PRELIMINARY OFFICIAL STATEMENT
Dated September 9, 2026

Ratings:
S&P: "AA-"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

IN THE OPINION OF BOND COUNSEL TO THE DISTRICT, INTEREST ON THE NOTES WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

$17,285,000*
HIGH POINT SPECIAL UTILITY DISTRICT
(Kaufman and Rockwall Counties, Texas)
REVENUE NOTES, SERIES 2026

Dated Date: September 15, 2026; **Due: September 15, as shown on page 2**
Interest to Accrue from the Date of Initial Delivery

PAYMENT TERMS . . . Interest on the $17,285,000* High Point Special Utility District Revenue Notes, Series 2026 (the "Notes") will accrue from the date of initial delivery of the Notes, will be payable September 15 and March 15 of each year commencing September 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Notes will be made to the owners thereof.** Principal of, premium, if any, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE NOTES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE…The Notes are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 65, Texas Water Code, as amended, and the resolution (the "Resolution") to be passed by the Board of Directors of the High Point Special Utility District (the "District") on September 17, 2026. The Notes are special obligations of the District, payable solely from and secured by a lien on and pledge of the "Net Revenues" resulting from the ownership and operation of the District's "System" (defined herein); such lien on and pledge, however, being in all things junior and subordinate to the lien on and pledge of the Gross Revenues made for the security and payment of the outstanding Previously Issued First Lien Obligations. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the District or the System, except with respect to the Net Revenues. See "SELECTED PROVISIONS OF THE RESOLUTION" herein. **Holders of the Notes will never have the right to demand payment of the Notes out of any funds raised or to be raised by taxation.** See "THE NOTES – Authority for Issuance" and "THE NOTES – Security for the Notes".

PURPOSE . . . Proceeds of the Notes will be used to construct, renovate and upgrade its water system, specifically, to acquire and construct (i) City of Forney Pump Station #2, Phase 3; (ii) FM 550 Elevated Tank Improvements; (iii) 12" Water Line Expansion on Reeder Lane; and (iv) pay the costs of issuance for financing the Notes. See "THE NOTES - Purpose".

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

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

LEGALITY…The Notes are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Initial Note by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst and Horton L.L.P., Bond Counsel to the District (see "APPENDIX C - Form or Bond Counsel's Opinion.").

DELIVERY…The Notes are expected to be available for delivery through DTC on October 13, 2026.

BIDS DUE THURSDAY, SEPTEMBER 17, 2026 AT 9:00 AM, CENTRAL TIME

* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

CUSIP Prefix[1]:

MATURITY SCHEDULE*

Principal Amount	September 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix [1]
$ 370,000	2027			
370,000	2028			
385,000	2029			
405,000	2030			
430,000	2031			
450,000	2032			
475,000	2033			
500,000	2034			
525,000	2035			
555,000	2036			
585,000	2037			
615,000	2038			
645,000	2039			
680,000	2040			
715,000	2041			
755,000	2042			
790,000	2043			
835,000	2044			
875,000	2045			
925,000	2046			
970,000	2047			
1,025,000	2048			
1,075,000	2049			
1,135,000	2050			
1,195,000	2051			

(Interest accrues from date of initial delivery)

____

* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Advance Modification of Principal Amounts" and "- Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. The CUSIP number for a specific maturity is subject to being changed after the initial issuance of the Notes due to various subsequent actions including, but not limited to, a refunding in whole or in part, procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes. None of the District, its Financial Advisor, the Initial Purchaser or their agents or counsel assume responsibility for the accuracy of such numbers.

OPTIONAL REDEMPTION. . . The District reserves the right, at its option, to redeem Notes having stated maturities on and after September 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE NOTES - Optional Redemption").

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 a Preliminary Official Statement of the District with respect to the Notes 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.

This Preliminary Official Statement, which includes the cover page and the Schedule and Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Preliminary 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.

Neither the District nor the Purchasers make any representation regarding the information contained in this Preliminary Official Statement regarding The Depository Trust Company or its book-entry-only system, as such information has been provided by DTC. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau, and are included solely for the convenience of the owners of the Notes. Neither the District nor the Purchasers shall be responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.

TABLE OF CONTENTS

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT............................. On July 17, 2014, the High Point Special Utility District (the "District") board of directors unanimously voted for the Corporation to present to the Texas Commission of Environmental Quality (TCEQ) its petition for approval and creation of the High Point Special Utility District and for the transfer of the Corporation's certificate of convenience and necessity to the District. The Corporation's board of directors also voted unanimously that upon the approval and creation of the District and the transfer of all assets and debts of the Corporation to the District, the Corporation be dissolved. The TCEQ, approved the creation of the District on November 8, 2017. The District was created pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 65, Texas Water Code, as amended. The District is a "District" within the meaning of Section 49.001(1), Texas Water Code, as amended (see "INTRODUCTION - Description of District").

THE NOTES................................. The $17,285,000* High Point Special Utility District Revenue Notes, Series 2026 are issued as serial notes maturing September 15, 2027 through September 15, 2051, unless the purchaser designates one or more maturities as one or more Term Notes (see "THE NOTES - Description of the Notes").

PAYMENT OF INTEREST .... Interest on the Notes accrues from the date of initial delivery, and is payable September 15, 2027, and each March 15 and September 15 thereafter until maturity or prior redemption (see "THE NOTES - Description of the Notes" and "THE NOTES - Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Notes are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 65, Texas Water Code, as amended, and the resolution (the "Resolution") to be passed by the Board of Directors of the District on September 17, 2026. The Notes are special obligations of the District (see "THE NOTES - Authority for Issuance").

SECURITY FOR THE NOTES .... The Notes are special obligations of the District, payable solely from and secured by a lien on and pledge of the "Net Revenues" resulting from the ownership and operation of the District's "System" (defined herein); such lien on and pledge, however, being in all things junior and subordinate to the lien on and pledge of Net Revenue made for the security and payment of the outstanding Previously Issued First Lien Obligations. The District has covenanted that it will not issue any additional obligations that are on a parity with the outstanding Previously Issued First Lien Obligations. At such time as there are no Previously Issued First Lien Obligations outstanding, the Notes and any Additional New Lien Obligations will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the District or the System, except with respect to the Net Revenues. See "THE NOTES – Previously Issued First Lien Obligations" herein. **Holders of the Notes will never have the right to demand payment of the Notes out of any funds raised or to be raised by taxation.** See "THE NOTES – Authority for Issuance" and "THE NOTES – Security for the Notes".

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

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

USE OF PROCEEDS .... Proceeds of the Notes will be used to construct, renovate and upgrade its water system, specifically, to acquire and construct (i) City of Forney Pump Station #2, Phase 3; (ii) FM 550 Elevated Tank Improvements; (iii) 12" Water Line Expansion on Reeder Lane; and (iv) pay the costs of issuance for financing the Notes. See "THE NOTES - Purpose".

___

* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

RATING .... The Notes are rated "AA-" by S&P Global Ratings ("S&P") (see "OTHER INFORMATION - Ratings").

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

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

For additional information regarding the District, please contact:

John Washburn General Manager High Point Special Utility District 16983 Valley View Road Forney, Texas 75126 (972) 564-3801	or	Paul N. Jasin Specialized Public Finance Inc. 4925 Greenville, Suite 1350 Dallas, Texas 75206 (214) 373-3911

The remainder of this page left blank intentionally.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Elected Officials

Board of Directors	Term Expires
Susie Taylor President	2028
David Lewis Vice-President	2029
Kim Ewell Secretary	2029
Darrell Hobbs Director	2027
Mark Taylor Director	2029
Jacob Barkham Director	2028
Gloria Stidham Director	2027

Selected Administrative Staff

Name	Position	Length of Service to the District
John Washburn	General Manager	13 Years
Erica Parnell	Assistant General Manager	19 Years
Mindi Letchworth	Business Manager	19 Years

Consultants and Advisors

Auditors .... Rutherford, Taylor & Company, P.C.
Greenville, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor.......... Specialized Public Finance Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$17,285,000*
HIGH POINT SPECIAL UTILITY DISTRICT
REVENUE NOTES, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $17,285,000* High Point Special Utility District Revenue Notes, Series 2026 (the "Notes"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution (as hereinafter defined), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE RESOLUTION").

There follows in this Official Statement descriptions of the Notes and certain information regarding the High Point Special Utility District (the "District" or "Issuer") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas.

DESCRIPTION OF THE DISTRICT . . . On July 17, 2014, the District's Board of Directors unanimously voted for the Corporation to present to the Texas Commission of Environmental Quality (TCEQ) its petition for approval and creation of the High Point Special Utility District and for the transfer of the Corporation's certificate of convenience and necessity to the District. The Corporation's board of directors also voted unanimously that upon the approval and creation of the District and the transfer of all assets and debts of the Corporation to the District, the Corporation be dissolved. The TCEQ, approved the creation of the District on November 8, 2017. The District was created pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 65, Texas Water Code, as amended. The District is a "District" within the meaning of Section 49.001(1), Texas Water Code, as amended. The District is governed by a seven-member Board of Directors. Members of the Board are elected by registered voters residing within the District; have the authority to make decisions, appoint managers, and establish service policies and rates; and have the primary accountability for fiscal matters. High Point Special Utility District comprises approximately 22,480 acres in area, located in Kaufman County, Texas.

THE NOTES

PURPOSE . . . Proceeds of the Notes will be used to construct, renovate and upgrade its water system, specifically, to acquire and construct (i) the District's pro rata share of costs of the City of Forney's Pump Station #2, Phase 3; (ii) FM 550 Elevated Tank Improvements; (iii) 12" Water Line Expansion on Reeder Lane; and (iv) pay the costs of issuance for financing the Notes.

DESCRIPTION OF THE NOTES . . . The Notes are dated September 15, 2026, and mature on September 15 in each of the years and in the amounts shown on page two hereof. Interest will accrue from the date of initial delivery of the Notes, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 15 and September 15, commencing September 15, 2027, until maturity or prior redemption. The definitive Notes will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Notes will be made to the owners thereof.** Principal of, premium, if any, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES - Book-Entry-Only System" herein.

In the event the Book-Entry-Only System should be discontinued, interest on the Notes will be paid to the Registered Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid to the address of the Registered Owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the Registered Owner. Principal of the Notes will be paid to the Registered Owner at the stated maturity or upon prior redemption, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the Registered Owner of the Notes, all payments on the Notes will be made as described in "THE NOTES - Book-Entry-Only System" below.

AUTHORITY FOR ISSUANCE . . . The Notes are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 65, Texas Water Code, as amended, and the Resolution to be adopted by the Board of Directors of the District on September 17, 2026.

* Preliminary, subject to change.

SECURITY FOR THE NOTES . . . The Notes are special obligations of the District, payable solely from and secured by a lien on and pledge of the "Net Revenues" resulting from the ownership and operation of the District's "System" (defined herein); such lien on and pledge, however, being in all things junior and subordinate to the lien on and pledge of Net Revenue made for the security and payment of the outstanding Previously Issued First Lien Obligations. The District has covenanted that it will not issue any additional obligations that are on a parity with the outstanding Previously Issued First Lien Obligations. At such time as there are no Previously Issued First Lien Obligations outstanding, the Notes and any Additional Parity Obligations will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the District or the System, except with respect to the Net Revenues. The Net Revenues are defined in the Resolution as the Gross Revenues (defined below) of the System after deducting the Operating and Maintenance Expenses (defined below). The Notes are further secured by amounts on deposit in the 2026 Reserve Fund (see "SELECTED PROVISIONS OF THE RESOLUTION - Section 7.05 2026 Reserve Fund"). **The District has no taxing powers and has not covenanted or obligated itself to pay the Notes from monies raised or to be raised from taxation.**

The term "Gross Revenues" means, with respect to the System and for any defined period, all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of money in any special funds or accounts created and established for the payment and security of obligations payable solely from and secured by a lien on and pledge of the Net Revenues.

The term "Net Revenues" means Gross Revenues of the System for any defined period, after deducting the Operating and Maintenance Expenses during such period.

The term "Operating and Maintenance Expenses" means, for any defined period, all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the District, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining Net Revenues. Depreciation charges shall not be considered Operating and Maintenance Expenses. Operating and Maintenance Expenses shall include payments under contracts for the purchase of water supply, electric power, and energy or natural gas (in the event of the acquisition of a gas distribution system) or the treatment of sewage and other materials, goods, services, or facilities for the System to the extent authorized by law and the provisions of such contract. For so long as the Previously Issued First Lien Obligations remain outstanding, payments made on the Previously Issued First Lien Obligations shall constitute "Operating and Maintenance Expenses" under the Resolution.

The terms "System" means all properties, facilities and plants currently owned, operated, and maintained by the District for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "System" shall not mean to include facilities of any kind which are declared not to be a part of the System and which are hereafter acquired or constructed by or on behalf of the District with the proceeds from the issuance of "Special Facilities Obligations", which are hereby defined as being special revenue obligations of the District which are payable from and secured by other liens on and pledges of special contract revenues or payments received from any other legal entity in connection with such facilities.

RESERVE FUND REQUIREMENT . . As additional security for the Notes, a 2026 Reserve Fund is required to be maintained in an amount equal to100% of the Average Annual Principal and Interest Requirements for the Notes (the "Required Reserve"); provided, however, that the Required Reserve will be recalculated on the date of any redemption or defeasance of Notes pursuant to the Resolution, in which case the Required Reserved will be an amount equal to the Average Annual Principal and Interest Requirements on all Parity Obligations Outstanding as of such date, and which 2026 Reserve Fund will be maintained at an official depository of the District. On the Delivery Date of the Notes, the Required Reserve amount to be accumulated and maintained in the 2026 Reserve Fund is [$__________]. The District will deposit said amount to the 2026 Reserve Fund from Note proceeds to fund the Required Reserve (see "SELECTED PROVISIONS OF THE RESOLUTION – Section 7.05. 2026 Reserve Fund").

ADDITIONAL PARITY OBLIGATIONS . . . In addition to the right to issue debt obligations of inferior lien as authorized by law, the District reserves the right to issue or incur notes, bonds or other evidences of indebtedness in the future that are secured on a parity basis with the Notes (the "Additional Parity Obligations," and, together with the Notes, the "Parity Obligations"). Additional Parity Obligations will be secured by and payable from a lien on and pledge of the Net Revenues of the System on a parity with all other Parity Obligations; provided, however, that no Additional Parity Obligations may be issued unless the conditions specified therefor in the Resolution are met, including (a) For so long as the Subordinate Lien Obligations (defined below) remain outstanding: the District secures a certificate of the Authorized Officer to the effect that during either the next preceding year, or any twelve consecutive calendar month period ending not more than ninety days prior to the passage of the resolution authorizing the issuance of the then proposed Additional Parity Obligations, the Pledged Revenues were at least equal to: (1) 1.25 times the Average Annual Principal and Interest Requirements of all Parity Obligations; and (2) 1.10 times the average annual principal and interest requirements for the Subordinate Lien Obligation and any Additional Subordinate Lien Obligations after giving effect to the issuance of the Additional Parity Obligations then proposed; or (b) At such time as the Subordinate Lien Obligations and Additional Subordinate Lien Obligations issued on a parity therewith are no longer outstanding: the District secures a certificate of the Authorized Officer to the effect that during either the next preceding year, or any twelve consecutive calendar month period ending not more than ninety days prior to the passage of the resolution authorizing the issuance of the then proposed Additional Parity Obligations, the Pledged Revenues were at least equal to: (1) 1.10 times the Average Annual Principal and Interest Requirements of all Parity Obligations; and (2) 1.10 times the average annual principal and interest requirements for any Additional Subordinate Lien Obligation after giving effect to the issuance of the Additional Parity Obligations then proposed. See " SELECTED PROVISIONS OF THE RESOLUTION – Section 8.03. Conditions Precedent for Issuance of Additional Parity Obligations".

PREVIOUSLY ISSUED FIRST LIEN OBLIGATIONS . . . On November 22, 1989, the District's predecessor entity issued a Promissory Note to the United States of America, acting by and through the Rural Utilities Service, United States Department of Agriculture ("USDA") in the original principal amount of $751,300 pursuant to a Loan Resolution Security Agreement, which obligations are secured by a first lien on and pledge of the Gross Revenues of the System as well as a deed of trust-and utility security instrument (collectively, the "Previously Issued First Lien Obligations"), which deed of trust and utility security instrument constitutes a lien on all of the real property and personal property owned by the District, including the entirety of the System (the "Mortgage"). On January 12, 2024, the District took action to lawfully assume the Previously Issued First Lien Obligations. Only the Previously Issued First Lien Obligations are secured by the Mortgage, and the Notes are not secured thereby. As of September 1, 2026, the remaining principal balance of the Previously Issued First Lien Obligations is $93,800.04, which balance is additionally secured by a special reserve fund held by the District with a current balance of approximately [$75,130], and which Previously Issued First Lien Obligations are scheduled to finally mature in June of 2028, at which time the Mortgage is anticipated to be released by USDA. The District has covenanted in the Resolution that it will not issue any additional obligations that are on a parity with the outstanding Previously Issued First Lien Obligations. At such time as there are no Previously Issued First Lien Obligations outstanding, the Notes and any Additional Parity Obligations will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System.

SUBORDINATE LIEN OBLIGATIONS . . . The District has previously entered into a State Infrastructure Bank Loan Agreement and Promissory Note, made by and between the Texas Transportation Commission acting by and through the Texas Department of Transportation, and the District, in the original principal amount of $9,600,000, finally maturing on September 15, 2044 but payable in annual installments on September 15 in each year 2027 through 2044, inclusive (the "Subordinate Lien Obligations"), which Subordinate Lien Obligations are secured by a lien on and pledge of the Net Revenues of the System that is subordinate and junior to the lien established for the benefit of the Note and any Additional Parity Obligations. In the proceedings authorizing the existing Subordinate Lien Obligations and in the Resolution authorizing the Notes, the District has reserved the right to issue "Additional Subordinate Lien Obligations" secured on a parity basis with the existing Subordinate Lien Obligations. See "SELECTED PROVISIONS OF THE RESOLUTION – Section 8.08. Additional Subordinate Lien Obligations" herein for more information.

RATE COVENANT . . . In the Resolution, the District covenants and agrees that rates and charges for services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies, that are reasonably expected to provide Gross Revenues each fiscal year: (1) to pay all Operating and Maintenance Expenses; (2) to produce Net Revenues equal to the greater of (i) 1.10 times the Average Annual Principal and Interest Requirements for all Parity Obligations then Outstanding or (ii) the amounts to pay the actual principal and interest requirements to become due and payable on all Parity Obligations then Outstanding and to make the required deposits to the Interest and Sinking Fund and Reserve Fund, if any; and (3) to pay any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

FLOW OF FUNDS . . . There has been created and established and shall be maintained on the books of the District, and accounted for separate and apart from all other funds of the District, a special fund entitled the "High Point Special Utility District Revenue Fund" (the "Revenue Fund"). All Gross Revenues shall be credited to the Revenue Fund immediately upon receipt and, after payment of Operating and Maintenance Expenses (including payments on the Previously Issued First Lien Obligations), such deposits shall be made in the following order and with the following irrevocable priorities, respectively:

FIRST: to the Interest and Sinking Fund, when and in the amounts required by any Parity Obligations Resolution;.

SECOND: pro rata to the payment of the amounts required to be deposited and credited (i) to the 2026 Reserve Fund created and established with the Reserve Fund in accordance with the provisions of the Resolution to maintain the Required Reserve therein, and (ii) to each other fund or account created and established to maintain a reserve in accordance with the provisions of the Resolution for the benefit of any Additional Parity Obligations hereafter issued by the District, when and in the amounts required by any Parity Obligations Resolution, and

THIRD: to the payment of principal, interest and reserve fund requirements for any obligations which hereafter may be issued by the District that are payable from and secured by a lien on and pledge of the Pledged Revenues which is subordinate to the liens of the Parity Obligations, including without limitation the Subordinate Lien Obligation and any Additional Subordinate Lien Obligations, when and in the amounts required by any proceedings authorizing the issuance of such Subordinate Lien Obligation or Additional Subordinate Lien Obligations.

Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now of hereafter permitted by law. See "SELECTED PROVISIONS OF THE RESOLUTION – Section 7.09. Priority of Deposits and Payments from Revenue Fund ".

Optional Redemption . . . The District reserves the right, at its option, to redeem Notes having stated maturities on and after September 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Notes are to be redeemed, the District may select the maturities of the Notes to be redeemed. If less than all the Notes of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Notes are in Book-Entry-Only form) shall determine by lot the Notes, or portions thereof, within such maturity to be redeemed.

Notice of Redemption . . . Not less than thirty (30) days prior to a redemption date for the Notes, the District shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the Registered Owners of each Note or portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Notes or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Notes or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Notes, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Notes, and the Paying Agent/Registrar will give notice that such moneys were not so received and shall rescind the redemption.

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

Defeasance . . . The Resolution provides for the defeasance of the Notes when the payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities, that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased notes, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Resolution provides that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Notes. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, 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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Notes. Because the Resolution does not contractually limit such investments, Registered Owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon defeasance, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that the right to call the Notes 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 Notes for redemption; (ii) gives notice of the reservation of that right to the owners of the Notes 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.

Upon making such deposit in the manner described, such defeased Notes shall no longer be deemed outstanding obligations secured by the Resolution, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by DTC while the Notes are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered notes 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 Note will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the

Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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 neither the District nor the Purchaser take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Notes are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Notes will be printed and delivered to the beneficial owners thereof and, thereafter, the Notes may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Notes may be assigned by the execution of an assignment form on the respective Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Notes will be delivered by the Paying Agent/Registrar, in lieu of the Notes being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Notes to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Notes surrendered for exchange or transfer. See "THE NOTES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Notes. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or, with respect to any Note or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer shall not be applicable to an exchange by the Registered Owner of an unredeemed balance of a Note called for redemption in part.

Record Date for Interest Payment . . . The record date ("Record Date") for the interest payable on the Notes on any interest payment date means the close of business on the last business day of the preceding month.

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

Noteholders' Remedies . . . The Resolution establishes the following specific events of default with respect to the Notes (i) the failure to make payment of the principal of or interest on any of the Notes or Parity Obligations when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the registered owners, including but not limited to, their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon the happening of any event of default, the Resolution provides that any registered owner or authorized representative thereof may proceed against the District for the purpose of protecting and enforcing the rights to the registered owners under the Resolution (which proceedings must be instituted and maintained for the equal benefit of all registered owners), by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Resolution, or to enjoin any act or thing that may be unlawful or in violation of any right of the registered owners under the Resolution or any combination of such remedies. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Notes or the Resolution and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Registered Owners upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. As a result, Registered Owners may not be able to bring such a suit against the District for breach of the Note or Resolution covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Notes. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Pledged Revenues, such provisions are subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Registered Owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Notes are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Amendments to the Resolution . . . In the Resolution, the District has reserved the right to amend the Resolution without the consent of any Registered Owner of Parity Obligations for the purpose of amending or supplementing such Resolution to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the Registered Owners of Parity Obligations , (2) grant additional rights or security for the benefit of the Registered Owners of Parity Obligations, (3) add events of default as shall not be inconsistent with the provisions of the Resolution that do not materially adversely affect the interests of the Registered Owners of Parity Obligations, (4) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Resolution that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interest of the Registered Owners of Parity Obligations.

The Resolution further provides that the Registered Owners of Parity Obligations aggregating in principal amount a majority of the outstanding Parity Obligations shall have the right from time to time to approve any amendment not described above to the Resolution if it is deemed necessary or desirable by the District; provided, however, that without the consent of the Registered Owners of all of the Parity Obligations at the time Outstanding, no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Parity Obligations; (2) reducing the rate of interest borne by any of the outstanding Parity Obligations; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Parity Obligations; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Parity Obligations, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Parity Obligations necessary for consent to such amendment. Reference is made to the Resolution for further provisions relating to the amendment thereof.

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

Sources of Funds:		
Par Amount of Notes	$	-
Cash Premium		-
Total Sources of Funds	$	-
Uses of Funds:		
Deposit to Project Construction Fund	$	-
Deposit to 2026 Reserve Fund		-
TCEQ Fee		-
Costs of Issuance/Rounding Amount		-
Total Uses of Funds	$	-

The remainder of this page intentionally left blank.

BOND INSURANCE

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

BOND INSURANCE RISKS

If an insurance policy is purchased, the following are risk factors relating to bond insurance.

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

Payment of principal of and interest on the Notes will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “THE NOTES - Noteholders’ Remedies”). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Registered Owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable solely from System revenues. In the event the Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Notes.

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

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Purchaser has made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody’s Investor Services, Inc., S&P Global Ratings, and Fitch Ratings (the “Rating Agencies”) have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Notes. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Notes and the claims-paying ability of any such bond insurer, particularly over the life of the Notes.

The remainder of this page intentionally left blank.

THE SYSTEM

WATERWORKS SYSTEM

The water supply for the District is provided through wholesale contracts from the Cities of Forney and City of Terrell. Each of these cities is supplied by North Texas Municipal Water District. The City of Forney provides the water supply for the western half of the system, which is the majority of the connections. The water supply from Forney comes from two pump stations (PS #1 and PS #2). The second pump station located on FM 548 has a total of three phases. Two phases have been completed.

THE PROJECT

The proposed third phase would provide a total of 15 MGD. The District is contracted to purchase 62% of this capacity from the City of Forney. The remaining 38% would be purchased by a group of related freshwater supply districts collectively known as "Windmill Farms", who are neighboring water districts. The District's share in the project is equivalent to 9.23 MGD or roughly 10,683 equivalent connections. This capacity is considered necessary to continue to expand the System and meet the projected growth of proposed residential developments. The cost of this share of the project is approximately $12.46 million.

The proposed FM 550 600,000-gallon elevated tank in the FM 550 and Smith Road area are needed to meet the TCEQ requirements for the pressure plane #1 of the District's System. This pressure plane currently has two pressure tanks. The capacity of these tanks will be exceeded in the next few years due to projected growth in the System.

The proposed 12-inch water line on Reeder Lane is needed to provide adequate fire flow for a planned school in the area. It will replace an existing 4-inch line that does not meet current system standards.

TABLE 1 – HISTORICAL WATER CONSUMPTION

	Water Usage in Gallons (rounded to the nearest 1,000)		
As of December 31	Average Daily Usage	Total Usage	Number of Water Customers
2021	1,085,000	396,108,000	4,806
2022	1,508,000	550,410,000	5,535
2023	1,700,000	620,555,000	6,625
2024	1,759,000	642,085,000	7,734
2025	2,071,000	755,974,000	8,837

TABLE 2 – LARGEST WATER CUSTOMERS (AS OF DECEMBER 31, 2025)

Customer	Water Usage (in Million Gallons)	% of Total Water Usage	Total Revenue
Oaks Apartment	14,955,715	1.98%	$ 231,494
Avilla Oakridge	12,432,362	1.64%	201,148
Pines Apartments	11,376,082	1.50%	184,075
Cedars Apartments	9,744,656	1.29%	165,628
Legacy Apartments	8,074,278	1.07%	142,195
Total	56,583,093	7.48%	$ 924,539

TABLE 3 – WATER RATES (EFFECTIVE JANUARY 1, 2026)

MONTHLY CHARGES . . . The monthly charge for metered water service is based on demand by meter size. Each charge is assessed based on the number of 5/8" x 3/4" meters (as per American Water Works Association) maximum continuous flow specifications equivalent to the size indicated and is used as a base multiplier for the base monthly minimum rate and the standard residential service rates are as follows:

Standard Residential Service Rates		
Monthly Minimum up to 3,000 gallons	$	35.00

GALLONAGE CHARGE . . . In addition to the monthly charge, a gallonage charge is added at the following rates for usage during the billing period.

Gallonage Charge			
3,001-10,000	$	6.50	per 1,000 gallons
10,001-15,000		8.25	per 1,000 gallons
Over 15,000		12.00	per 1,000 gallons

The remainder of this page intentionally left blank.

DEBT INFORMATION

TABLE 4 - PROFORMA REVENUE DEBT SERVICE REQUIREMENTS

Year	Outstanding Debt[1]			The Notes[2]			
Ending 9/30	Senior Lien Debt Service	Subordinate Lien Debt Service	Total Outstanding Debt	Principal	Interest	Total	Total Debt Service
2026	$ 54,192	$ 365,148	$ 419,340	$ -	$ -	$ -	$ 419,340
2027	54,192	750,148	804,340	370,000	884,776	1,254,776	2,059,116
2028	9,032	750,595	759,627	370,000	888,038	1,258,038	2,017,665
2029	-	750,475	750,475	385,000	868,613	1,253,613	2,004,088
2030	-	749,788	749,788	405,000	848,400	1,253,400	2,003,188
2031	-	748,534	748,534	430,000	827,138	1,257,138	2,005,672
2032	-	751,713	751,713	450,000	804,563	1,254,563	2,006,276
2033	-	749,136	749,136	475,000	780,938	1,255,938	2,005,074
2034	-	750,992	750,992	500,000	756,000	1,256,000	2,006,992
2035	-	747,092	747,092	525,000	729,750	1,254,750	2,001,842
2036	-	747,625	747,625	555,000	702,188	1,257,188	2,004,813
2037	-	747,402	747,402	585,000	673,050	1,258,050	2,005,452
2038	-	751,423	751,423	615,000	642,338	1,257,338	2,008,761
2039	-	749,499	749,499	645,000	610,050	1,255,050	2,004,549
2040	-	751,819	751,819	680,000	576,188	1,256,188	2,008,007
2041	-	748,194	748,194	715,000	540,488	1,255,488	2,003,682
2042	-	748,813	748,813	755,000	502,950	1,257,950	2,006,763
2043	-	748,487	748,487	790,000	463,313	1,253,313	2,001,800
2044	-	747,216	747,216	835,000	421,838	1,256,838	2,004,054
2045	-	-	-	875,000	378,000	1,253,000	1,253,000
2046	-	-	-	925,000	332,063	1,257,063	1,257,063
2047	-	-	-	970,000	283,500	1,253,500	1,253,500
2048	-	-	-	1,025,000	232,575	1,257,575	1,257,575
2049	-	-	-	1,075,000	178,763	1,253,763	1,253,763
2050	-	-	-	1,135,000	122,325	1,257,325	1,257,325
2051	-	-	-	1,195,000	62,738	1,257,738	1,257,738
	$ 117,416	$ 13,854,099	$ 13,971,515	$ 17,285,000	$ 14,110,576	$ 31,395,576	$ 45,367,091

(1) Represents the Previously Issued First Lien Obligations and the Subordinate Lien Obligations.
(2) Interest on the Notes has been calculated at an assumed rate as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF REVENUE DEBT . . . The District does not anticipate issuing additional revenue debt obligations within the next twelve months.

The remainder of this page intentionally left blank.

FINANCIAL INFORMATION

TABLE 5 - CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenue:					
Water Sales	$ 8,862,266	$ 7,752,115	$ 6,190,811	$ 5,917,953	$ 4,363,362
Customer Charges/Fees	1,360,209	1,587,225	1,293,634	1,082,712	562,162
Interest Income	310,367	171,699	31,254	2,087	3,470
Total Revenue	$ 10,532,842	$ 9,511,039	$ 7,515,699	$ 7,002,752	$ 4,928,994
Expenses (1):					
Water Purchased	$ 3,984,340	$ 3,367,501	$ 2,783,012	$ 2,377,718	$ 1,843,648
Payroll and Benefits	1,157,118	811,199	646,294	522,657	610,661
Repairs and Maintenance	146,494	316,783	249,249	164,408	108,966
Utilities	185,927	74,774	78,478	72,412	108,236
Supplies and Materials	397,250	490,271	491,994	173,815	311,278
Insurance	364,511	292,315	228,902	204,025	6,767
Professional Fees	401,554	549,440	854,921	245,417	185,935
Other	310,823	245,283	118,068	204,053	143,871
Total Expenses	$ 6,948,017	$ 6,147,566	$ 5,450,918	$ 3,964,505	$ 3,319,362
Net Revenues	$ 3,584,825	$ 3,363,473	$ 2,064,781	$ 3,038,247	$ 1,609,632
Annual Total Debt Service Requirements	$ 419,340	$ 54,192	$ 54,192	$ 54,192	$ 100,248
Coverage Annual Total Debt Service Requirements (Net Revenues)	8.55	62.07	38.10	56.06	16.06
Customer Count	5,514	5,514	5,514	4,242	3,735

(1) Excludes Depreciation.

TABLE 6 - COVERAGE AND FUND BALANCES (1)

Net Revenues, Fiscal Year ended 9/30/2025	$3,584,825
Annual Principal and Interest Requirement, 2026	$ 419,340
Coverage (2025 Net Revenues)	8.55 x
Average Annual Principal and Interest Requirement, 2026-2051	$ 538,582
Coverage (2025 Net Revenues)	6.66 x
Maximum Principal and Interest Requirement, 2027	$2,059,116
Coverage (2025 Net Revenues)	1.74 x

(1) Projected, includes the Notes. Preliminary, subject to change.

PENSION PLAN

Plan Description – The District provides a pension for all of its full-time employees through a statewide, multiple-employer, public-employee retirement system through the Texas County District Retirement System (the "TCDRS"). The system serves nearly 800 actively participating counties and districts throughout Texas. Each employer has its own defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

Contributions – The District has elected the annually determined contribution rate (ADCR) plan provisions Employees of the District were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the District were 10.32% and 10.22% in calendar years 2024 and 2025, respectively. The District's contributions to TCDRS for the year ended September 30, 2025 were $ 98,565 and were equal to the required contributions.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the PFIA.

In addition, note proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of note proceeds invested under such contract and are pledged to the District and deposited with the District or with a third party selected and approved by the District.

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

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

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

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding Note proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 7 - CURRENT INVESTMENTS

As of July 1, 2026 the District's investable funds were invested in the following categories:

Description	Market Value	% of Portfolio
Certificates of Deposit	$ 1,565,447	100%
	$ 1,565,447	100%

SELECTED PROVISIONS OF THE RESOLUTION

The following are excerpts of certain provisions of the Resolution to be adopted by the Board of Directors authorizing the issuance of the Notes. Such excerpts do not purport to be complete and reference should be made to the Resolution for the entirety thereof. Copies of the Resolution are available upon request to the District or the District's Bond Counsel.

WHEREAS, the District has previously assumed and there is presently outstanding the following obligation made payable from a first lien on the Gross Revenues (as hereinafter defined) and secured by a Deed of Trust-Utility Security Instrument, to wit: Loan Resolution Security Agreement by and between the High Point Water Supply Corporation and the United States of America, acting by and through the United States Department of Agriculture, Rural Utilities Service, together with a Promissory Note dated November 22, 1989, presently outstanding in the aggregate principal amount of $93,800.04 and scheduled to mature on November 22, 2027 (the "Previously Issued First Lien Obligations"); and

WHEREAS, the District will no longer issue obligations payable from a lien on the Gross Revenues of the System (herein defined) on a parity with the Previously Issued First Lien Obligations; and

WHEREAS, the District has previously issued and there are presently outstanding the following described obligations, which are secured by a subordinate lien on and pledge of the Net Revenues (herein defined) to be derived from the operation and/or ownership of the System, to wit: State Infrastructure Bank Loan Agreement and Promissory Note, made by and between the Texas Transportation Commission acting by and through the Texas Department of Transportation, and the District, in the original principal amount of $9,600,000, finally maturing on September 15, 2044 but payable in annual installments on September 15 in each year 2027 through 2044, inclusive (the "Subordinate Lien Obligations"); and

WHEREAS, the Board of Directors (the "Board") of the District hereby finds and determines that the District is authorized by the Act to proceed with the issuance, sale and delivery of such notes, and that it is necessary and advisable and in the best interests of the District to issue said revenue notes in the aggregate principal amount of [$__________] as "Additional Senior Lien Obligations" pursuant to the terms of the proceedings authorizing the Subordinate Lien Obligations; and

* * * * * * * * * *

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Resolution the following terms shall have the meanings specified below:

"2026 Reserve Fund" means the special fund or account created and established within the Reserve Fund pursuant to Section 8.08 hereof to secure payment of the Notes.

"Additional Parity Obligations" means the additional notes, bonds, or other evidences of indebtedness which the District expressly reserves the right to issue in Article VIII of this Resolution which may be issued in the future to be secured on a parity basis with the Notes. When used in the proper context, Additional Parity Obligations may include refunding bonds issued pursuant to Chapter 1207, Texas Government Code, as amended.

"Additional Subordinate Lien Obligations" means bonds, notes, or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in the proceedings authorizing the Subordinate Lien Obligations and Section 8.09 hereof, which obligations or evidences of indebtedness are equally and ratably secured solely by a subordinate lien on and pledge of the Pledged Revenues of the System on a parity with the Subordinate Lien Obligations, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a subordinate lien on and pledge of the Pledged Revenues.

"Amortization Installment" means with respect to Parity Obligations, the amount of money which is required for mandatory redemption of such Parity Obligations (whether at maturity or by mandatory redemption calls and including redemption premium, if any) provided that the total amortization installments for such Parity Obligations shall be sufficient to provide for retirement of the aggregate principal amount of such Parity Obligations and redemption premium, if any.

"Authorized Officer" means the General Manager (including any acting or interim General Manager) and Chief Financial Officer of the District, as designated from time to time by the Board.

"Average Annual Principal and Interest Requirements" means that amount equal to the average annual principal and interest requirements (including Amortization Installments) of all Parity Obligations Outstanding. With respect to Additional Parity Obligations that bear interest at a rate which is not established at the time of issuance at a single numerical rate, Average Annual Principal and Interest Requirements shall be calculated assuming (i) that the interest rate for every 12-month period on such Parity Obligations is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that the principal of such Parity Obligations is amortized such that annual debt service is substantially level over the remaining stated life of such Parity Obligations.

"Capital Improvements" means any extensions, improvements, replacements and additions to the System. Capital Improvements may include any lawful purpose for which the District may issue notes, bonds, other evidences of indebtedness, or for which the District may lawfully incur other obligations, contractual or otherwise.

"Code" means the Internal Revenue Code of 1986, as amended, including the regulations and published rulings thereunder.

"Delivery Date" means the date of the delivery of the Notes to the Purchaser in exchange for their purchase price.

"Designated Payment/Transfer Office" means the office of the Paying Agent/Registrar which is designated for payment of the Notes.

"District" means the High Point Special Utility District, and any other public agency succeeding to the powers, rights, privileges, and functions of the District and, when appropriate, the Board of Directors of the District.

"Event of Default" means any Event of Default as defined in Section 10.01 of this Resolution.

"Gross Revenues" means, with respect to the System and for any defined period, all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of money in any special funds or accounts created and established for the payment and security of obligations payable solely from and secured by a lien on and pledge of the Net Revenues.

"Interest Payment Date" means, with respect to any Note, the date or dates upon which interest on the Note is scheduled to be paid until the maturity of the Note, such dates being March 15 and September 15 of each year commencing on September 15, 2027.

"Net Revenues" means Gross Revenues of the System for any defined period, after deducting the Operating and Maintenance Expenses during such period.

"Operating and Maintenance Expenses" means, with respect to the System and for any defined period, all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the District, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining Net Revenues. Depreciation charges shall not be considered Operating and Maintenance Expenses. Operating and Maintenance Expenses shall include payments under contracts for the purchase of water supply, electric power, and energy or natural gas (in the event of the acquisition of a gas distribution system) or the treatment of sewage and other materials, goods, services, or facilities for the System to the extent authorized by law and the provisions of such contract. For so long as the Previously Issued First Lien Obligations remain outstanding, payments made on the Previously Issued First Lien Obligations shall constitute "Operating and Maintenance Expenses" hereunder.

"Outstanding" means, when used with respect to Parity Obligations, as of the date of determination, all Parity Obligations theretofore delivered under this Resolution and any other Parity Obligations Resolution, except:

(1) Parity Obligations theretofore cancelled and delivered to the District or delivered to the Paying Agent/Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of Section 7.11 of this Resolution or any comparable section of any Parity Obligations Resolution;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Resolution and any Parity Obligations Resolution; and

(4) Parity Obligations under which the obligations of the District have been released, discharged or extinguished in accordance with the terms thereof.

"Parity Obligations" means collectively the Notes and any Additional Parity Obligations.

"Parity Obligations Resolutions" means collectively this Resolution and any order or resolution authorizing the issuance of Additional Parity Obligations pursuant hereto.

"Paying Agent/Registrar" means BOKF, NA in Dallas, Texas, any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Resolution.

"Permitted Investments" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended or other applicable law.

"Pledged Revenues" means the Net Revenues, and any other revenues or assets specifically pledged by the Board, in its sole discretion, to the payment of the Parity Obligations.

"Previously Issued First Lien Obligations" shall have the meaning set forth in the recitals and preambles to this Resolution.

"Rating Agency" means any nationally recognized securities rating agency which has assigned, at the request of the District, a rating to one or more series of Parity Obligations.

"Registered Owner" means the person who is the owner of a Note or Notes, as shown in the Registration Books.

"Required Reserve" means the amount required to be deposited to the 2026 Reserve Fund pursuant to Section 7.05 hereof, being an amount equal to 100% of the Average Annual Principal and Interest Requirements on the Notes Outstanding as of the Delivery Date; provided, however, that such Required Reserve shall be recalculated on each Required Reserve Computation Date, in which case the Required Reserved shall be an amount equal to the Average Annual Principal and Interest Requirements on the Notes Outstanding after principal of or interest on the Notes has been so redeemed or defeased on said Required Reserve Computation Date. In no event shall the Required Reserved exceed the lesser of (i) 10% of the face amount of the Notes, (ii) 100% of the maximum annual debt service for the Notes, or (iii) 125% of Average Annual Principal and Interest Requirements of the Notes.

"Required Reserve Computation Date" means the Delivery Date of the Notes, and each date Notes are redeemed or defeased pursuant to Section 4.02 or 7.11 herein.

"Required Reserve Fund Deposits" means the deposits and credits, if any, required to be made to the 2026 Reserve Fund pursuant to the provisions of Section 7.05 of this Resolution.

"Reserve Fund" means the fund created in Sections 7.01 and 7.04 to secure the payment of Parity Obligations, including the 2026 Reserve Fund created therein pursuant to Section 7.05 to secure the payment of the Notes.

"Reserve Fund Obligation" means, to the extent permitted by law, (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on Parity Obligations would rate the Parity Obligations fully insured by a standard policy issued by the issuer of such Reserve Fund Obligation in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Obligations would rate the Parity Obligations in any one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Obligations and the interest thereon.

"Reserve Fund Obligation Payment" means any subrogation payment the District is obligated to make from Pledged Revenues deposited in an account within the Reserve Fund with respect to a Reserve Fund Obligation.

"Revenue Fund" means the fund or account created pursuant to Section 7.01 hereof and to be maintained pursuant to Section 7.02 hereof so long as the Parity Obligations are Outstanding.

"Subordinate Lien Obligations" shall have the meaning assigned in the preamble hereto.

"System" means all properties, facilities and plants currently owned, operated, and maintained by the District for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term "System" shall not mean to include facilities of any kind which are declared not to be a part of the System and which are hereafter acquired or constructed by or on behalf of the District with the proceeds from the issuance of "Special Facilities Obligations", which are hereby defined as being special revenue obligations of the District which are payable from and secured by other liens on and pledges of special contract revenues or payments received from any other legal entity in connection with such facilities.

"Year" or "fiscal year" means the regular fiscal year used by the District in connection with the operation of the System, which may be any 12 consecutive month period established by the Board, presently January 1 to December 31.

* * * * * * * * * *

ARTICLE II

SECURITY FOR THE NOTES

Section 2.01. Pledge of Revenues. The Notes herein authorized are and shall be payable from and secured by an irrevocable first lien on and pledge of the Net Revenues to be derived from the operation and/or ownership of the System, and the Net Revenues are further pledged irrevocably to the establishment and maintenance of the funds hereinafter created.

Section 2.02. Special Obligations. The Notes and the interest thereon shall constitute special obligations of the District, payable solely from the Net Revenues herein pledged, and the Registered Owner or Registered Owners of the Notes shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

* * * * * * * * * *

ARTICLE VII

FUNDS AND ACCOUNTS, INITIAL DEPOSITS AND APPLICATION OF MONEY

Section 7.01. Funds. All revenues of the System shall be kept separate and apart from all other funds of the District, and the following special funds are hereby created and ordered to be established and maintained in an official depository bank of the District, so long as any of the Parity Obligations or interest thereon, are Outstanding and unpaid:

(a) High Point Special Utility District Revenue Fund, hereinafter called "Revenue Fund."

(b) High Point Special Utility District Interest and Sinking Fund, hereinafter called "Interest and Sinking Fund."

(c) High Point Special Utility District Reserve Fund, hereinafter called "Reserve Fund."

Section 7.02. Revenue Fund. All Gross Revenues are and shall be credited to the Revenue Fund immediately upon receipt. Payments from the Revenue Fund shall be made with the priorities specified in Section 7.09 hereof.

Section 7.03. Interest and Sinking Fund. The Interest and Sinking Fund is created for the sole purpose of paying the principal of, redemption premium, if any, and interest on the Parity Obligations, as the same come due. Payments into the Interest and Sinking Fund shall be made in substantially equal monthly payments (commencing with respect to the Notes and any Additional Parity Obligations on the date of delivery to the initial purchaser thereof) during each year in which any of the Parity Obligations are Outstanding in an aggregate amount equal to the amounts required to meet the interest and principal payments falling due on or before the next maturity date or mandatory redemption date of the Parity Obligations. The District shall, at least five days prior to September 15, 2027, and each March 15 and September 15 thereafter, deposit into the Interest and Sinking Fund any additional Pledged Revenues available in the Revenue Fund which may be necessary to pay in full the interest on and principal, if any, coming due on such March 15 or September 15. In no event shall any amount in excess of the amounts stated above be retained in the Interest and Sinking Fund, and any such excess amount may be withdrawn by the District and replaced in the Revenue Fund.

Section 7.04. Reserve Fund. The District is authorized to create and establish within the Reserve Fund, and there shall be maintained on the books of the District, a separate fund or account to be held for the benefit of the Notes and for each series of Additional Parity Obligations, which separate fund or account will be held for the benefit of the specific issue for which it was created only and not for the benefit of any other Parity Obligations. Cash and Permitted Investments in any fund or account within the Reserve Fund shall be deposited and maintained in an official depository bank of the District. Moneys in each fund or account within the Reserve Fund shall be used for the purpose of retiring the last of the specific Parity Obligations Outstanding for which such fund or account was created as they become due and paying principal of and interest on such specific Parity Obligations when and to the extent the amounts in the Interest and Sinking Fund are insufficient for such purpose. Money in the Reserve Fund may, upon authorization by the District, be invested in Permitted Investments, provided that each of the aforesaid obligations must mature, or be subject to redemption at the option of the District, within not more than ten years from the date of the making of such Permitted Investment. Any obligations in which money in any fund or account within the Reserve Fund is so invested shall be kept and held in escrow and in trust for the benefit of the Registered Owners of the Parity Obligations for which such fund or account was created and established, and shall be promptly sold and the proceeds of sale applied to making of payments all required to be made from the Reserve Fund.

Section 7.05. 2026 Reserve Fund. (a) There is hereby created and ordered to be established and maintained in an official depository bank of the District, for the benefit of the Notes, the 2023 Reserve Fund, which shall be a separate fund or account within the Reserve Fund created pursuant to Section 7.01 hereof. The Required Reserve as of the Delivery Date of the Notes is [$__________]. The District shall deposit into the 2026 Reserve Fund on or before the last day of each month, beginning on or before the last day of the month next following the month in which the Notes are delivered, from available Gross Revenues a substantially equal amount per month which will within 60 calendar months of the date of such first deposit accumulate the Required Reserve. The Required Reserve shall be maintained in the 2026 Reserve Fund at all times after the delivery of the Notes, and the Required Reserve shall be computed on each Required Reserve Computation Date. There shall be deposited into the 2026 Reserve Fund any Reserve Fund Obligations so designated by the District. All funds, Permitted Investments and Reserve Fund

Obligations on deposit and credited to the 2026 Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Notes, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments, and (iii) to retire the last stated maturity or stated maturities of or interest on the Notes.

(b) When and for so long as the cash, Permitted Investments and Reserve Fund Obligations in the 2026 Reserve Fund equal the Required Reserve or the portion then required to be on deposit therein, no deposits need be made to the credit of the 2026 Reserve Fund; but, if and when the 2026 Reserve Fund at any time contains less than the Required Reserve then required to be on deposit therein, the District covenants and agrees that the District shall cure the deficiency in the 2026 Reserve Fund by making Required Reserve Fund Deposits to such fund from the Pledged Revenues in accordance with Section 7.09 by monthly deposits in amounts equal to not less than 1/60th of the Required Reserve Amount, with any such deficiency payments being made on or before the last day of each month until the Required Reserve Amount has been fully funded or restored. In addition, in the event that a portion of the Required Reserve is represented by a Reserve Fund Obligation, the Required Reserve shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the Revenue Fund in accordance with Section 7.09, but subject to making the full deposits and credits to the Interest and Sinking Fund required to be made by Section 7.09. The District further covenants and agrees that, subject only to the prior deposits to be made to the Interest and Sinking Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve, including by paying Reserve Fund Obligation Payments when due, and any reserve established for the benefit of any issue or series of Additional Parity Obligations and to cure any deficiency in such amounts as required by the terms of this Resolution and any other Parity Obligations Resolution. Reimbursements to the provider, if any, of a Reserve Fund Obligation shall constitute the making up of a deficiency in the 2026 Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Reserve Fund Obligation.

(c) Earnings and income derived from the investment of amounts held for the credit of the 2026 Reserve Fund shall be retained in the 2026 Reserve Fund until the 2026 Reserve Fund contains the Required Reserve. During such time as the 2026 Reserve Fund contains the Required Reserve or any cash or Permitted Investment is replaced with a Reserve Fund Obligation pursuant to subsection (d) below, the District may, at its option, withdraw all surplus funds in the 2026 Reserve Fund and deposit such surplus in the Revenue Fund; provided that the face amount of any Reserve Fund Obligation may be reduced at the option of the District in lieu of such transfer. Notwithstanding the foregoing, any surplus funds in the 2026 Reserve Fund that consist of proceeds of the Notes or interest thereon shall be used for purposes for which the Notes were issued or deposited to the Interest and Sinking Fund.

(d) The District may at any time deposit, supplement, replace or substitute a Reserve Fund Obligation for cash or Permitted Investments on deposit in the 2026 Reserve Fund or in substitution for or replacement of any existing Reserve Fund Obligation, provided, that the deposit, supplement, replacement or substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Notes by any Rating Agency to be lowered and the order or resolution authorizing the substitution of the Reserve Fund Obligation for all or part of the Required Reserve contains a finding that such substitution is cost effective. Notwithstanding any other provision of this Resolution, if a Reserve Fund Obligation is utilized in connection with the Notes after the issuance date of the Notes, the District must specifically approve any such Reserve Fund Obligation and any such Reserve Fund Obligation must be submitted to the Attorney General of Texas (if submission is then required by law) for approval.

(e) If the District is required to make a withdrawal from the 2026 Reserve Fund for any of the purposes described in this Section, the District shall promptly notify the issuer of such Reserve Fund Obligation of the necessity for a withdrawal from the 2026 Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Permitted Investments then on deposit in the 2026 Reserve Fund, and NEXT from a drawing under any Reserve Fund Obligation to the extent of such deficiency.

(f) In the event there is a draw upon the Reserve Fund Obligation, the District shall reimburse the District of such Reserve Fund Obligation for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Obligation is used, from Pledged Revenues, however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of Section 7.09 hereof and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the then outstanding Parity Obligations.

(g) The District may create and establish a separate fund or account with the Reserve Fund pursuant to Section 7.04 hereof and pursuant to the provisions of any Parity Obligations Resolution for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations (including the combining of all or several reserve funds or accounts created and established for Parity Obligations so long as the requirements of each Parity Obligations Resolution authorizing such Parity Obligations are satisfied), and the amounts once deposited or credited to said funds or accounts shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Parity Obligations for which such fund or account was established. Each such fund or account created and established pursuant to Section 7.04 hereof shall receive a pro rata amount of the Pledged Revenues after the requirements of the Interest and Sinking Fund, which secures all Parity Obligations, have first been met. Each such fund or account shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such fund or account from the fund or account created for the benefit of other Parity Obligations. Each Parity Obligations Resolution authorizing the issuance of Additional Parity Obligations that are to be secured by a debt service reserve fund or account shall specify the amount or a manner of calculating the amount to be held and maintained on deposit therein. It is the District's intention hereby to provide maximum flexibility with respect to any fund or account to be created and established within the Reserve Fund for the benefit of any Additional Parity Obligations which may be issued hereafter and the foregoing provisions shall be liberally construed in order to achieve that objective without materially prejudicing the rights and interests of the Registered Owners of any Parity Obligations at the time Outstanding.

Section 7.06. Deficiencies. If in any month the District shall fail to deposit into any Fund provided for by this Resolution the full amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Gross Revenues of the following month or months, and such payment shall be in addition to the amounts otherwise required to be paid into said Funds during such month or months. To the extent necessary, the District shall increase the rates and charges for its services to make up for any such deficiencies.

Section 7.07. Excess Revenues and Final Payment. (a) The Net Revenues of the System, in excess of those necessary to establish and maintain the funds as required in this Resolution authorizing the Notes, or as hereafter may be required in connection with the issuance of Additional Parity Obligations, may be used for any lawful purpose.

(b) Whenever the total amount in the Interest and Sinking Fund and the Reserve Fund shall be equivalent to (i) the aggregate principal amount of all Outstanding Parity Obligations plus (ii) the aggregate amount of all unpaid interest thereto appertaining unmatured and matured, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund.

Section 7.08. Construction Fund. The District hereby creates and establishes and shall maintain on the books of the District a separate fund to be entitled the “Series 2026 Notes Construction Fund” (the “Construction Fund”) for use by the District for payment of all lawful costs associated with the acquisition and construction of the Projects as hereinbefore provided. The proceeds of sale of the Notes, excluding amounts to pay costs of issuance, shall be deposited to the credit of said Construction Fund and, if not immediately invested, in a fund kept at a depository bank of the District. Pending expenditure for authorized projects and purposes, such proceeds of sale deposited to the credit of the Construction Fund may be invested in authorized investments in accordance with the provisions of Texas Government Code, Chapter 2256, as amended, including guaranteed investment contracts permitted in Texas Government Code, Section 2256.015, et seq., and any investment earnings realized may be expended for such authorized projects and purposes or deposited in the Interest and Sinking Fund as shall be determined by the Board. Premium in the above amount and all surplus proceeds of sale of the Notes, including investment earnings, remaining after completion of all authorized projects or purposes shall be deposited to the credit of the Interest and Sinking Fund.

Section 7.09. Priority of Deposits and Payments from Revenue Fund. The Board shall make the deposits and payments from Pledged Revenues in the Revenue Fund when and as required by any Parity Obligations Resolution or any proceeding authorizing the Subordinate Lien Obligations or any Additional Subordinate Lien Obligations, and, after payment of Operating and Maintenance Expenses (including payments on the Previously Issued First Lien Obligations), such deposits shall be made in the following order and with the following irrevocable priorities, respectively:

First: to the Interest and Sinking Fund, when and in the amounts required by any Parity Obligations Resolution;

Second: pro rata to the payment of the amounts required to be deposited and credited (i) to the 2026 Reserve Fund created and established with the Reserve Fund in accordance with the provisions of Section 7.05 of this Resolution to maintain the Required Reserve therein, and (ii) to each other fund or account created and established to maintain a reserve in accordance with the provisions of Section 7.04 herein for the benefit of any Additional Parity Obligations hereafter issued by the District, when and in the amounts required by any Parity Obligations Resolution; and

Third: to the payment of principal, interest and reserve fund requirements for any obligations which hereafter may be issued by the District that are payable from and secured by a lien on and pledge of the Pledged Revenues which is subordinate to the liens of the Parity Obligations, including without limitation the Subordinate Lien Obligations and any Additional Subordinate Lien Obligations, when and in the amounts required by any proceedings authorizing the issuance of such Subordinate Lien Obligations or Additional Subordinate Lien Obligations.

Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now of hereafter permitted by law.

Section 7.10. Initial Deposits. On the Delivery Date, the District shall cause the proceeds from the sale of the Notes then delivered to be deposited to the credit of the Construction Fund.

ARTICLE VIII

ADDITIONAL PARITY OBLIGATIONS

Section 8.01. General Provisions. In addition to inferior lien obligations permitted to be issued hereunder, the District expressly reserves the right hereafter to issue Additional Parity Obligations, and the Additional Parity Obligations, when issued, may be secured by and payable from a lien on and pledge of the Pledged Revenues in the same manner and to the same extent as the Outstanding Parity Obligations but subject to the remaining provisions hereof, and the Notes and the Additional Parity Obligations may be in all respects of equal dignity. The Additional Parity Obligations may be issued to provide funds for Capital Improvements and for any other lawful purpose. It is provided, however, that no Additional Parity Obligations shall be issued unless such Additional Parity Obligations are made to mature on September 15 in each of the years in which they are scheduled to mature, and the following requirements are met.

Section 8.02. Conditions Precedent for Issuance of Additional Parity Obligations - General. As a condition precedent to the issuance of any Additional Parity Obligations, the Authorized Officer shall have executed a certificate stating (i) that the District is not then in default as to any covenant or requirement contained in any Parity Obligations Resolutions and (ii) all payments into all funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Pledged Revenues have been made in full and that the amounts on deposit in such funds or accounts are the amounts then required to be deposited therein. Such certificate shall be dated as of the date of such Additional Parity Obligations.

Section 8.03. Conditions Precedent for Issuance of Additional Parity Obligations - Capital Improvements and Any Other Lawful Purpose Except for Refunding. The District covenants and agrees that Additional Parity Obligations will not be issued for the purpose of financing Capital Improvements or any other lawful purpose (except for refunding bonds, which are to be issued in accordance with the provisions of Sections 8.04) unless and until the conditions precedent in Section 8.02 above have been satisfied and, in addition thereto:

(a) For so long as the Subordinate Lien Obligations remain outstanding: the District has secured a certificate of the Authorized Officer to the effect that during either the next preceding year, or any twelve consecutive calendar month period ending not more than ninety days prior to the passage of the Parity Obligations Resolution authorizing the issuance of the then proposed Additional Parity Obligations, the Pledged Revenues were at least equal to: (1) 1.25 times the Average Annual Principal and Interest Requirements of all Parity Obligations; and (2) 1.10 times the average annual principal and interest requirements for the Subordinate Lien Obligations and any Additional Subordinate Lien Obligations after giving effect to the issuance of the Additional Parity Obligations then proposed; or

(b) At such time as the Subordinate Lien Obligations and Additional Subordinate Lien Obligations issued on a parity therewith are no longer outstanding: the District has secured a certificate of the Authorized Officer to the effect that during either the next preceding year, or any twelve consecutive calendar month period ending not more than ninety days prior to the passage of the Parity Obligations Resolution authorizing the issuance of the then proposed Additional Parity Obligations, the Pledged Revenues were at least equal to 1.10 times the Average Annual Principal and Interest Requirements of all Parity Obligations after giving effect to the issuance of the Additional Parity Obligations then proposed.

Section 8.04. Refunding Bonds. The District reserves the right to issue refunding bonds (pursuant to any law then available) to refund all or any part of the Outstanding Parity Obligations, the Subordinate Lien Obligations, or any Additional Subordinate Lien Obligations upon such terms and conditions as the Board may deem to be in the best interest of the District and its inhabitants, and if less than all such Outstanding Parity Obligations, Subordinate Lien Obligations or Additional Subordinate Lien Obligations are refunded, the conditions precedent (for the issuance of Additional Parity Obligations) set forth in Section 8.02 and Section 8.03 shall be satisfied and the Authorized Officer's certificate required by Section 8.03 shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the obligations being refunded following their cancellation or provision being made for their payment). No Authorized Officer's certificate otherwise required by Section 8.03 hereof will be required for refunding bonds, after giving effect to such proposed refunding, if there is no increase in debt service for any Year before or including any Year in which there will be debt service on Parity Obligations Outstanding both before and after such refunding and any such refunding bond does not have a lien on Pledged Revenues superior to the obligation which it refunds.

Section 8.05. Determination of Average Annual Principal and Interest Requirements. With reference to Additional Parity Obligations anticipated and estimated to be issued or incurred, the Average Annual Principal and Interest Requirements therefor shall be those reasonably estimated and computed by Authorized Officer. In the preparation of the certificate required by Section 8.03 above and 8.08 below, the Authorized Officer may rely on other experts or professionals, including those in the employment of the District, provided such reports disclose the extent of such reliance and concludes it is reasonable so to rely. In connection with the issuance of Additional Parity Obligations for Capital Improvements, the certificate of the District's Authorized Officer shall be conclusive evidence and the only evidence required to show compliance with the provisions and requirements of this section.

Section 8.06. Effect of Rate Increase. In making a determination of Pledged Revenues for any of the purposes described in this Article VIII, including without limitation for purposes of satisfying the certificates required to be delivered by an Authorized Officer pursuant to Sections 8.03 and 8.08 herein, the Authorized Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective on or prior to the date the order or resolution authorizing the issuance of the Additional Parity Obligations or Additional Subordinate Lien Obligations, as applicable, is adopted but which rates and charges were not in effect during all of the entire period for which the Pledged Revenues of the System are being calculated (hereinafter referred to as the "entire period"), then the implementation of such Pledged Revenues may be incorporated into the Authorized Officer's certificate if an Authorized Officer shall determine and certify the amount of Pledged Revenues as being the total of (i) the actual Pledged Revenues of the System for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

Section 8.07. Combined Issues. Additional Parity Obligations for Capital Improvements may be combined in a single issue with Additional Parity Obligations, as the case may be, for any lawful purpose, provided the conditions precedent set forth in Sections 8.02 through 8.04 are complied with as the same relate to the appropriate purpose.

Section 8.08. Additional Subordinate Lien Obligations. (a) The District shall have the right and power at any time and from time to time, and in one or more series or issues, to authorize, issue, and deliver Additional Subordinate Lien Obligations, in any amounts, for any lawful purpose, including the refunding of Additional Subordinate Lien Obligations. Such Additional Subordinate Lien Obligations, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the outstanding Subordinate Lien Obligations, and all other outstanding Additional Subordinate Lien Obligations.

(b) Each order or resolution under which Additional Subordinate Lien Obligations are authorized shall provide and require that, in addition to the amounts required by the provisions of the proceedings authorizing the Subordinate Lien Obligations and the provisions of any other order or resolution authorizing Additional Subordinate Lien Obligations to be deposited to the credit of the interest and sinking fund for the benefit of the Subordinate Lien Obligations, the District shall deposit to the credit of said interest and sinking fund at least such amounts as are required for the payment of all principal of and interest on said Additional Subordinate Lien Obligations then being issued, as the same come due.

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Subordinate Lien Obligations then proposed to be issued.

(d) For so long as the existing Subordinate Lien Obligations remain outstanding, Additional Subordinate Lien Obligations shall be issued only in accordance with the proceedings authorizing the Subordinate Lien Obligations, to wit:

(i) The Authorized Officer of the District sign a written certificate to the effect that the District is not in default as to any covenant, condition, or obligation in connection with the outstanding Subordinate Lien Obligations, and the order or resolution authorizing same, and that the interest and sinking fund and the reserve fund established for the benefit of the Subordinate Lien Obligations and any Additional Subordinate Lien Obligations contain the amounts then required to be therein.

(ii) The Authorized Officer signs a written certificate to the effect that, during either the next preceding year, or any twelve consecutive calendar month period ending not more than ninety days prior to the passage of the order or resolution authorizing the issuance of the then proposed Additional Subordinate Lien Obligations, the Pledged Revenues were at least equal to: (1) 1.25 times the average annual principal and interest requirements of all Parity Obligations; and (2) 1.10 times the average annual principal and interest requirements for the Subordinate Lien Obligations and any Additional Subordinate Lien Obligations after giving effect to the issuance of the Additional Subordinate Lien Obligations then proposed.

(e) At such time as the Subordinate Lien Obligations and any Additional Subordinate Lien Obligations issued on a parity therewith are no longer outstanding, the District may provide for the issuance of obligations secured by a lien on the Pledged Revenues that is inferior to the lien securing the Parity Obligations in any manner now or hereafter permitted by law, as provided in a future order or resolution authorizing said inferior lien obligations or in a future Parity Obligations Resolution adopted by the Board.

ARTICLE IX

PARTICULAR REPRESENTATIONS AND COVENANTS

The District covenants, warrants, and agrees that in accordance with and to the extent required or permitted by law while the Parity Obligations are Outstanding and unpaid:

Section 9.01. General Covenants.

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each Parity Obligations Resolution, and in each and every Parity Obligation; it will promptly pay or cause to be paid the principal of and interest on every Parity Obligation, on the dates and in the places and manner prescribed in the Parity Obligations Resolutions; and it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any Registered Owner of the Parity Obligations may require the District, its officials and employees to carry out, respect, or enforce the covenants and obligations of the Parity Obligations Resolutions by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the District, its officials and employees.

(b) District's Legal Authority. It is a duly created and existing political subdivision of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Parity Obligations; it has the lawful power to pledge the revenues supporting the Notes and has lawfully exercised said power under the Constitution and laws of the State of Texas, including said power existing under the Act; the Notes issued hereunder shall be ratably secured by said pledge of revenues, in such manner that one Note shall have no preference over any other Note; all action on its part for the creation and issuance of said obligations has been duly and effectively taken; and said obligations in the hands of the Registered Owners thereof are and will be valid and enforceable special obligations of the District in accordance with their terms.

(c) Title. It has or will obtain lawful title to the lands, buildings, structures, and facilities constituting the System; it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof, for the benefit of the Registered Owners of the Parity Obligations, against the claims and demands of all persons whomsoever; it is lawfully qualified to pledge the Net Revenues to the payment of the Parity Obligations in the manner prescribed herein; and it has lawfully exercised such rights.

(d) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it or the System; it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein; and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall he required to be paid so long as the validity of the same shall be contested in good faith by the District.

(e) Operation of System; No Free Service. It shall continuously and efficiently operate the System and maintain the System in good condition, repair, and working order, all at reasonable cost. No free service of the System shall be allowed, and should the District, or any of its agencies or instrumentalities, lessees, or concessionaires, make use of the services and facilities of the System, payment monthly of the standard retail price of the services provided shall be made by the District, or any of its agencies or instrumentalities, lessees, or concessionaires, out of funds from sources other than the revenues of the System, unless made from surplus Net Revenues.

(f) Further Encumbrance. The rents, revenues, and income of the System have not in any manner been pledged to the payment of any debt or obligations of the District or of the System; and it shall not additionally sell or encumber the Net Revenues in any manner, except as permitted in the Parity Obligations Resolutions in connection with Additional Parity Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Previously Issued First Lien Obligations and the Parity Obligations Resolutions; but the right of the District to issue revenue bonds and other obligations payable from a subordinate lien on the Net Revenues of the System is specifically recognized and retained.

(g) Insurance.

(i) The Board shall cause to be insured for such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless legal counsel for the Board gives a written opinion to the effect that the District and the Board are not liable for claims which would be protected by such insurance. All insurance premiums shall be paid as an Operating and Maintenance Expense. At anytime while any contractor engaged in construction work shall be fully responsible therefor, the Board shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Registered Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Board shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Board. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Board for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be deposited in a special and separate trust fund, at an official depository of the District, to be designated the Insurance Account. The Insurance Account shall be held until such time as other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required.

(ii) The annual audit hereinafter required may contain a section commenting on whether or not the Board has complied with the requirements of this Section with respect to the maintenance of insurance, and shall state whether or not all insurance premiums upon the insurance policies to which reference is made have been paid.

(h) Records. The Board shall keep proper books of record and account in which full, true, proper, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and the Funds created pursuant to this Resolution, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any Registered Owner or customer of the District. To the extent consistent with the provisions of this Resolution, the Board shall keep its books and records in a manner conforming to standard accounting 34 practices as usually would be followed by private corporations owning and operating a system similar to the System, with appropriate recognition being given to essential differences between municipal and corporate accounting practices.

(i) Audits. After the close of each fiscal year, an audit will be made of the books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. The audit shall include a schedule of the deposits made to the various funds created by this Resolution. The annual audit reports shall be open to the inspection of the Registered Owners and their agents and representatives at all reasonable times.

(j) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the Board has or will obtain and keep in full force and effect all franchises, permits, authorization, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

(k) No Competition. It will not operate, or grant any franchise or permit for the acquisition, construction, or operation of, any facilities which would be in competition with the System, and to the extent that it legally may, the District will prohibit any such competing facilities.

* * * * * * * * * *

Section 9.03. Rate Covenant. For so long as any Parity Obligation remains Outstanding, the District covenants and agrees that rates and charges for services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies, that are reasonably expected to provide Gross Revenues each fiscal year: (1) to pay all Operating and Maintenance Expenses; (2) to produce Net Revenues equal to the greater of (i) 1.10 times the Average Annual Principal and Interest Requirements or (ii) the amounts to pay the actual principal and interest requirements to become due and payable on all Parity Obligations then Outstanding and to make the required deposits to the Interest and Sinking Fund and Reserve Fund, if any; and (3) to pay any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

Section 9.04. Benefit of Covenants. The covenants and representations made or required by this Article are for the benefit of the Registered Owners and may be relied upon by the Registered Owners and bond counsel for the District.

* * * * * * * * * *

ARTICLE X

DEFAULT AND REMEDIES

Section 10.01. Events of Default. Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an "Event of Default," to-wit: (i) the failure to make payment of the principal of or interest on any of the Notes or Parity Obligations when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the Registered Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the District.

Section 10.02. Remedies for Default. (a) Upon the happening of any Event of Default, then and in every case any Registered Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the District for the purpose of protecting and enforcing the rights to the Registered Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Notes then Outstanding.

Section 10.03. Remedies Not Exclusive. (a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Notes or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Notes shall not be available as a remedy under this Resolution.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

* * * * * * * * * *

ARTICLE XIV

AMENDMENTS

14.01. Resolution a Contract. This Resolution shall constitute a contract with the Registered Owners from time to time, be binding on the District, and shall not be amended or repealed by the District so long as any Note remains Outstanding except as permitted in this Article XIV and in Section 9.05(e) hereof.

14.02. Amendments. (a) The District may from time to time, without the consent of any Registered Owner of Parity Obligations amend or supplement this Resolution in order to: (i) cure any ambiguity, defect or omission in this Resolution that does not materially adversely affect the interests of the Registered Owners of the Parity Obligations, (ii) grant additional rights or security for the benefit of the Registered Owners of the Parity Obligations, (iii) add events of default as shall not be inconsistent with the provisions of this Resolution and that shall not materially adversely affect the interests of the Registered Owners of the Parity Obligations, (iv) qualify this Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Resolution as shall not be inconsistent with the provisions of this Resolution and that shall not in the opinion of Bond Counsel to the District materially adversely affect the interests of the Registered Owners of the Parity Obligations.

(b) The Registered Owners of Parity Obligations aggregating a majority in principal amount of the aggregate principal amount of then Outstanding Parity Obligations (for purposes of this sentence only, 100% of the aggregate principal amount of Parity Obligations which are insured by a bond insurance provider at the time that the District seeks approval of an amendment shall be deemed to be owned by such bond insurance provider) shall have the right from time to time to approve any amendment to this Resolution which may be deemed necessary or desirable by the District; provided, however, that without the consent of the Registered Owners of all of the Parity Obligations at the time Outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Resolution or in the Parity Obligations so as to:

(1) make any change in the maturity of any of the Outstanding Parity Obligations;
(2) reduce the rate of interest borne by any of the Outstanding Parity Obligations;
(3) reduce the amount of the principal of, or redemption premium, if any, payable on any Outstanding Parity Obligations;
(4) modify the terms of payment of principal or of interest or redemption premium on Outstanding Parity Obligations, or imposing any condition with respect to such payment; or
(5) change the minimum percentage of principal amount of the Notes necessary for consent to such amendment.

(c) If at any time the District shall desire to make any amendments to this Resolution requiring consent of Registered Owners of the Parity Obligations under this Section, the District shall cause notice of the proposed amendment to be published in a newspaper or financial journal of general circulation in the State of Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the District for inspection by all Registered Owners of the Parity Obligations. Such publication is not required, however, if notice in writing is given to each Registered Owner of Parity Obligations.

(d) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the District shall receive an instrument or instruments executed by the Registered Owners of a majority in aggregate principal amount of all Parity Obligations then Outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which shall specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the District, the District may pass the amendatory resolution in substantially the same form.

(e) Upon the passage of any amendatory resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties, and obligations under this Resolution of the District and all the Registered Owners of the then-Outstanding Parity Obligations shall thereafter be determined, exercised, and endorsed hereunder, subject in all respects to such amendments.

(f) Any consent given by a Registered Owner of a Parity Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or giving of the notice provided for in this Section, and shall be conclusive and binding upon all future Registered Owners of the same Parity Obligation during such period. Such consent may be revoked at any time after six months from the date of the first publication or giving of such notice by the Registered Owners who gave such consent, or by a successor in title, by filing notice thereof with the District, but such revocation shall not be effective if the Registered Owners of a majority in aggregate principal amount of the then-Outstanding Parity Obligations as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

* * * * * * * * * *

Section 15.06. <u>Closure of Prior Lien</u>. The District hereby covenants that it will never authorize or permit the issuance of any debt obligations secured by a lien on and pledge of the Net Revenues of the System that is higher in priority to the Parity Obligations, thereby closing the lien on the Gross Revenues created by the Previously Issued First Lien Obligations.

The remainder of this page intentionally left blank.

TAX MATTERS

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

In rendering its opinion, Bond Counsel to the District will rely upon (a) the District's federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Notes and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Notes to become includable in gross income retroactively to the date of issuance of the Notes.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount . . . The initial public offering price to be paid for one or more maturities of the Notes may be less than the principal amount thereof or one or more periods for the payment of interest on the Notes may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Notes"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Note, and (ii) the initial offering price to the public of such Original Issue Discount Note would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Notes less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Note is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Note 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 (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Note.

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Notes. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Interest on the Notes may be includable in certain corporation’s “adjusted financial statement income” determined under section 56A of the Code to calculate the alternative mini mum tax imposed by section 55 of the Code.

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 7 and in APPENDIX B, which is the District's audited financial statement. The District will update and provide the information in the numbered tables within 12 months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of such annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial information of the general type included in the Official Statement under Tables 1 through 7 within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is September 30. Accordingly, the District must provide updated information included in the above-referenced tables by the last day of September in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

NOTICES OF CERTAIN EVENTS . . . The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District or 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, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under "Annual Reports." Neither the Notes nor the Resolution provide for debt service reserves, liquidity enhancement or credit enhancement.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

AVAILABILITY OF INFORMATION FROM MSRB . . . The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments . . . The District has agreed to update information and to provide notices of certain 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 Notes at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Notes may seek a writ of mandamus to compel the District to comply with its agreement.

The continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as amended, would have permitted an underwriter to purchase or sell Notes in the primary offering of the Notes in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the Outstanding Notes consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Notes. The District may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings . . . The District has not previously entered into a continuing disclosure agreement pursuant to the Rule.

LEGAL MATTERS

Legal Opinions . . . Issuance of the Notes is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Notes are valid and binding obligations of the District payable, together with Additional Parity Obligations that may be issued from time to time in accordance with the Resolution, both as to principal and interest, solely from and secured by a lien on and pledge of the Pledged Revenues of the System. Issuance of the Notes is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Notes, to the effect that the Notes are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described in the Resolution, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity (See "APPENDIX C – Form of Bond Counsel's Opinion" herein). Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Notes. In connection with the issuance of the Notes, Bond Counsel has been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Notes are based upon a percentage of Notes actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Notes.

The various legal opinions to be delivered concurrently with the delivery of the Notes 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 Purchaser to take and pay for the Notes, and of the District to deliver the Notes, are subject to the condition that, up to the time of delivery of and receipt of payment for the Notes, 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 Official Statement. See "OTHER INFORMATION – Certification of the Official Statement and No-Litigation Certificate" herein.

OTHER INFORMATION

Ratings . . . The Notes are rated "AA-" by S&P Global Ratings ("S&P"). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

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

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

Legal Investments and Eligibility to Secure Public Funds in Texas . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes are negotiable instruments, investment securities, governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Notes be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Notes are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Notes are legal investments for various institutions in those states.

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

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

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

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

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION CERTIFICATE . . . At the time of payment for and delivery of the Notes, the District will furnish a certificate, executed by a proper officer, acting in their official capacity, to the effect that to their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect, (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District; and (e) no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Notes; restraining or enjoining the issuance, execution or delivery of the Notes; affecting the provisions made for the payment of or security for the Notes; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Notes; or affecting the validity of the Notes.

APPROVAL OF OFFICIAL STATEMENT . . . The Resolution authorizing the issuance of the Notes will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Notes by the Purchaser.

____
President
High Point Special Utility District

ATTEST:

____
Secretary/Treasurer
High Point Special Utility District

<u>APPENDIX A</u>

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

General

High Point Special Utility District is located in northern Kaufman County, generally between Forney and Terrell, Texas, and a portion of the system is located in Rockwall County, Texas.

High Point Special Utility District provides potable water to approximately 8,837 connections.

The water supply for High Point Special Utility District is provided through wholesale contracts from the Cities of Forney and City of Terrell. Each of these cities is supplied by North Texas Municipal Water District. The City of Forney provides the water supply for the western half of the system, which is the majority of the connections. The water supply from Forney comes from two pump stations (PS #1 and PS #2). The second pump station located on FM 548 has a total of three phases. Two phases have been completed.

Kaufman County Characteristics

Kaufman County is a northeast Texas county traversed by Interstate Highway 20, U.S. Highways 80 and 175 and State Highways 34, 243, and 274. Cedar Creek Reservoir offers excellent camping and boating facilities. Lake Ray Hubbard and the surrounding area includes marinas and leisure homes. The county was the sixth largest producing county of soybeans in Texas in 2016.

Population

The Kaufman County census population for 2025 was 209,235.

2020 census: 145,310 increasing 40.6% since 2010
2010 census: 103,350 increasing 44.9% since 2000
2000 census: 71,313

Source: United States Census Bureau.

Economic Base

Mineral: sand, oil, gravel and gas.

Industry: varied manufacturing, retail/service, government and antique center.

Agricultural: soybeans, nursery crops, horses, forage, corn and cattle.

Employment Statistics

Employment figures for Kaufman County are as follows:

	July	Average Annual			
	2026	2025	2024	2023	2022
Total Civilian Labor Force	104,059	103,199	101,294	95,666	88,054
Total Employment	98,959	98,959	97,282	92,019	84,907
Total Unemployment	5,100	4,240	4,012	3,647	3,147
% Unemployed	4.9%	4.1%	4.0%	3.8%	3.6%

Source: Texas Labor Market Information.

APPENDIX B

EXCERPTS FROM THE

HIGH POINT SPECIAL UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the High Point Special Utility District Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

3500 Joe Ramsey Blvd. Greenville, Texas 75401 (903) 455-6252 Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT

Members of the Board

Opinion

We have audited the financial statements of the business-type activities, which are the proprietary funds of the High Point Special Utility District (District), as of and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, which are the proprietary funds of the High Point Special Utility District, as of September 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinion.

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

In performing an audit in accordance with GAAS, we

- exercise professional judgement 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 judgement, 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 management's discussion and analysis be presented along with pension benefit information 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information includes the schedules identified as Texas Supplementary Information (TSI) but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

May 1 , 2026
Greenville, Texas

This section of High Point Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year. The fiscal year reflects a 12-month period, beginning in October and closing at the end of September. This financial statement presents information as of September 30 and the financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Districts total net position was $ 39,043,737 at year end, an increase of $ 8,813,573 over the prior year.
- During the year, the District's operating expenses were $ 7,447,036 less than the $ 10,222,475 generated from water sales and fees. Other non-operating sources of revenues less non-operating expenses increased the final net position by an additional $ 6,038,134.
- The District has $ 9,796,371 of long-term debt at year end.
- Construction of District water distribution and infrastructure totaled $ 9,573,857 for the year and continues as connections increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District is a special purpose government agency and is not considered a component unit of any other government. The District conducts its financial operations in a business-type approach and is defined as a governmental enterprise fund by the Governmental Accounting Standards Board (GASB). Because of this, the District is required to present its financial statements in the format of enterprise fund financial statements.

The enterprise fund financial statements consist of three documents:

Statement of Fund Net Position
Statement of Revenues, Expenses and Changes in Fund Net Position
Statement of Cash Flows

The Statement of Fund Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. This financial statement is often referred to as the balance sheet in non-governmental entities.

The Statement of Revenues, Expenses and Changes is Fund Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported in the proprietary (enterprise) fund financial statements based on full accrual of revenues and expenses, regardless of the timing of cash flows. As a result, the accrual of revenues and expenses as reported in this statement would affect cash flows in future periods. Revenues, whether received or not, are properly recorded in the fiscal period in which they are earned; expenses, whether paid or not, are properly recorded in the fiscal period in which the related obligation is incurred.

The Statement of Cash Flows presents information on cash flows from operating activities. The accrual of revenue and expenses from prior accounting periods would affect the cash flows in the current fiscal period.

Following the financial statements listed here are the notes to the financial statements. These notes provide additional information that is essential to a complete understanding of the data provided by the District in the proprietary (enterprise) fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

Statement of Fund Net Position

The District ended the year with total assets of $ 55,970,713. Unrestricted cash and cash equivalents comprised $ 7,333,702 (13.10%) of total assets. Net capital assets totaled $ 30,395,322 (54.2%) of total assets. Restricted cash and cash equivalents totaled $ 16,135,650 (28.82%) of total assets. The remaining assets, including accounts receivables and prepaid items, complete the assets of the District.

The District has $ 6,234,413 in current liabilities at year end. This represents 69.9% of the available unrestricted cash. Noncurrent liabilities total $ 10,825,783. $ 1,076,378 of this amount are customer deposits held by the District securing customer's billed and unbilled water receivables.

Ending net position totaling $ 39,043,737 is comprised of two components. The first, net investment in capital assets, which represents the net value of capital assets after deducting depreciation and reducing further the value by any outstanding debt related to capital asset acquisition. This component totals $ 30,125,772 or 77.16% of the total net position. This amount is not available for current operations. The next component, unrestricted net position totaling $ 8,917,965, is available for use to fund future operational activities.

The following condensed financial statements are presented to provide a comparative analysis of the current and preceding year.

Table A-1

District's Net Position

	2025	2024	Percentage Change 2024-2025
Assets:			
Cash and Cash Equivalents	$ 7,333,702	$ 6,178,803	18.69%
Other Assets	2,140,056	1,470,511	45.53%
Restricted Assets	16,135,650	4,987,219	223.54%
Capital Assets, Net of Depreciation	30,361,305	21,098,490	43.90%
Total Assets	$ 55,970,713	$ 33,735,023	65.91%
Total Deferred Outflows of Resources	$ 143,208	$ 151,314	-5.36%
Liabilities:			
Current Liabilities	$ 6,234,413	$ 2,750,273	126.68%
Long-term Liabilities	10,825,782	902,611	1099.39%
Total Liabilities	$ 17,060,195	$ 3,652,884	367.03%
Total Deferred Inflows of Resources	$ 9,989	$ 3,289	203.71%
Net Position:			
Net Investment in Capital Assets	$ 30,125,772	$ 20,919,357	44.01%
Unrestricted	8,917,965	9,310,807	-4.22%
Total Net Position	$ 39,043,737	$ 30,230,164	29.15%

Statement of Revenues, Expenses and Changes in Fund Net Position

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the District's net position changed during the year. Operating revenues consists of water sales, and other fees, including late fees and other service fees, related to the delivery of potable water. Operating expenses include salaries and related benefits; water purchases and delivery expenses including repairs, chemicals, supplies, and materials; and other operating costs including depreciation. The non- operating revenues include sources of funds that are not dependent on the delivery of water to the District's customers and includes interest earnings and contributions from developers and customers.

The net position of the District increased $ 8,813,573 from the prior year.

Operating revenues includes water sales as well as other fees and charges that total $ 10,222,475, which is a decrease of $ 1,351,859 from the prior year.

Operating expenses totaled $ 7,447,036, an increase of $ 850,705 over the prior year. The largest increase in operating expenses was for water purchases.

Non-operating revenues totaled $ 6,038,134 made up of interest earnings, gains from disposals of capital assets and contributions from customers and developers providing necessary infrastructure for water delivery. Non-operating expenses consist of interest expense incurred on outstanding debt which totaled $ 164,475 for the year.

The following condensed financial statements are presented to provide a comparative analysis of the current and preceding year changes in fund net position.

Table A-2

Changes in District's Fund Net Position

	2025	2024	Percentage Change 2024-2025
Program Revenues:			
Water Sales	$ 8,862,266	$ 7,752,115	14.32%
Customer Charges/Fees	1,360,209	1,587,225	-14.30%
Total Program Revenues	$ 10,222,475	$ 9,339,340	9.46%
Expenses:			
Water Purchases	$ 3,984,340	$ 3,367,501	18.32%
Payroll and Benefits	1,157,118	811,199	42.64%
Repairs and Maintenance	146,494	316,783	-53.76%
Utilities	185,927	74,774	148.65%
Supplies and Materials	397,250	490,271	-18.97%
Insurance	364,511	292,315	24.70%
Depreciation	499,019	448,765	11.20%
Legal and Professional Fees	401,554	549,440	-26.92%
Other Operating Expenses	310,823	245,283	26.72%
Total Expenses	$ 7,447,036	$ 6,596,331	12.90%
Operating Revenue (Expenses)	$ 2,775,439	$ 2,743,009	1.18%
Non-operating Revenues (Expenses):			
Interest Income	$ 310,367	$ 171,699	80.76%
Gain on Disposal of Capital Assets	28,500	31,429	-9.32%
Customer/Developer Contributions	5,863,742	2,234,994	162.36%
Interest Expense	(164,475)	(12,794)	1185.56%
Net Non-operating Revenues (Expenses)	$ 6,038,134	$ 2,425,328	148.96%
Increase (Decrease) in Net Position	$ 8,813,573	$ 5,168,337	70.53%
Total Net Position - Beginning (October 1)	30,230,164	25,061,827	20.62%
Ending Net Position (September 30)	$ 39,043,737	$ 30,230,164	9.73%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year end, the District had invested $ 32,190,817 in a broad range of capital assets, including land, water distribution system, buildings, and equipment (see Table A-3).

Table A-3

District's Capital Assets

	2025	2024	Percentage Change 2024-2025
Land	$ 282,039	$ 282,039	0.00%
Construction in Progress	15,497,189	5,949,432	160.48%
Water Distribution System	13,468,385	13,468,385	0.00%
Building and Improvements	2,326,197	2,202,770	5.60%
Vehicles and Equipment	586,368	518,471	13.10%
Office Equipment	30,639	30,639	0.00%
Totals at Historical Cost	$ 32,190,817	$ 22,451,736	43.38%
Total Accumulated Depreciation	(1,852,265)	(1,353,246)	36.88%
Net Capital Assets	$ 30,338,552	$ 21,098,490	44.06%

Debt

At year end, the District had $ 9,796,371 in debt outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements

Table A-4

District's Long Term Debt

	2025	2024	Total Percentage Change 2024-2025
Direct Borrowings Payable	$ 9,796,371	$ 178,986	5373.26%
Total Debt Payable	$ 9,796,371	$ 178,986	5373.26%

BUDGET, ECONOMIC ENVIRONMENT AND RATES

At this time, High Point Special Utility District is not aware of any decisions or conditions that would impact the District's operations through the 2026 fiscal year.

The District is expecting increases in water sales and expenses in the coming year, attributed to the rapid growth of the connections as has been the situation in the current year. The District approved for fiscal year 2026, a budget that includes an increase in water revenues and expenses.

The District presently has several developers building homes within its boundaries and has received continued inquiries about the availability of water for development growth and expansion.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Erica Parnell, Office Manager for the District.

FINANCIAL STATEMENTS

HIGH POINT SPECIAL UTILITY DISTRICT

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2025

		Enterprise Fund
		Water Utilities
ASSETS		
Current Assets:		
Cash and Cash Equivelents	$	7,333,702
Accounts Receivable, Net		1,690,060
Accrued Interest Receivable		3,134
Prepaid Expenses - Supplies and Materials		351,985
Prepaid Expenses - Other		94,877
Total Current Assets	$	9,473,758
Restricted Assets		
Cash and Cash Equivelents - Development Accounts	$	1,017,138
Cash and Cash Equivelents - Customer Deposit		852,517
Cash and Cash Equivelents - Board Restricted Infastructure		3,269,813
Cash and Cash Equivelents - TxDot Construction		9,496,182
Due from Developers		1,500,000
Total Restricted Assets	$	16,135,650
Non-Current Assets		
Capital Assets, Net	$	30,338,552
Net Pension Asset		22,753
Total Non-Current Assets	$	30,361,305
Total Assets	$	55,970,713
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflows - Pension	$	143,208
Total Deferred Outflow of Resources	**$**	**143,208**

The accompanying notes are an integral part of this statement.

HIGH POINT SPECIAL UTILITY DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

LIABILITIES		
Accounts Payable	$	1,907,554
TCEQ Payable		29,562
Payroll Liabilities		27,884
Accrued Benefits Payable		92,275
Due to Other Entities		588,489
Accrued Interest Payable		15,410
Retainage Payable		283,823
Deferred Developer Contributions		3,242,449
Loans Payable, Current Portion		46,967
Total Current Liabilities	$	6,234,413
Non-Current Liabilities:		
Customer Deposits	$	1,076,378
Loans Payable, Less Current Portion		9,749,404
Total Non-Current Liabilities	$	10,825,782
Total Liabilities	$	17,060,195
DEFERRED INFLOW OF RESOURCES		
Deferred Inflows - Pension	$	9,989
Total Deferred Inflow of Resources	$	9,989
NET POSITION		
Net Investment in Capital Assets	$	30,125,772
Unrestricted		8,917,965
Total Net Position	$	39,043,737

The accompanying notes are an integral part of this statement.

HIGH POINT SPECIAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2025

		Enterprise Fund
		Water Utilities
OPERATING REVENUES		
Water Sales	$	8,862,266
Customer Charges/Fees		1,360,209
Total Operating Revenues	$	10,222,475
OPERATING EXPENSES		
Water Purchases	$	3,984,340
Payroll and Benefits		1,157,118
Repairs and Maintenance		146,494
Utilities		185,927
Supplies and Materials		397,250
Insurance		364,511
Depreciation		499,019
Legal and Professional Fees		401,554
Other Operating Expenses		310,823
Total Operating Expenses	$	7,447,036
Net Operating Revenue (Expenses)	$	2,775,439
NON-OPERATING REVENUE (EXPENSES)		
Interest Income	$	310,367
Interest Expense		(164,475)
Gain on Disposal of Capital Assets		28,500
Customer/Developer Contributions		5,863,742
Net Non-Operating Revenue (Expenses)	$	6,038,134
Change in Net Position	$	8,813,573
Total Net Position - Beginning (October 1)		30,230,164
Total Net Position - Ending (September 30)	$	39,043,737

The accompanying notes are an integral part of this statement.

HIGH POINT SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

		Enterprise Fund Water Utilities
Cash Flows from Operating Activities:		
Cash Received from Customers	$	9,694,231
Cash Payments for Goods and Services		(4,295,111)
Cash Payments to Employees		(1,104,124)
Net Cash Provided by (Used for) Operating Activities	$	4,294,996
Cash Flows from Investing Activities:		
Interest Received	$	307,233
Net Cash Provided by (Used For) Investing Activities	$	307,233
Cash Flows from Capital and Other Related Financing Activities:		
Acquisition and Construction of Capital Assets	$	(9,542,671)
Gain on Disposal of Capital Assets		28,500
Principal Payments on Long-Term Debt		(42,615)
Interest Payments on Long-Term Debt		(149,326)
Loan Proceeds		9,660,000
Changes in Customer Deposits		335,133
Contributions from Developers		5,912,080
Net Cash Provided by (Used For) Capital and Other Related Financing Activities	$	6,201,101
Net Increase (Decrease) in Cash and Cash Equivalents	$	10,803,330
Cash and Cash Equivalents - Beginning (October 1)		11,166,022
Cash and Cash Equivalents - Ending (September 30)	$	21,969,352
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents in Current Assets	$	7,333,702
Restricted Cash and Cash Equivalents		14,635,650
Total Cash and Cash Equivalents	$	21,969,352
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities		
Net Operating Revenue (Expenses)	$	2,775,439
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		499,019
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		(528,244)
(Increase) Decrease in Prepaid Expenses - Supplies and Materials		(124,256)
(Increase) Decrease in Prepaid Expenses - Other		(13,909)
(Increase) Decrease in Deferred Outflows - Pension		8,106
(Increase) Decrease in Net Pension Asset		(22,753)
Increase (Decrease) in Accounts Payable		1,519,451
Increase (Decrease) in TCEQ Assessment Payable		878
Increase (Decrease) in Payroll Liabilities		12,545
Increase (Decrease) in Accrued Benefits Payable		40,449
Increase (Decrease) in Due to Other Entities		150,505
Increase (Decrease) in Net Pension Liability		(28,934)
Increase (Decrease) in Deferred Intflows - Pension		6,700
Net Cash Provided by (Used for) Operating Activities	$	4,294,996

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

The High Point Special Utility District (District) was approved by the voters within the District in 2018. It was formed from the assets of the previous High Point Water Supply Corporation, the conversion occurred October 1, 2019. The District is an organization as set forth under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapter 65 of the Texas Water Code.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

The Board of Directors (Board), a seven-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the High Point Special Utility District. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, *The Financial Reporting Entity*. There are no component units presented.

2. Basis of Presentation

The District is a special purpose government engaged in only business-type activities. In accordance with GASB Statement 34, *Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the District is required to present only financial statements for enterprise funds, along with management's discussion and analysis (MD&A), notes of the financial statements and other required supplementary information (RSI).

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenue, and expenses. The fund type utilized by the District is described below:

The *Enterprise Fund* is used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets, deferred resource outflows, liabilities, and deferred resource inflows associated with the operation of these funds are included in the balance sheet. Fund equity is identified as net position.

. 4. Budget

The Board adopts an annual budget for the Enterprise Fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP. The Board approves amendments to the annual budget as prepared by the General Manager of the District.

5. Capital Assets

Additions to the utility system are recorded at cost or, if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recovered by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The District capitalizes property and equipment with an individual cost of $ 2,500 or more.

A. Summary of Significant Accounting Policies (Continued)

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives of the assets are presented in the following categories:

Water Distribution System	5 - 50 years
Buildings and Improvements	10 - 20 years
Vehicles and Equipment	5 - 10 years

6. Prepaid Expenses – Supplies and Materials

Prepaid expenses consist of items paid for in the current period to be used in the following accounting period. Prepaid supplies and materials consist of supplies and repair parts for the distribution system, valued at cost. The cost of supplies and materials is recorded as an expense when consumed rather than when purchased.

7. Prepaid Expenses – Other

Prepaid expenses consist of items paid for in the current period to be used in the following accounting period. Prepaid expenses include fees and dues relating to a subsequent period that have been paid in the current year.

8. Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of deposits in financial institutions, including time deposits. For the purpose of the statement of cash flows, a cash equivalent is considered any highly liquid investment with a maturity of 90 days or less.

9. Contributions from Customers / Developers

The District requires customers and developers to provide funds to make distribution system storage and line improvements. These funds are collected prior to the improvement planning or construction. Major improvements require engineering and other costs to determine the impact on the existing system. Upon completion of the engineering services, cost estimates are provided to the customer/developer. The customer/developer places funds with the District and the District completes the expansion of the required infrastructure. Upon completion of the expansion, excess funds are returned to the customer/ developer. The District recognizes the funds collected for the project as other non-operating revenues.

10. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave is not accumulated year over year and is only paid out upon separation of employment. No more than five days of vacation leave earned in the current year can be carried over to the employee's next fiscal year. Any unused vacation leave at the time of separation of employment is paid to the employee. At year end, the district has accrued $ 92,275 of compensated absences.

11. Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement 96, *Subscription-Based Information Technology Arrangements* created new financial statement assets and offsetting liabilities. A SBITA asset accounts for the net present value of future payments required for right of use subscription assets. To the extent relevant, the standards for SIBTA's are based on the standards established by GASB Statement 87, *Leases*. A SBITA is defined as a contract that conveys control of the right of use of another party's information technology (software) as specified in the contract for a period of time in an exchange or exchange-like transaction. The asset will be amortized over the life of the contract allowing the use of the information technology over a straight line method. The asset is included in the financial statement caption right of use asset with the offsetting liability identified as SBITA payable.

A. Summary of Significant Accounting Policies (Continued)

12. Right of Use Assets and Liabilities

GASB Statement 87, *Leases* created new financial statement accounts "Right of Use" assets and similar offsetting liabilities. A "right of use" asset accounts for the net present value of future payments attached to a leased asset. Common examples of "right of use" assets are copiers, printers, and other types of equipment that the District does not take ownership of but use under the lease agreement. The asset value will be amortized over the life of the lease using a straight-line method. The liability offsetting the "right of use" asset is presented as lease payable.

GASB Statement 87 also impacts the District's rental agreements (leases) related to property and equipment in which the District is the lessor. Rental agreements that extend beyond a twelve month period are recognized as earned when executed with an offsetting long term receivable. Future collections are offset against the receivable.

B. Deposits, Securities, and Investments

The District's funds appear to be deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The District received a large deposit related to direct borrowing proceeds and their cash balances were at risk. The depository corrected the deficit of security pledged after a few days. At year end, it appears that District cash deposits were properly covered by FDIC insurance or by pledged collateral.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

a. obligations of the U.S. or its agencies or instrumentalities,
b. obligations of the State of Texas or its agencies,
c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
f. fully collateralized repurchase agreements.

District investments include a certificate of deposit at the local depository. The certificate of deposit is reported at share price (fair value) and is presented as cash and cash equivalents.

The following table categorizes the District's investment at year end:

	Credit Rating	Interest Rate	Fair Value
American National Bank of Texas - CD	N/A	4.43%	$ 1,525,217
Total			$ 1,525,217

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an 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. At year end, the District was not significantly exposed to credit risk.

B. Deposits, Securities, and Investments (Continued)

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Customer Deposits

The District requires each new customer to pay $ 250 as a property owner and $ 250 as a renter, which is held as a refundable deposit to secure payment of the customer's water bill. This amount is reviewed annually by the Board and adjusted as needed. At year end, the District's obligation totaled $ 1,076,378.

D. Capital Assets

The following is a summary of changes in capital assets for the year:

	Beginning Balances	Additions and Reclassifications	Disposals	Ending Balances
Land	$ 282,039	$ -	$ -	$ 282,039
Construction in Progress	5,949,432	9,573,857	26,100	15,497,189
Water Distribution System	13,468,385	-	-	13,468,385
Buildings and Improvements	2,202,770	123,427	-	2,326,197
Vehicles and Equipment	518,471	67,897	-	586,368
Office Equipment	30,639	-	-	30,639
Totals at Historical Cost	$ 22,451,736	$ 9,765,181	$ 26,100	$ 32,190,817
Less Accumulated Depreciation for:				
Water Distribution System	$ 1,144,101	$ 349,039	$ -	$ 1,493,140
Buildings and Improvements	40,172	60,195	-	100,367
Vehicles and Equipment	166,470	86,721	-	253,191
Office Equipment	2,503	3,064	-	5,567
Total Accumulated Depreciation	$ 1,353,246	$ 499,019	$ -	$ 1,852,265
Net Capital Assets	$ 21,098,490	$ 9,266,162	$ 26,100	$ 30,338,552

E. Long - Term Obligations

The following schedule presents changes in long-term obligations for the year:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Direct Borrowings	$ 178,986	$ 9,660,000	$ 42,615	$ 9,796,371	$ 46,967
Totals	$ 178,986	$ 9,660,000	$ 42,615	$ 9,796,371	$ 46,967

Direct Borrowings

The District assumed the debt of High Point Water Supply Company which consisted of debt with USDA Rural Development. The USDA Rural Development direct borrowing requires monthly payments of $ 4,516 and has an interest rate at year end of 6.625%. The maturity date for the borrowing is June 2028.

The District executed an agreement with the State Infrastructure Bank dated April 30, 2025 in the amount of $ 9,660,000. The proceeds will be used to move water distribution lines along a state farm to market road related to roadway expansions. The agreement requires semi-annual interest payments at a rate of 3.78% on the unpaid balance. Annual principal payments in varying amounts are also due beginning September 2027 and continuing until September 2044.

The following is information on the outstanding direct borrowings:

Payer	Interest Rate	Original Issue	Current Outstanding
USDA Rural Developement	6.625%	$ 751,300	$ 136,371
Texas Infrastructure Bank	3.780%	9,660,000	9,660,000
Total			$ 9,796,371

Debt retirement requirements to maturity at year end are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2026	$ 46,967	$ 372,373	$ 419,340
2027	434,733	369,607	804,340
2028	439,671	351,569	791,240
2029	415,000	335,475	750,475
2030	430,000	319,788	749,788
2031-2035	2,405,000	1,342,467	3,747,467
2036-2040	2,895,000	852,768	3,747,768
2041-2044	2,730,000	262,710	2,992,710
	$ 9,796,371	$ 4,206,757	$ 14,003,128

F. Pension Plan

1. Plan Description – The District provides a pension for all of its full-time employees through a statewide, multiple-employer, public-employee retirement system through the Texas County District Retirement System (the “TCDRS”). The system serves nearly 800 actively participating counties and districts throughout Texas. Each employer has its own defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer’s plan assets may be used only for the payment of benefits to the members of that employer’s plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan. The TCDRS issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

F. Pension Plan (Continued)

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statues governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lumpsum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

2. Contributions – The District has elected the annually determined contribution rate (ADCR) plan provisions Employees of the District were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the District were 10.32% and 10.22% in calendar years 2024 and 2025, respectively. The District's contributions to TCDRS for the year ended September 30, 2025 were $ 98,565 and were equal to the required contributions.

3. Discount Rate – The discount rate used to measure the total pension liability was 7.6%. There has been no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investment is 7.6%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown below are based on January 2025 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is reassessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in March 2021.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus Inflation) (2)
US Equities	Dow Jones US Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities - Developed	MSCI Ex USA (net) Index	5.00%	4.95%
International Equities - Emerging	MSCI World Emerging Markets (Net) Index	6.00%	4.95%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Indext	9.00%	3.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.95%
Distressed Debt	Cambridge Associated Distress Securities Index (3)	4.00%	7.60%
REIT Equities	67% FTSE NAREIT all Equity REITs Index = 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.70%
Private Equity	Cambridge Associates Global Privae Equity & Venture Capital Index	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%
Total		100.00%	

(1) Target asset allocation adopted at the March 2023 TCDRS board meeting.
(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3%
(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs
(4) Includes vintage years 2007 - present of Quarter pooled Horizon IRRs.
(5) Includes Vintage years 2006 - present of Quarter Pooled Horizon IRRS

F. Pension Plan (Continued)

4. Changes in the Net Pension Liability (Asset) – At year end, the District reported a net pension liability (asset) of $ (22,753) . The changes in net pension liability (asset) were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/23	$ 467,021	$ 438,088	$ 28,933
Changes for the year:			-
			-
Service cost	98,942	-	98,942
Interest on total pension	42,215	-	42,215
Change in benefit terms	-	-	-
Difference between expected/actual experience	(7,890)	-	(7,890)
Changes of assumptions	-	-	-
Contributions - employer	-	78,701	(78,701)
Contrbutions - employee	-	53,359	(53,359)
Net Investment income	-	47,000	(47,000)
Benefit payments, including refunds of employee conntributions	(21,386)	(21,386)	-
Administrative Expenses	-	(328)	328
Other Charges	-	6,221	(6,221)
Net Changes	111,881	163,567	(51,686)
Balance at 12/31/24	$ 578,902	$ 601,655	$ (22,753)

The net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and for the year then ended.

There were no changes of assumption or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

5. Discount Rate Sensitivity Analysis – The following shows the net pension liability calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using discounted rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	Discount Rate (6.6%)	Discount Rate (7.6%)	Discount Rate (8.6%)
Disricts Net Pension Liability (Asset)	$ 92,313	$ (22,753)	$ (115,707)

6. *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2025, the District recognized pension expense of $ 52,238.

At year end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Recources
Difference between expected and actual economic experience (net of current year amortization)	$ 63,314	$ 9,373
Changes in actuarial assumptions	7,585	551
Differences between projected and actual investment earnings (net of current year amortization)	-	65
Contributions subsequent to the measurement date	72,309	-
Total	$ 143,208	$ 9,989

F. Pension Plan (Continued)

$ 72,309 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expenses as follows:

Year Ending September 30	Pension Expense
2026	$ 7,876
2027	12,539
2028	4,250
2029	5,746
2030	7,617
Thereafter	22,882

G. Litigation

At year-end, the District was not involved in any pending litigation.

H. Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2025 up through May 1, 2026, the date the financial statements were issued.

J. Commitments and Contingencies

The District is responsible for complying with certain laws and regulations that impact the operations of the water distribution system and overall financial position. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the various rules and regulations in which the District operates.

K. Economic Dependency

The District procures its water from the City of Forney and the City of Terrell, both of which procure their water from the North Texas Municipal Water District. The loss of either water source could impact the District's available water sources needed for delivery of water to its customers.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

HIGH POINT SPECIAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2025

	2024*	2023*	2022*	2021*	2020*	2019*	2018*
Total Pension Liability							
Service cost	$ 98,942	$ 75,774	$ 71,132	$ 48,192	$ 58,164	$ 36,588	$ 4,956
Interest (on the total pension liability)	42,215	30,959	23,233	15,490	11,127	3,365	401
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(7,890)	31,054	7,062	20,234	(3,270)	34,814	(398)
Change of assumptions	-	-	-	(758)	13,000	-	-
Benefit payments, including refunds of employee contributions	(21,386)	(4,610)	(4,219)	(4,219)	(1,052)	-	-
Net change in Total Pension Liability	**$ 111,881**	**$ 133,177**	**$ 97,208**	**$ 78,939**	**$ 77,969**	**$ 74,767**	**$ 4,960**
Total Pension Libility - Beginning	**467,021**	**333,844**	**236,636**	**157,697**	**79,727**	**4,960**	**-**
Total Pension Liability - Ending (a)	**$ 578,902**	**$ 467,021**	**$ 333,844**	**$ 236,636**	**$ 157,697**	**$ 79,727**	**$ 4,960**
Plan Fiduciary Net Position							
Contibutions - Employer	$ 78,701	$ 59,036	$ 54,758	$ 37,563	$ 29,439	$ 33,278	$ 4,454
Contributions - Employee	53,359	41,119	33,853	27,385	24,156	24,253	3,247
Net investment income	47,000	34,307	(20,552)	35,522	7,207	1,257	86
Benefit payments, including refunds of employee contributions	(21,386)	(4,610)	(4,219)	(4,219)	(1,052)	-	-
Administrative expese	(328)	(229)	(178)	(123)	(95)	(52)	(6)
Other	6,221	4,905	12,072	1,756	1,562	1,979	229
Net Change in Plan Fiduciary Net Position	**$ 163,567**	**$ 134,528**	**$ 75,734**	**$ 97,884**	**$ 61,217**	**$ 60,715**	**$ 8,010**
Plan Fiduciary Net Position - Beginning	**438,088**	**303,560**	**227,826**	**129,941**	**68,725**	**8,010**	**-**
Plan Fiduciary Net Position - Ending (b)	**$ 601,655**	**$ 438,088**	**$ 303,560**	**$ 227,825**	**$ 129,942**	**$ 68,725**	**$ 8,010**
Net Pension Liability (Asset) - Ending (a) - (b)	**$ (22,753)**	**$ 28,933**	**$ 30,284**	**$ 8,811**	**$ 27,755**	**$ 11,002**	**$ (3,050)**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**103.93%**	**93.80%**	**90.93%**	**96.28%**	**82.40%**	**86.20%**	**161.51%**
Covered Employee Payroll	**$ 762,278**	**$ 587,416**	**$ 483,617**	**$ 391,210**	**$ 345,086**	**$ 346,466**	**$ 46,392**
Net Pension Liability as a Percentage of Covered Employee Payroll	**-2.98%**	**4.93%**	**6.26%**	**2.25%**	**8.04%**	**3.18%**	**-6.58%**

*Plan measurement date fiscal year ended December 31,of the preceeding year to the fiscal year end.

Note: The District began the pension plan in the 2018 fiscal year.
GASB 68 requires presentation of 10 year data. This schedule will expand as the pension plan continues.

HIGH POINT SPECIAL UTILITY DISTRICT
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2025

	2025	2024	2023	2022
Actuarially determined contribution	$ 98,565	$ 68,638	$ 56,308	$ 54,758
Contributions in relation to actuarially determined contribution	(98,565)	(68,638)	(56,308)	(54,758)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 978,429	$ 668,993	$ 556,696	$ 483,617
Contributions as a percentage of covered employee payroll	10.07%	10.26%	10.11%	11.32%

	2021	2020	2019	2018
Actuarially determined contribution	$ 37,556	$ 26,020	$ 33,261	$ 4,454
Contributions in relation to actuarially determined contribution	(37,563)	(29,439)	(33,278)	(4,454)
Contribution deficiency (excess)	$ (7)	$ (3,419)	$ (17)	$ -
Covered employee payroll	$ 391,210	$ 345,086	$ 346,466	$ 46,392
Contributions as a percentage of covered employee payroll	9.60%	8.53%	9.60%	9.60%

Note: The District began the pension plan in the 2018 fiscal year.
GASB 68 requires presentation of 10 year data. This schedule will expand as the pension plan continues.

HIGH POINT SPECIAL UTILITY DISTRICT
NOTES TO SCHEDULE OF CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2025

The following information is supplied to provide additional data for review of the District's pension information.

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16 years (Based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.5%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the PUB-2010 General Retirees for males and 120% of the PUB-2010 General Retirees for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Other Information:	No changes in plan provisions were reflected in the Schedule.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

October __, 2026

$__________
HIGH POINT SPECIAL UTILITY DISTRICT
REVENUE NOTES, SERIES 2026,
DATED AS OF SEPTEMBER 15, 2026

AS BOND COUNSEL FOR THE HIGH POINT SPECIAL UTILITY DISTRICT (the "Issuer") in connection with the issuance of its Revenue Notes, Series 2026 (the "Notes"), we have examined into the legality and validity of the Notes, which bear interest from the date and mature on the dates in accordance with the terms and conditions stated in the text of the Notes. Terms used herein and not otherwise defined shall have the meaning given in the resolution of the Issuer authorizing the issuance and sale of the Notes (the "Resolution").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Notes and the issuance and delivery of the Notes, including one of the executed Notes (Note No. T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Notes have been duly authorized, and that the Notes have been duly issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization, and other similar matters affecting creditors' rights, the Notes constitute valid and legally binding special obligations of the Issuer secured by and payable from, together with other Parity Obligations, a lien on and pledge of the "Pledged Revenues" of the Issuer's System, which lien is subordinate and inferior to the lien on the Gross Revenues established for the benefit of the Previously Issued First Lien Obligations (as defined in the Resolution) for so long as said Previously Issued First Lien Obligations remain outstanding and unpaid.

THE ISSUER HAS RESERVED THE RIGHT, subject to the restrictions stated in the Resolution, to issue Additional Parity Obligations which, when issued and delivered, shall be payable from the Interest and Sinking Fund, and shall be payable from and secured by a first lien on and pledge of the Pledged Revenues of the System and entitled to the benefits of and secured by the Resolution in the same manner and to the same extent as, and be on a parity with, the Notes.

THE ISSUER HAS RESERVED THE RIGHT to amend the Resolution as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owners of a majority in aggregate principal amount of the outstanding Notes.

THE REGISTERED OWNERS of the Notes shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolution.

IT IS FURTHER OUR OPINION that, except as discussed below, that the interest on the Notes is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Notes are not "specified private activity bonds" and that, accordingly, interest on the Notes will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Notes, including the amount, accrual or receipt of interest on, the Notes. In particular, but not by way of limitation, we express no opinion with respect to federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes.

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

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

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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Notes, nor as to any such insurance policies issued in the future.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Notes described above under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Notes for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Notes, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Notes and have relied solely on information furnished by the Issuer with respect to the adequacy of the "Pledged Revenues". Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Notes has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Very truly yours,