and Vacant Lots

There are approximately 152 remaining developable acres (excluding approximately 80 acres under construction for the development of 205 single-family residential lots) and 290 vacant developed lots in the District. The District makes no representation as to when or if development of the undeveloped acreage will occur, or if the lot sales and building program will be successful. Future increases in value will result primarily from the construction of homes by builders. Failure of the Developer to develop the developable land or of the homebuilder to construct homes on the developed lots could restrict the rate of growth on taxable values in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

Developer Under No Obligation to the District

The Developer has informed the Board that its current plan is to continue selling the remaining undeveloped land for development or developing lots to sell to builders. However, neither the Developer nor any other future developer or homebuilder is obligated to build homes on vacant lots nor to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer to implement any plan of development. Furthermore, there is no restriction on the Developer's rights to sell their land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. See "THE DEVELOPER."

Tax Collections Limitations and Foreclosure Remedies

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or man-made drainage systems (canals or channels) downstream.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After reimbursements are made with Bond proceeds, the District will continue to owe the Developer approximately $32,000,000 plus interest for advances made for engineering and construction of water, wastewater, drainage and road facilities, which will be financed with future bond issues. A total of $133,000,000 principal amount of unlimited tax bonds for the purpose of financing water, wastewater and drainage facilities, $199,500,000 of unlimited tax bonds for the purpose of refunding water, wastewater and drainage bonds, $53,500,000 principal amount of unlimited tax bonds for financing road facilities and $80,250,000 of unlimited tax bonds for the purpose of refunding road bonds have been authorized by the District's voters. After the issuance of the Bonds $46,200,000 principal amount of road bonds will remain authorized but unissued, $129,980,000 principal amount of water, wastewater and drainage bonds will remain authorized but unissued, and all of the principal amount of road refunding bonds, and all of the principal amount of water, wastewater and drainage refunding bonds will remain authorized but unissued.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of bonds for water, wastewater and drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, but the issuance of road bonds is not. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and TCEQ may impact new industrial, commercial and residential development in the San Antonio area. Under the Clean Air Act ("CAA") Amendments of 1990, the four-county San Antonio area ("San Antonio Area")—Bexar, Comal, Guadalupe, and Wilson Counties—has been designated an attainment/unclassifiable area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard").

However, the San Antonio Area is currently designated as a "serious" nonattainment area under the eight-hour ozone standard of 70 ppb promulgated by the EPA in 2015 (the "2015 Ozone Standard"), with an attainment deadline of September 24, 2027. For purposes of the 2015 Ozone Standard, the San Antonio Area consists of Bexar County only.

A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. In the past, the San Antonio Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid nonattainment designation. Since 2004, the San Antonio Area has been party to a curtailment agreement with the TCEQ, and the San Antonio Area is currently part of an EPA Ozone Advance Program.

In order to comply with the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the San Antonio Area. It is possible that additional controls will be necessary to allow the San Antonio Area to maintain and/or achieve attainment with the ozone standards. Such additional controls could have a negative impact on the San Antonio Area's economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

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

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

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

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

Cybersecurity

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

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

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

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

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS," "THE DISTRICT—General," "WATER, WASTEWATER AND DRAINAGE—The Master District," "—Utility Agreement Between the District and the City of New Braunfels," "ROAD SYSTEM," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has

not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

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

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

Additional Federal Income Tax Considerations

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

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

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

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

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

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

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

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

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

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

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

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.

Application has been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, purchase of such insurance will be available at the option of the Underwriter and at the Underwriter's expense. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants that have provided information used herein.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and the Master District's facilities and, in particular that information included in the sections entitled "THE DISTRICT," "ROAD SYSTEM," and "WATER, WASTEWATER AND DRAINAGE" has been provided by LJA, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of June 30, 2026, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Utility Tax Services, LLC has been employed by the District to service in this capacity.

Tax Appraisal: The Comal Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB through EMMA. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt" and "Overlapping Taxes," "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2027. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

In addition, the District and the Developer have agreed to provide information with respect to the Developer, to any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District and the Developer will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding. The information to be updated with respect to the Developer includes the information included in "APPENDIX B—Financial Information Concerning the Developer."

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

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the

ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The Developer has agreed to provide to the District the information that the District has agreed to provide with respect to the Developer. The Developer has also agreed with the District that they will not assign any of their rights to receive payment from the District out of proceeds of the Bonds (except as collateral), unless the assignee assumes the Developer's agreement to provide such information, but the Developer may sell their property within the District without any such assumption. The District's ability to provide information about the Developer or others, as well as the accuracy and completeness of such information, is completely dependent on such persons' compliance with their contractual agreements with the District.

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

Compliance with Prior Undertakings

Since the District's first issuance of Bonds in 2023, the District has materially complied with its prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

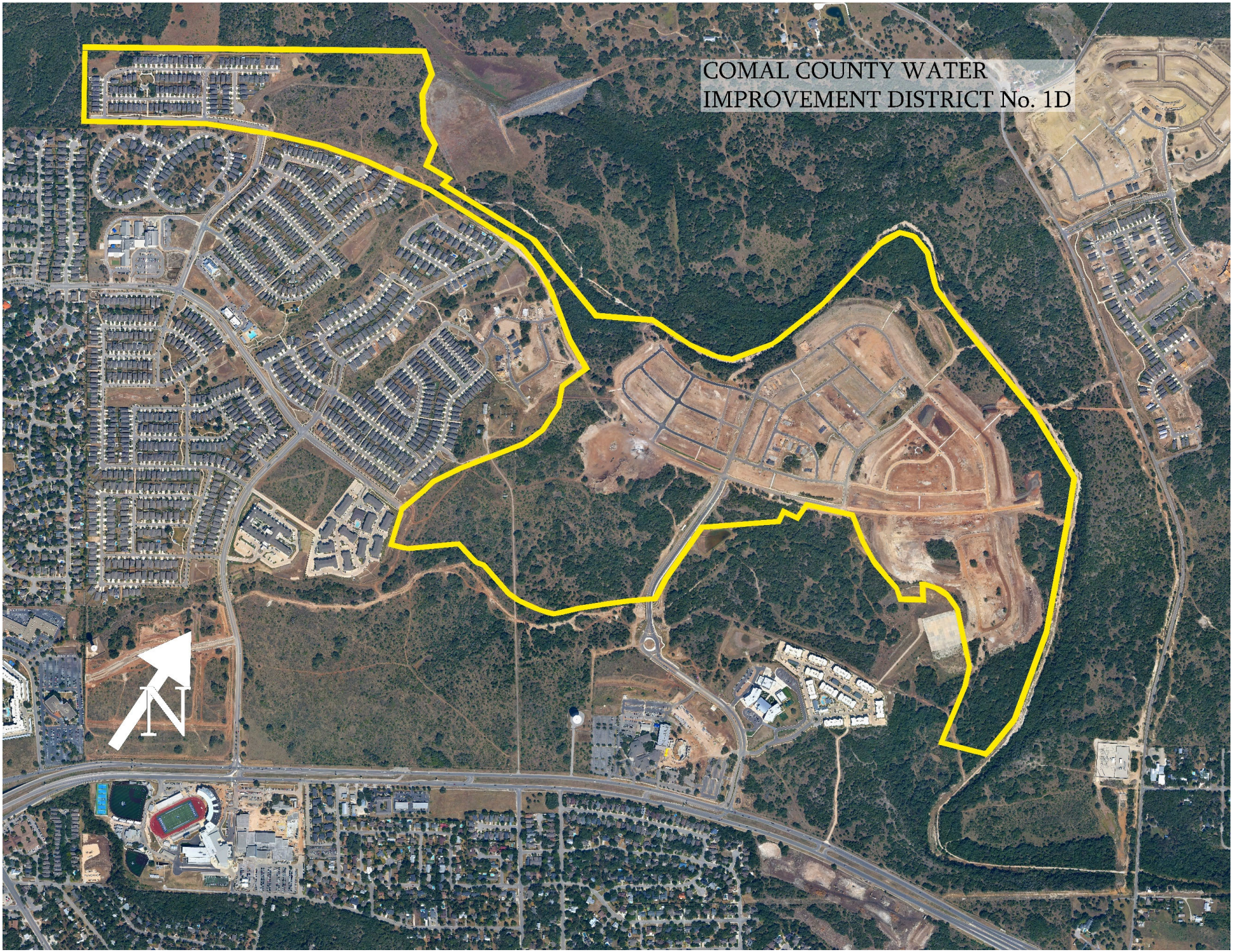
This OFFICIAL STATEMENT was approved by the Board of Directors of Comal County Water Improvement District No. 1D, as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate Boundaries as of September 2026)


COMAL COUNTY WATER
IMPROVEMENT DISTRICT No. 1D
N

PHOTOGRAPHS OF THE DISTRICT
(Taken October 2026)










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APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the year ended June 30, 2026

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D

COMAL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2026

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	10-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-30
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	32
NOTES TO THE BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	33
SUPPLEMENTARY INFORMATION - REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statement)	
SERVICES AND RATES	35
GENERAL FUND EXPENDITURES	36
INVESTMENTS	37
TAXES LEVIED AND RECEIVABLE	38-39
LONG-TERM DEBT SERVICE REQUIREMENTS	40-42
CHANGES IN LONG - TERM BOND DEBT	43-44
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	45-48
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	49-50

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Comal County Water Improvement District No. 1D
Comal County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Comal County Water Improvement District No. 1D (the "District") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Estimate

As described in Note 7 to the financial statements, the District's net position as of June 30, 2025 has been restated to account for a change in accounting estimate. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

October 20, 2026

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026

Management's discussion and analysis of the financial performance of Comal County Water Improvement District No. 1D (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2026. Please read it in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

This is the District-wide statement of position presenting information that includes all of the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, operating costs, professional fees, and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and

FUND FINANCIAL STATEMENTS (Continued)

collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule and notes to the budgetary comparison schedule are included as RSI for the General Fund.

FINANCIAL SUMMARY AND DETAILED ANALYSES

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $1,182,907 as of June 30, 2026. A portion of the District's net position reflects its net investment in capital assets which include water, wastewater, and storm drainage facilities as well as roads less any debt used to acquire those assets that is still outstanding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The table below presents a comparative analysis of the government-wide changes in net position for the current and prior fiscal years. The fiscal year ending 2025 amounts have been adjusted; see Note 7.

Summary of Changes in the Statement of Net Position

	2026	2025*	Change Positive (Negative)
Current and Other Assets	$ 1,118,511	$ 621,954	$ 496,557
Capital Assets (Net of Accumulated Depreciation)	28,097,043	4,236,295	23,860,748
Total Assets	$ 29,215,554	$ 4,858,249	$ 24,357,305
Bonds Payable	$ 6,187,546	$ 3,205,928	$ (2,981,618)
Due to Developer	24,076,278	2,076,725	(21,999,553)
Other Liabilities	134,637	88,440	(46,197)
Total Liabilities	$ 30,398,461	$ 5,371,093	$ (25,027,368)
Net Position:			
Net Investment in Capital Assets	$ (2,053,459)	$ (962,950)	$ (1,090,509)
Restricted	412,319	291,709	120,610
Unrestricted	458,233	158,397	299,836
Total Net Position	$ (1,182,907)	$ (512,844)	$ (670,063)

* As restated

The table on the following page provides a summary of the District's operations for the years ending June 30, 2026, and June 30, 2025. The fiscal year ending 2025 amounts have been adjusted; see Note 7. The District's net position decreased by $670,063. Revenues, of which 94% is made up of property tax revenues, increased by $117,222 compared to prior fiscal year. This 21% increase is largely due to the increase in property values which increased by 20% from prior fiscal year's values. Expenditures this fiscal year were $869,389 more than in prior fiscal year, an increase of 184% which is principally attributable to the issuance of the Series 2025 bonds which included funds to reimburse approximately $304,000 in developer interest, approximately $334,000 in bond issuance costs and additional interest costs for these new bonds of approximately $65,000.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Activities		
	2026	2025*	Change Positive (Negative)
Revenues:			
Property Taxes	$ 632,156	$ 525,987	$ 106,169
Other Revenues	38,996	27,943	11,053
Total Revenues	$ 671,152	$ 553,930	$ 117,222
Expenses:			
Service Operations	$ 170,590	$ 148,252	$ (22,338)
Depreciation	187,030	94,015	(93,015)
Developer Interest	303,632		(303,632)
Debt Service	679,963	229,559	(450,404)
Total Expenses	$ 1,341,215	$ 471,826	$ (869,389)
Change in Net Position	$ (670,063)	$ 82,104	$ (752,167)
Net Position, Beginning of Year	(512,844)	(594,948)	82,104
Net Position, End of Year	$ (1,182,907)	$ (512,844)	$ (670,063)

*As restated

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2026, totaled $1,067,904, an increase of $502,060 from the prior year.

The District's General Fund fund balance as of June 30, 2026, was $477,410, an increase of $300,597 from the prior year, primarily due to property tax revenues exceeding operating expenditures and bond issue costs.

The Debt Service Fund fund balance increased by $171,549, primarily due to the structure of the District's outstanding debt and the capitalized interest received from the issuance of the Series 2025 bonds.

The Capital Projects Fund fund balance increased by $29,914. This was primarily due to remaining surplus bond funds from the Series 2025 bond issuance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts a General Fund budget and did not amend the budget during the current year. For additional information, see the budget to actual comparison and related notes presented as RSI.

SIGNFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

CAPITAL ASSETS

Capital assets as of June 30, 2026, totaled $28,097,043 (net of accumulated depreciation) and included land and land improvements, the stormwater drainage system, roads conveyed to Comal County and water and wastewater infrastructure conveyed to the City of New Braunfels (the "City"). Significant additions to capital assets included water, wastewater, drainage and roads related to Precinct 18, Unit 1 and Word Parkway Phase 3.

Capital Assets At Year-End

	2026	2025*	Change Positive (Negative)
Capital Assets Not Being Depreciated - Land and Land Improvements	$ 10,433	$ 10,433	$
Capital Assets Subject to Depreciation:			
Water and Wastewater Facilities	12,255,220	1,820,342	10,434,878
Stormwater Drainage System	5,481,455	217,450	5,264,005
Roads	10,828,462	2,479,567	8,348,895
Less Accumulated Depreciation	(478,527)	(291,497)	(187,030)
Total Net Capital Assets	$ 28,097,043	$ 4,236,295	$ 23,860,748

*As restated

LONG-TERM DEBT ACTIVITY

The District has total bond debt payable of $6,190,000. The Series 2023 Road Bonds do not have an underlying rating nor an insured rating. The Series 2025 Bonds carry insured ratings of AA from Standard & Poor's Financial Services LLC by virtue of bond insurance from Build America Mutual Assurance Company. The changes in the debt position of the District during the fiscal year ended June 30, 2026, are summarized as follows:

Bond Debt Payable, July 1, 2025	$ 3,235,000
Add: Bond Sale	3,020,000
Less: Bond Principal Paid	(65,000)
Bond Debt Payable, June 30, 2026	$ 6,190,000

As of June 30, 2026, the District has a liability of $24,076,278 due to developer which consists of operating advances of $28,500 and $24,047,778 related to construction projects.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2027 projects a $48,622 increase in the General Fund fund balance. Compared to the fiscal year 2026 results, revenues are expected to decrease by approximately $198,000 primarily due to less property tax revenue, as a result a lower allocation of the total tax rate to the General Fund in fiscal year 2027 compared to fiscal year 2026. Expenditures are expected to increase by approximately $18,000 primarily due to an expected increase in capacity reservation fees of approximately $9,000 and legal fees of approximately $6,000, a result of expected growth in the District.

On July 21, 2026, the District approved the preliminary cost summary and authorized the preparation of the preliminary official statement and official notice of sale for the Series 2026 Road Bonds.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Comal County Water Improvement District No. 1D, c/o Allen Boone Humphries Robinson LLP, 919 Congress Avenue, Suite 1500, Austin, TX 78701.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2026

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 4,416	$ 17,518
Investments	500,264	491,188
Property Taxes Receivable	9,323	6,964
Due from Other Funds	909	
Advanced for Joint Facility Operations	3,222	
Capital Assets (Net of Accumulated Depreciation):		
Land and Land Improvements		
Water and Wastewater Facilities		
Stormwater Drainage System		
Roads		
TOTAL ASSETS	$ 518,134	$ 515,670
LIABILITIES		
Accounts Payable	$ 31,401	$ 2,125
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		909
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 31,401	$ 3,034
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 9,323	$ 6,964
FUND BALANCES		
Nonspendable -		
For Joint Facility Operations	$ 3,222	$
Restricted for Authorized Construction		
Restricted for Debt Service		505,672
Unassigned	474,188	
TOTAL FUND BALANCES	$ 477,410	$ 505,672
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 518,134	$ 515,670
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 311	$ 22,245	$	$ 22,245
85,305	1,076,757		1,076,757
	16,287		16,287
	909	(909)	
	3,222		3,222
		10,433	10,433
		12,069,356	12,069,356
		5,447,581	5,447,581
		10,569,673	10,569,673
$ 85,616	$ 1,119,420	$ 28,096,134	$ 29,215,554
$ 794	$ 34,320	$	$ 34,320
		100,317	100,317
		24,076,278	24,076,278
	909	(909)	
		65,000	65,000
		6,122,546	6,122,546
$ 794	$ 35,229	$ 30,363,232	$ 30,398,461
$ -0-	$ 16,287	$ (16,287)	$ -0-
$	$ 3,222	$ (3,222)	$
84,822	84,822	(84,822)	
	505,672	(505,672)	
	474,188	(474,188)	
$ 84,822	$ 1,067,904	$ (1,067,904)	$ - 0 -
$ 85,616	$ 1,119,420		
		$ (2,053,459)	$ (2,053,459)
		412,319	412,319
		458,233	458,233
		$ (1,182,907)	$ (1,182,907)

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

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Total Fund Balances - Governmental Funds		$ 1,067,904
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		28,097,043
Deferred tax revenues for the 2025 and prior tax levies became part of recognized revenue in the governmental activities of the District.		16,287
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (24,076,278)	
Accrued Interest Payable	(100,317)	
Bonds Payable	(6,187,546)	(30,364,141)
Total Net Position - Governmental Activities		$ (1,182,907)

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

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2026

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 398,653	$ 236,248
Penalty and Interest		7,037
Investment and Other Revenues	11,194	17,467
TOTAL REVENUES	$ 409,847	$ 260,752
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 77,494	$ 2,272
Contracted Services	31,446	13,810
Capacity Reservation Fees	10,282	
Repairs and Maintenance	5,241	
Depreciation		
Other	16,795	9,873
Capital Outlay		
Developer Interest		
Debt Service:		
Contractual Obligation to Master District		79,824
Bond Principal		65,000
Bond Interest		217,536
Bond Issuance Costs	4,500	
TOTAL EXPENDITURES/EXPENSES	$ 145,758	$ 388,315
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	$ 264,089	$ (127,563)
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	$ 36,508	$
Proceeds from Issuance of Long-Term Debt		299,112
Bond Premium		
TOTAL OTHER FINANCING SOURCES, NET	$ 36,508	$ 299,112
NET CHANGE IN FUND BALANCES	$ 300,597	$ 171,549
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2025, AS REPORTED	$ 176,813	$ 334,123
CHANGE IN ACCOUNTING ESTIMATE		
JULY 1, 2025, AS RESTATED	$ 176,813	$ 334,123
FUND BALANCES/NET POSITION - JUNE 30, 2026	$ 477,410	$ 505,672

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 634,901	$ (2,745)	$ 632,156
	7,037		7,037
3,298	31,959		31,959
$ 3,298	$ 673,897	$ (2,745)	$ 671,152
$ 2,575	$ 82,341	$	$ 82,341
542	45,798		45,798
	10,282		10,282
	5,241		5,241
		187,030	187,030
260	26,928		26,928
2,048,225	2,048,225	(2,048,225)	
303,632	303,632		303,632
	79,824		79,824
	65,000	(65,000)	
	217,536	49,339	266,875
328,764	333,264		333,264
$ 2,683,998	$ 3,218,071	$ (1,876,856)	$ 1,341,215
$ (2,680,700)	$ (2,544,174)	$ 1,874,111	$ (670,063)
$ (36,508)	$	$	$
2,720,888	3,020,000	(3,020,000)	
26,234	26,234	(26,234)	
$ 2,710,614	$ 3,046,234	$ (3,046,234)	$ -0-
$ 29,914	$ 502,060	$ (502,060)	$
		(670,063)	(670,063)
$ 54,908	$ 565,844	$ (3,397,479)	$ (2,831,635)
		2,318,791	2,318,791
$ 54,908	$ 565,844	$ (1,078,688)	$ (512,844)
$ 84,822	$ 1,067,904	$ (2,250,811)	$ (1,182,907)

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

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2026

Net Change in Fund Balances - Governmental Funds	$	502,060
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(2,745)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(187,030)
Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases or the due to developer liability is decreased.		2,048,225
In the Statement of Net Position, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(26,618)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		65,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(48,955)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(3,020,000)
Change in Net Position - Governmental Activities	$	(670,063)

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

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1. CREATION OF DISTRICT

Comal County Water Improvement District No. 1 was created on June 19, 2009 pursuant to Senate Bill 2464, 81st Texas Legislature, Regular Session, codified at Chapter 9038, Texas Special District Local Laws Code. On August 11, 2017, Comal County Water Improvement District No. 1 was divided into three distinct districts consisting of Comal County Water Improvement District No. 1A, Comal County Water Improvement District No. 1B and Comal County Master Water Improvement District (the "Master District"). Comal County Water Improvement District No. 1D (the "District") was created on February 5, 2021 pursuant to an order dividing Comal County Water Improvement District No. 1B (the "Original District") into five distinct districts consisting of the Original District, the District, Comal County Water Improvement District No. 1C, Comal County Water Improvement District No. 1E, and Comal County Water Improvement District No. 1F. The District, a conservation and reclamation district, was created under and essential to accomplish the purpose of Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution and operates in accordance with Texas Water Code Chapters 49 and 51. The Board of Directors held its first meeting on February 5, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It 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 assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the Statement of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements and Governmental Funds

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

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, operating costs, professional fees, and administrative costs.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. At June 30, 2026, the Debt Service Fund owed the General Fund $909 for property tax collections. During the year ended June 30, 2026, the Capital Projects Fund transferred $36,508 to the General Fund for bond issuance costs paid in a prior year.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Capital Assets

Capital assets include land and land improvements, the stormwater drainage system, water and wastewater facilities conveyed to the City of New Braunfels and roads conveyed to Comal County and are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water and Wastewater Facilities	45
Detention and Drainage Facilities	50
Roads	45

Water and wastewater facilities are conveyed to the City of New Braunfels and roads are conveyed to Comal County for the purpose of providing services to the District residents. The District is entitled to significant residual interest in the facilities conveyed and records these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94 (see Notes 7 and 11).

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. The Statement of Net Position and Statement of Activities present governmental activities using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

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

Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

Budgeting

An annual budget is adopted for the General Fund by the Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

New Accounting Pronouncements

GASB Statement No. 103 was issued in April 2024 and became effective for the District in fiscal year 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability. For the District, GASB Statement No. 103 impacted Management's Discussion and Analysis and the budgetary comparison information for the General Fund but did not have an impact on the District's basic financial statements.

NOTE 3. LONG-TERM DEBT

	Series 2023 Road	Series 2025
Amount Outstanding - June 30, 2026	$ 3,170,000	$ 3,020,000
Interest Rates	4.15% - 5.00%	4.00% - 6.50%
Maturity Dates - Serially Beginning/Ending	September 1, 2026/2050	September 1, 2027/2051
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2030*	September 1, 2031*

* Or on any date thereafter, at a price of par, plus accrued interest to the date of redemption. Series 2023 Road term bonds maturing on September 1, 2042, 2046 and 2050 are subject to mandatory redemption on September 1, 2039, 2043 and 2047, respectively. Series 2025 term bonds maturing on September 1, 2035, 2045, 2048 and 2051 are subject to mandatory redemption on September 1, 2034, 2044, 2046 and 2049 , respectively.

NOTE 3. LONG-TERM DEBT (Continued)

Changes in bonds payable for the current fiscal year are summarized in the following table:

	July 1, 2025	Additions	Retirements	June 30, 2026
Bonds Payable	$ 3,235,000	$ 3,020,000	$ 65,000	$ 6,190,000
Unamortized Discounts	(29,072)		(1,154)	(27,918)
Unamortized Premiums		26,234	770	25,464
Bonds Payable, Net	$ 3,205,928	$ 3,046,234	$ 64,616	$ 6,187,546

Amount Due Within One Year	$ 65,000
Amount Due After One Year	6,122,546
Bonds Payable, Net	$ 6,187,546

As of June 30, 2026, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 65,000	$ 299,587	$ 364,587
2028	130,000	294,836	424,836
2029	140,000	287,765	427,765
2030	145,000	280,265	425,265
2031	150,000	272,479	422,479
2032-2036	890,000	1,232,605	2,122,605
2037-2041	1,130,000	1,004,422	2,134,422
2042-2046	1,455,000	698,501	2,153,501
2047-2051	1,875,000	292,624	2,167,624
2052	210,000	5,119	215,119
	$ 6,190,000	$ 4,668,203	$ 10,858,203

As of June 30, 2026, the District had $129,980,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sewer and drainage facilities and $199,500,000 authorized but unissued for refunding purposes of these unlimited tax bonds. As of June 30, 2026, the District also had $50,200,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing road improvements and $80,250,000 authorized but unissued for refunding purposes of these unlimited tax bonds.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended June 30, 2026, the District levied a total ad valorem debt service tax rate of $0.20 per $100 of assessed valuation. This resulted in a tax levy of $148,753 on the adjusted taxable valuation of $74,376,414 for the 2025 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 6 for the maintenance tax levy and contract tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond order states that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information, along with the audited annual financial statements, is of the general type included in the annual audit report, and must be filed within six months after the end of each fiscal year of the District.

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $22,245 and the cash balance was $27,898. The District was not exposed to custodial credit risk at year-end.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits as of June 30, 2026, are summarized in the following table:

	Cash
GENERAL FUND	$ 4,416
DEBT SERVICE FUND	17,518
CAPITAL PROJECTS FUND	311
TOTAL DEPOSITS	$ 22,245

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2026, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 500,264	$ 500,264
DEBT SERVICE FUND		
Texas CLASS	491,188	491,188
CAPITAL PROJECTS FUND		
Texas CLASS	85,305	85,305
TOTAL INVESTMENTS	$ 1,076,757	$ 1,076,757

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. The District's investment in Texas CLASS was rated "AAAm" by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year since the share position can usually by redeemed each day at the discretion of the District, unless there has been a significant change of value.

Restrictions

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

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

NOTE 6. MAINTENANCE AND CONTRACT TAXES

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.20 per $100 of assessed valuation of taxable property within the District. During the fiscal year ended June 30, 2026, the District levied an ad valorem maintenance tax rate of $0.535 per $100 of assessed valuation, which resulted in a tax levy of $397,914 on the adjusted taxable valuation of $74,376,414 for the 2025 tax year. This maintenance tax is to be used to pay expenditures of operating the District.

On May 1, 2021, the voters of the District approved the levy and collection of a contract tax in an unlimited amount sufficient to make payments required under the Master District Contract for operation and maintenance of the regional water, wastewater and drainage systems (see further discussion in Note 10). During the year ended June 30, 2026, the District levied an ad valorem contract tax rate of $0.115 per $100 of assessed valuation, which resulted in a tax levy of $85,533 on the adjusted taxable valuation of $74,376,414 for the 2025 tax year. The District made contractual payments to the Master District of $79,824 during the current fiscal year.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table.

	July 1, 2025*	Increases	Decreases	June 30, 2026
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 10,433	$ - 0 -	$ - 0 -	$ 10,433
Capital Assets Subject to Depreciation				
Water and Wastewater Facilities	$ 1,820,342	$ 10,434,878	$	$ 12,255,220
Stormwater Drainage System	217,450	5,264,005		5,481,455
Roads	2,479,567	8,348,895		10,828,462
Total Capital Assets Subject to Depreciation	$ 4,517,359	$ 24,047,778	$ - 0 -	$ 28,565,137
Accumulated Depreciation				
Water and Wastewater Facilities	$ 118,031	$ 67,833	$	$ 185,864
Stormwater Drainage System	12,690	21,184		33,874
Roads	160,776	98,013		258,789
Total Accumulated Depreciation	$ 291,497	$ 187,030	$ - 0 -	$ 478,527
Total Capital Assets, Net of Accumulated Depreciation	$ 4,236,295	$ 23,860,748	$ - 0 -	$ 28,097,043

*As restated

NOTE 7. CAPITAL ASSETS (Continued)

In prior year, roads and road improvements were considered conveyed to Comal County for ownership and maintenance and recognized as conveyance of asset expenses. However, in current fiscal year, roads conveyed are considered to result in a significant residual interest for the District. As such, under GASB Statement No. 94, the District recognized a prior period adjustment to recognize road capital assets, net of accumulated depreciation, and an increase to net position at June 30, 2025 of $2,318,791.

NOTE 8. COMMITMENTS AND CONTINGENCIES

The Developer of the land within the District has incurred costs related to the construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the Developer by the District from proceeds of future District bond issues or from operations, subject to approval by the Texas Commission on Environmental Quality.

The following table summarizes the due to developer activity for the current fiscal year:

Due to Developer, July 1, 2025	$ 2,076,725
Less: Current Year Changes	21,999,553
Due to Developer, June 30, 2026	$ 24,076,278

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. MASTER DISTRICT CONTRACT

The District is part of the master-planned community of "Veramendi". Veramendi is comprised of the District, Comal County Water Improvement District No. 1A ("District No. 1A"), Comal County Water Improvement District No. 1B ("District No. 1B"), Comal County Water Improvement District No. 1C ("District No. 1C"), Comal County Water Improvement District No. 1E ("District No. 1E"), Comal County Water Improvement District No. 1F ("District No. 1F") and Comal County Master Water Improvement District ("Master District") (collectively, the "Districts"). On August 11, 2017, a Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities and Other Facilities between District No. 1A, District No. 1B and the Master District (the "Master District Contract") was entered into in order to encourage regionalization and to avoid duplication of lines and facilities within the master-planned community.

NOTE 10. MASTER DISTRICT CONTRACT (Continued)

The Master District Contract was subsequently partially assigned from District No. 1B to the District, District No. 1C, District No. 1E and District No. 1F. Subsequently, the Districts entered into a First Amendment to the Master District Contract to allow the Master District to designate a district as a Participant for the purposes of triggering the payment obligations arising under the Master District Contract including but not limited to the obligation to levy an ad valorem tax to satisfy each Participant's pro rata share of debt service requirements and the obligation to pay out of available revenues each Participant's monthly charges. Currently, the District, District No. 1A and District No. 1F have been designated as Participants by the Master District, based on active development within their boundaries, receipt of services provided by the Master District Facilities and in accordance with the terms of the Master District Contract. Subsequent to fiscal year 2026, on September 15, 2026, District No. 1B was designated as a Participant. District No. 1C and District No. 1E are expected to be designated by the Master District as Participants at a future time depending on development in each district.

Pursuant to the Master District Contract, the Master District will operate and maintain certain regional water, sanitary sewer, drainage and road facilities and capacities (the "Regional Facilities"), and each Participant will pay their pro rata share of such costs.

The Master District will establish an Operation and Maintenance reserve, funded by the Participants, and will bill the Participants monthly for their pro rata share of operation and maintenance costs. The District's share of the monthly charges are determined by multiplying the total number of actual Equivalent Single Family Residential Connections ("ESFCs") within the District by the monthly unit costs per ESFC in the Master District budget. During the year ended June 30, 2026, the District paid the Master District $10,282 for the District's allocated portion of operations and maintenance costs of the regional facilities.

The Master District finances the Regional Facilities through the issuance of Master District contract revenue bonds. The Master District has the authority to issue contract revenue bonds in an amount not to exceed $85,000,000 and, as of June 30, 2026, the Master District has authorized but unissued contract revenue bonds of $72,250,000. Each Participant is responsible for its pro rata share of the debt service requirements on the Master District contract revenue bonds based on the certified assessed valuation of each participant as a percentage of the total assessed valuation of all the Districts. During the current fiscal year, the District was billed $79,824 to satisfy its pro rata share of the principal and interest on the Master District's bonds.

NOTE 10. MASTER DISTRICT CONTRACT (Continued)

As of June 30, 2026, the debt service requirements on the Master District's contract revenue bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 120,000	$ 561,881	$ 681,881
2028	280,000	549,256	829,256
2029	295,000	531,357	826,357
2030	315,000	512,393	827,393
2031	335,000	492,207	827,207
2032-2036	1,960,000	2,182,135	4,142,135
2037-2041	2,445,000	1,722,641	4,167,641
2042-2046	3,000,000	1,170,924	4,170,924
2047-2051	3,705,000	460,435	4,165,435
2052	180,000	4,275	184,275
	$ 12,635,000	$ 8,187,504	$ 20,822,504

NOTE 11. UTILITY AGREEMENT WITH THE CITY OF NEW BRAUNFELS

Customers of the District receive water and wastewater service from New Braunfels Utilities ("NBU"), a municipally owned utility with exclusive management and control of the water and sewer systems serving the City of New Braunfels, as standard NBU customers pursuant to a Utility Agreement, dated February 25, 2013, between Comal County Water Improvement District No. 1, the City, Word-Borchers Ranch Joint Venture and NBU (the "Utility Agreement") which all the Districts (see Note 10) subsequently assumed responsibility after the division of Comal County Water Improvement District No. 1 into the Districts.. As a condition of such service, the Utility Agreement obligates the District to acquire, construct, and extend water and sanitary sewer facilities (the "System") to serve land within the District and, when completed in accordance with approved plans and specifications, to convey title to the System to NBU. NBU then operates and maintains the System and is responsible for establishing water and sewer rates and billing and collecting for such services. The components of the System which serve only the District (the "Internal Facilities") are acquired, constructed and extended by the District and the components of the System that serve the Service Area, are acquired, constructed and extended by the Master District.

NOTE 12. BOND SALE

On September 25, 2025, the District issued $3,020,000 of Unlimited Tax Bonds, Series 2025, with interest rates ranging from 4.00 to 6.50%. The net proceeds of $2,741,339 (after payment of the underwriter fees and other bond related costs) were deposited with the District's investment accounts to finance developer funded construction costs, fund future interest payments on the bonds and pay subsequent bond issue costs.

NOTE 13. SUBSEQUENT EVENT – BOND SALE

On July 21, 2026, the District approved the preliminary cost summary and authorized the preparation of the preliminary official statement and official notice of sale for the Series 2026 Road Bonds. Proceeds from the bonds are expected to reimburse the developer for road costs associated with Precinct 18, Unit 1, Precinct 4, Units 1, 2 and 3 and Word Parkway Phase 3, related engineering costs and finance one year of capitalized interest and pay bond issuance costs.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2026

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Original Budget	Final Budget	Variance with Original Budget Over (Under) Final Budget	Actual	Variance of Actuals to Final Budget - Favorable (Unfavorable)
BUDGETARY REVENUES					
Property Taxes	$ 444,494	$ 444,494	$	$ 398,653	$ (45,841)
Investment and Other Revenues	7,500	7,500		11,194	3,694
TOTAL BUDGETARY REVENUES	$ 451,994	$ 451,994	$ -0-	$ 409,847	$ (42,147)
BUDGETARY EXPENDITURES					
Service Operations:					
Professional Fees	$ 72,000	$ 72,000	$	$ 77,494	$ (5,494)
Contracted Services	30,000	30,000		31,446	(1,446)
Capacity Reservation Fees	12,887	12,887		10,282	2,605
Repairs and Maintenance	4,200	4,200		5,241	(1,041)
Other	34,965	34,965		16,795	18,170
Debt Service - Bond Issuance Costs				4,500	(4,500)
TOTAL BUDGETARY EXPENDITURES	$ 154,052	$ 154,052	$ -0-	$ 145,758	$ 8,294
BUDGETARY EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 297,942	$ 297,942	$ -0-	$ 264,089	$ (33,853)
BUDGETARY OTHER FINANCING SOURCES					
Transfers In	$ -0-	$ -0-	$ -0-	$ 36,508	$ 36,508
NET CHANGE IN FUND BALANCE	$ 297,942	$ 297,942	$	$ 300,597	$ 2,655
BUDGETARY FUND BALANCE - JULY 1, 2025	176,813	176,813		176,813	
BUDGETARY FUND BALANCE - JUNE 30, 2026	$ 474,755	$ 474,755	$ -0-	$ 477,410	$ 2,655

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
NOTES TO THE BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

The unappropriated budget is adopted annually for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting, the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The original General Fund budget for the current year was adopted on May 20, 2025 and was not amended.

For the fiscal year ended June 30, 2026, actual revenues were $42,147 less than budget primarily due to property taxes coming in lower than anticipated, a result of the District's assessed property value coming in lower than expected at the time of budget. In addition, expenditures were lower than budget by $8,294. This was primarily due to 1) no election expense incurred during the year compared to $10,000 budgeted for and 2) director fees including payroll taxes being underbudget by approximately $6,000 due to less meeting activity offset by increases in costs related to engineering (approximately $10,000 over budget) as a result of additional activity from District growth.

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2026

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2026

1. SERVICES PROVIDED BY THE DISTRICT:

____	Retail Water	____	Wholesale Water	X	Drainage
____	Retail Sewer	____	Wholesale Wastewater	____	Irrigation
____	Parks/Recreation	____	Fire Protection	____	Security
____	Solid Waste/Garbage	X	Flood Control	X	Roads
X	Participates in joint venture or regional system				
X	Other: The District does not provide water and wastewater services. Retail water and wastewater service is provided by the City of New Braunfels.				

2. RETAIL SERVICE PROVIDERS: New Braunfels Utilities

3. TOTAL WATER CONSUMPTION: Not applicable

4. STANDBY FEES: Not applicable

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No ____

County in which District is located:

Comal County, Texas

Is the District located within a city?

Entirely ____ Partly ____ Not at all X

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

Entirely X Partly ____ Not at all ____

ETJ in which District is located.

City of New Braunfels, Texas

Are Board Members appointed by an office outside the District?

Yes ____ No X

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2026

PROFESSIONAL FEES:		
Legal	$	44,535
Engineering		22,959
Auditing		10,000
TOTAL PROFESSIONAL FEES	$	77,494
CONTRACTED SERVICES -		
Bookkeeping	$	31,446
CAPACITY RESERVATION FEES	$	10,282
REPAIRS AND MAINTENANCE	$	5,241
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	8,777
Insurance		3,214
Legal Notices		450
Office Supplies and Postage		3,203
Travel and Meetings		716
Website, Meetings, and Other		435
TOTAL ADMINISTRATIVE EXPENDITURES	$	16,795
DEBT SERVICE -		
Bond Issuance Costs	$	4,500
TOTAL EXPENDITURES	$	145,758

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
INVESTMENTS
JUNE 30, 2026

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0003	Varies	Daily	$ 500,264	$ - 0 -
DEBT SERVICE FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 206,485	$
Texas CLASS	XXXX0004	Varies	Daily	42,175	
Texas CLASS	XXXX0006	Varies	Daily	242,528	
TOTAL DEBT SERVICE FUND				$ 491,188	$ - 0 -
CAPITAL PROJECTS FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 55,186	$
Texas CLASS	XXXX0005	Varies	Daily	30,119	
TOTAL CAPITAL PROJECTS FUND				$ 85,305	$ - 0 -
TOTAL - ALL FUNDS				$ 1,076,757	$ - 0 -

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2026

	Maintenance Taxes		Debt Service Taxes		Contract Taxes	
TAXES RECEIVABLE - JULY 1, 2025	$ 10,084		$ 7,043		$ 1,905	
Adjustments to Beginning Balance	(22)	$ 10,062	(16)	$ 7,027	(6)	$ 1,899
Original 2025 Tax Levy	$ 388,006		$ 145,049		$ 83,403	
Adjustment to 2025 Tax Levy	9,908	397,914	3,704	148,753	2,130	85,533
TOTAL TO BE ACCOUNTED FOR		$ 407,976		$ 155,780		$ 87,432
TAX COLLECTIONS:						
Prior Years	$ 6,232		$ 4,355		$ 841	
Current Year	392,421	398,653	146,700	151,055	84,352	85,193
TAXES RECEIVABLE - JUNE 30, 2026		$ 9,323		$ 4,725		$ 2,239
TAXES RECEIVABLE BY YEAR -						
2025		$ 5,493		$ 2,053		$ 1,181
2024		3,783		2,643		1,058
2023		47		29		
TOTAL		$ 9,323		$ 4,725		$ 2,239

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2026

	2025	2024	2023	2022
PROPERTY VALUATIONS:				
Land	$ 49,478,515	$ 48,563,783	$ 56,329,780	$ 22,518,719
Improvements	38,326,603	15,739,375	5,266,760	22,470
Personal Property	26,500	102,910		
Exemptions	(13,455,204)	(2,525,266)	(39,699,500)	(12,462,779)
TOTAL PROPERTY VALUATIONS	$ 74,376,414	$ 61,880,802	$ 21,897,040	$ 10,078,410
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.200	$ 0.30	$ 0.35	$ 0.00
Contract	0.115	0.12	0.00	0.00
Maintenance	0.535	0.43	0.50	0.85
Total	$ 0.850	$ 0.85	$ 0.85	$ 0.85
ADJUSTED TAX LEVY*	$ 632,200	$ 525,987	$ 186,125	$ 85,667
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.62 %	98.58 %	99.96 %	100.00 %

Maintenance Tax – A maximum tax rate of $1.20 per $100 of assessed valuation was approved by voters on May 1, 2021.

Contract Tax – On May 1, 2021, voters approved the levy of contract tax sufficient to make payments required under the Master District Contract for operation and maintenance of the Regional Facilities.

*Based on the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
LONG-TERM DEBT SERVICE REQUIREMNETS
JUNE 30, 2026

	SERIES-2023 ROAD		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	$ 65,000	$ 150,031	$ 215,031
2028	70,000	147,230	217,230
2029	75,000	144,221	219,221
2030	75,000	141,109	216,109
2031	80,000	137,873	217,873
2032	85,000	134,386	219,386
2033	90,000	130,645	220,645
2034	95,000	126,668	221,668
2035	100,000	122,425	222,425
2036	100,000	117,975	217,975
2037	110,000	113,195	223,195
2038	115,000	107,962	222,962
2039	120,000	102,380	222,380
2040	125,000	96,375	221,375
2041	130,000	90,000	220,000
2042	140,000	83,250	223,250
2043	145,000	76,125	221,125
2044	150,000	68,750	218,750
2045	160,000	61,000	221,000
2046	165,000	52,875	217,875
2047	175,000	44,375	219,375
2048	185,000	35,375	220,375
2049	195,000	25,875	220,875
2050	205,000	15,875	220,875
2051	215,000	5,375	220,375
2052			
	$ 3,170,000	$ 2,331,350	$ 5,501,350

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
LONG-TERM DEBT SERVICE REQUIREMNETS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	SERIES-2025 Principal Due September 1	Interest Due September 1/ March 1	Total
2027	$	$ 149,556	$ 149,556
2028	60,000	147,606	207,606
2029	65,000	143,544	208,544
2030	70,000	139,156	209,156
2031	70,000	134,606	204,606
2032	75,000	129,894	204,894
2033	80,000	124,856	204,856
2034	85,000	119,494	204,494
2035	90,000	114,931	204,931
2036	90,000	111,331	201,331
2037	95,000	107,572	202,572
2038	100,000	103,550	203,550
2039	105,000	99,256	204,256
2040	110,000	94,619	204,619
2041	120,000	89,513	209,513
2042	125,000	84,000	209,000
2043	130,000	78,100	208,100
2044	140,000	71,688	211,688
2045	145,000	64,919	209,919
2046	155,000	57,794	212,794
2047	160,000	50,212	210,212
2048	170,000	42,169	212,169
2049	180,000	33,637	213,637
2050	190,000	24,619	214,619
2051	200,000	15,112	215,112
2052	210,000	5,119	215,119
	$ 3,020,000	$ 2,336,853	$ 5,356,853

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
LONG-TERM DEBT SERVICE REQUIREMNETS
JUNE 30, 2026

Due During Fiscal Years Ending June 30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 65,000	$ 299,587	$ 364,587
2028	130,000	294,836	424,836
2029	140,000	287,765	427,765
2030	145,000	280,265	425,265
2031	150,000	272,479	422,479
2032	160,000	264,280	424,280
2033	170,000	255,501	425,501
2034	180,000	246,162	426,162
2035	190,000	237,356	427,356
2036	190,000	229,306	419,306
2037	205,000	220,767	425,767
2038	215,000	211,512	426,512
2039	225,000	201,636	426,636
2040	235,000	190,994	425,994
2041	250,000	179,513	429,513
2042	265,000	167,250	432,250
2043	275,000	154,225	429,225
2044	290,000	140,438	430,438
2045	305,000	125,919	430,919
2046	320,000	110,669	430,669
2047	335,000	94,587	429,587
2048	355,000	77,544	432,544
2049	375,000	59,512	434,512
2050	395,000	40,494	435,494
2051	415,000	20,487	435,487
2052	210,000	5,119	215,119
	$ 6,190,000	$ 4,668,203	$ 10,858,203

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
CHANGES IN LONG-TERM BOND DEBT
JUNE 30, 2026

Description	Original Bonds Issued	Bonds Outstanding July 1, 2025
Comal County Water Improvement District No. 1D Unlimited Tax Road Bonds - Series 2023	$ 3,300,000	$ 3,235,000
Comal County Water Improvement District No. 1D Unlimited Tax Bonds - Series 2025	3,020,000	
TOTAL	$ 6,320,000	$ 3,235,000

Bond Authority:	Water, Sewer and Drainage Tax Bonds	Water, Sewer and Drainage Refunding Bonds	Road Tax Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 133,000,000	$ 199,500,000	$ 53,500,000	$ 80,250,000
Amount Issued	(3,020,000)		(3,300,000)	
Remaining to be Issued	$ 129,980,000	$ 199,500,000	$ 50,200,000	$ 80,250,000

Debt Service Fund cash and investment balances as of June 30, 2026:	$ 508,706
Average annual debt service payment for remaining term of all debt:	$ 417,623

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding June 30, 2026	Paying Agent
$	$ 65,000	$ 152,729	$ 3,170,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
3,020,000		64,807	3,020,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
$ 3,020,000	$ 65,000	$ 217,536	$ 6,190,000	

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 398,653	$ 268,990	$ 97,488
Penalty and Interest		1,831	2,372
Investment and Other Revenues	11,194	3,766	148
TOTAL REVENUES	$ 409,847	$ 274,587	$ 100,008
EXPENDITURES			
Professional Fees	$ 77,494	$ 69,841	$ 43,527
Contracted Services	31,446	31,157	36,544
Capacity Reservation Fees	10,282	12,465	
Repairs and Maintenance	5,241	1,050	1,050
Other	16,795	19,741	14,222
Bond Issuance Costs	4,500	36,508	
TOTAL EXPENDITURES	$ 145,758	$ 170,762	$ 95,343
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 264,089	$ 103,825	$ 4,665
OTHER FINANCING SOURCES			
Transfers In	$ 36,508	$	$
Developer Advances			
TOTAL OTHER FINANCING SOURCES	$ 36,508	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 300,597	$ 103,825	$ 4,665
BEGINNING FUND BALANCE	176,813	72,988	68,323
ENDING FUND BALANCE	$ 477,410	$ 176,813	$ 72,988

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$ 84,807	$ 376	97.3 %	97.9 %	97.5 %	99.8 %	100.0 %
129			0.7	2.4	0.2	
		2.7	1.4	0.1		
$ 84,936	$ 376	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 12,229	$	18.9 %	25.5 %	43.5 %	14.4 %	%
5,293	1,551	7.7	11.3	36.5	6.2	412.5
		2.5	4.5			
		1.3	0.4	1.0		
10,022	6,380	4.1	7.2	14.2	11.8	1,696.8
		1.1	13.3			
$ 27,544	$ 7,931	35.6 %	62.2 %	95.2 %	32.4 %	2,109.3 %
$ 57,392	$ (7,555)	64.4 %	37.8 %	4.8 %	67.6 %	(2,009.3) %
$	$					
9,000	4,500					
$ 9,000	$ 4,500					
$ 66,392	$ (3,055)					
1,931	4,986					
$ 68,323	$ 1,931					

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2026	2025	2024
REVENUES			
Property Taxes	$ 236,248	$ 260,042	$ 67,549
Penalty and Interest	7,037	6,864	1,751
Investment and Miscellaneous Revenues	17,467	12,874	7,880
TOTAL REVENUES	$ 260,752	$ 279,780	$ 77,180
EXPENDITURES			
Tax Collection Expenditures	$ 105,029	$ 48,522	$ 60
Debt Service Principal	65,000	65,000	
Debt Service Interest and Fees	218,286	156,176	66,629
TOTAL EXPENDITURES	$ 388,315	$ 269,698	$ 66,689
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (127,563)	$ 10,082	$ 10,491
OTHER FINANCING SOURCES			
Proceeds from Issuance of Long-Term Debt	$ 299,112	$ - 0 -	$ 313,550
NET CHANGE IN FUND BALANCE	$ 171,549	$ 10,082	$ 324,041
BEGINNING FUND BALANCE	334,123	324,041	
ENDING FUND BALANCE	$ 505,672	$ 334,123	$ 324,041

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2023	2022	2026	2025	2024	2023	2022
$	$	90.6 %	92.9 %	87.5 %	%	%
		2.7	2.5	2.3		
		6.7	4.6	10.2		
$ - 0 -	$ - 0 -	100.0 %	100.0 %	100.0 %	N/A %	N/A %
$	$	40.3 %	17.3 %	0.1 %	%	%
		24.9	23.2			
		83.7	55.8	86.3		
$ - 0 -	$ - 0 -	148.9 %	96.3 %	86.4 %	N/A %	N/A %
$ - 0 -	$ - 0 -	(48.9) %	3.7 %	13.6 %	N/A %	N/A %
$ - 0 -	$ - 0 -					
$ - 0 -	$ - 0 -					
$ - 0 -	$ - 0 -					

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2026

District Mailing Address - Comal County Water Improvement District No. 1D
c/o Allen Boone Humphries Robinson LLP
919 Congress Avenue, Suite 1500
Austin, Texas 78701

District Telephone Number - (512) 518-2424

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2026	Expense Reimbursements for the year ended June 30, 2026	Title
Reyes Villarreal	05/26 05/30 (Elected)	$ 1,768	$ -0-	President
Sandra Stolte	05/24 05/28 (Elected)	$ 1,768	$ -0-	Vice President
Spencer Brandt	05/24 05/28 (Elected)	$ 1,768	$ 57	Secretary
Lark Mason III	05/26 05/30 (Elected)	$ 1,105	$ -0-	Assistant Secretary
Jolene Lane-Huereca	05/24 05/28 (Elected)	$ 1,326	$ -0-	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

The most recent submission date of the District Registration Form was on July 21, 2026.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

COMAL COUNTY WATER IMPROVEMENT DISTRICT NO. 1D
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2026

	Date Hired	Fees for the year ended June 30, 2026	Title
Consultants:			
Allen Boone Humphries Robinson LLP	11/02/22	$ 50,274 $ 93,911	General Counsel Bond Related
McCall Gibson Swedlund Barfoot Ellis PLLC	06/20/23	$ 10,000 $ 15,500	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	01/16/24	$ 33,137 $ 5,542	Bookkeeper Bond Related
LJA Engineering, Inc.	02/05/21	$ 22,959 $ 4,500	Engineer Bond Related
Jones-Heroy & Associates, Inc.	02/28/23	$ 9,000	Bond Engineer
Masterson Advisors LLC	02/05/21	$ 64,736	Financial Advisor
Mark Burton and Ghia Lewis	01/16/24	$ -0-	Investment Officers
Comal Appraisal District	09/20/18	$ 5,860	Central Appraisal District
Utility Tax Service, LLC	08/20/24	$ 7,200	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Financial Information Concerning the Developer

The Developer has delivered the consolidated financial statements included in this APPENDIX B (the "Financial Information") to the District for publication in connection with the District's offer and sale of the Bonds. Certain financial information concerning the Developer is included herein solely as additional information concerning the financial condition and capability of the Developer. Such Financial Information is relevant, among other reasons, to the Developer's ability to continue developing its land within the District and to pay ad valorem taxes thereon. The Developer is not responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of the Financial Information herein should not be construed as an implication to that effect. The Developer has not made any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of property within the District, or any other assets, at any time. Therefore, the District cautions that the attached Financial Information should not be construed or interpreted as an indication of the investment security of the Bonds. The Developer has represented to the District that the Financial Information relating to it has been prepared from its books and records, and fairly presents its financial condition. The Developer has also represented to the District that the Financial Information does not fail to disclose any material fact or omit to state any material facts necessary to make such Financial Information not misleading and that there has not been any material change in the financial condition of the Developer since the date on which the Financial Information is presented.

VERAMENDI PE – EMERALD, LLC

FINANCIAL STATEMENTS

Year Ended December 31, 2025
with Independent Accountant's Compilation Report

VERAMENDI PE – EMERALD, LLC

FINANCIAL STATEMENTS

Year Ended December 31, 2025

Table of Contents

Independent Accountant's Compilation Report 1

Financial Statements:

Balance Sheet 2

Statement of Operations 3

Statement of Changes in Members' Deficit 4

whitleypenn

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11503 NW Military Hwy
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San Antonio, Texas 78231
210.614.2284 Main

whitleypenn.com

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Members of
Veramendi PE – Emerald, LLC

Management is responsible for the accompanying financial statements of Veramendi PE – Emerald, LLC (the "Company"), which comprise the balance sheet as of December 31, 2025, and the related statements of operations, and changes in members' deficit for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures and a statement of cash flows required by GAAP. If the omitted disclosures and statement of cash flows were to be included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

During the compilation of the December 31, 2025 financial statements, we became aware that the December 31, 2024 financial statements contained a departure from GAAP. We were not aware of the departure from GAAP at the conclusion of our compilation of the December 31, 2024 financial statements and, accordingly, did not refer to the departure in our report dated July 11, 2025 on the December 31, 2024 financial statements.

As disclosed on the Statement of Changes in Members' Deficit, management identified that the Company had transactions related to property taxes that were not properly recorded. Subsequent to the conclusion of our compilation of the December 31, 2024 financial statements, the Company has informed us that had these property taxes been recorded in accordance with GAAP, members' deficit would have increased by $278,983. During 2025, the Company's property taxes were stated in accordance with GAAP.

Whitley Penn LLP

San Antonio, Texas
November 10, 2026

HLB WE ARE AN INDEPENDENT MEMBER OF THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

VERAMENDI PE – EMERALD, LLC

BALANCE SHEET

December 31, 2025

Assets	
Current Assets:	
Cash and cash equivalents - restricted	$ 142,337
Total current assets	142,337
Prepaid sales fees and other assets	459,117
Land under development	38,464,827
Property and equipment, net	217,721
Related party receivables	531,871
Total assets	$ 39,815,873
Liabilities and Members' Deficit	
Current Liabilities:	
Accounts payable	$ 1,769,032
Accrued expenses	69,836
Total current liabilities	1,838,868
Customer deposits	8,350,051
Related party payables, less debt issuance costs	18,420,520
Lines of credit, less current portion	10,515,578
Notes payable, related party	2,949,086
Total liabilities	42,074,103
Commitments and contingencies	
Members' deficit	(2,258,230)
Total liabilities and members' deficit	$ 39,815,873

See independent accountant's compilation report.

VERAMENDI PE – EMERALD, LLC

STATEMENT OF OPERATIONS

Year Ended December 31, 2025

Revenue	
Real estate sales	$ -
Total revenue	-
Construction and land costs	4,898
Gross loss	(4,898)
Operating Expenses	
Advertising	168,266
Bank fees	198
Depreciation	7,324
Property taxes, dues and subscriptions	306,743
Insurance	398,749
Office expense	8,542
Professional fees	35,970
Rent	68,964
Utilities	39,491
Vehicles	4,249
Total operating expenses	1,038,496
Other Income (Expenses)	
Interest expense	(20,562)
Total other expenses	(20,562)
Loss before income taxes	(1,063,956)
State income taxes	(889)
Net loss	$ (1,064,845)

See independent accountant's compilation report.

VERAMENDI PE – EMERALD, LLC

STATEMENT OF CHANGES IN MEMBERS' DEFICIT

Year Ended December 31, 2025

Balance at December 31, 2024	$ (914,402)
Correction of error in 2024**	(278,983)
Balance at December 31, 2024	(1,193,385)
Net loss	(1,064,845)
Balance at December 31, 2025	$ (2,258,230)

**** Selected Information — Substantially All Disclosures Required by Accounting Principles Generally Accepted in the United States of America Are Not Included**

During 2025, management identified property taxes relating to 2024 totaling $278,983 that were not accrued for. The correction is an increase to accrued expenses, an increase to property taxes, dues and subscriptions and an increase to the members' deficit balance as of December 31, 2024.

See independent accountant's compilation report.