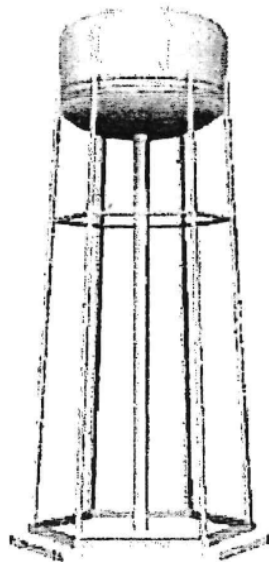


**BRIGHT STAR-SALEM
SPECIAL UTILITY DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2025**



**BRIGHT STAR-SALEM SUD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS)

COUNTY OF WOOD)

I, Laura Reid, President of the Bright Star-Salem Special Utility District (the District) hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the ____ day of _____ 2026 its audit report for the year ended December 31, 2025 and that copies of the audit report have been filed in the District office, located at 238 N. Osborn, Alba, Texas.

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

Date: _____, 2026

By: _____
(Signature of District Representative)

Laura Reid, President
(Typed Name & Title of Representative)

Sworn to and subscribed to before me this ____ day of _____, 2026.

(Signature of Notary)

My Commission Expires on: _____, _____, Notary Public in and for the State of Texas.



WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

Independent Auditor's Report

May 12, 2026

Board of Directors
Bright Star-Salem Special Utility District
Alba, Texas

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bright Star-Salem Special Utility District (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

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

Other Information

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

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

Wilf & Henderson, P.C.
WILF & HENDERSON, P.C.
 Certified Public Accountants
 Texarkana, Texas

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Bright Star-Salem Special Utility District's (the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2025. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

- The District maintained an Unrestricted Net Position balance of \$347,328 and \$721,900 at December 31, 2025 and 2024, respectively. Unrestricted Net Position represents the net balance accumulated by the District above the amount of Net Investment in Capital Assets less the amount for Restricted Net Position (restricted as a result of the bond covenants related to the 2019 revenue bond and 2025 revenue bond issuances).
- The total of Net Investment in Capital Assets (after subtracting our debt owed on capital assets) was \$3,420,984 at December 31, 2025 and \$4,917,929 at December 31, 2024, respectively.
- The District had \$5,122,000 and \$2,276,000 of revenue bonds outstanding at December 31, 2025 and 2024, respectively.
- The most significant continuing revenue sources for the District consisted of \$1,935,454 of water sales for the year 2025 and \$1,869,766 for the year 2024.

Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis and the Financial Section report. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide long-term and short-term information about the District's overall financial status. The Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (asset) and the obligations to creditors (liabilities). This financial statement reports net position and how it has changed. Net position – the difference between assets and liabilities – is one way to measure health, or position. Over time, increases or decreases in net position are an indicator of whether the District's financial health is improving or deteriorating, respectively. The Statement of Net Position also provides the basis for computing rate of return, evaluation the capital structure and assessing liquidity and flexibility. You will need to consider other nonfinancial factors, however, to assess the overall health.

All of the current period's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of operations over the period and can be used to determine whether operations have successfully recovered all District costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the independent auditor's report that the financial statements are fairly stated.

Financial Analysis as a Whole

Net position increased by \$119,603 in 2025 and increased by \$371,486 in 2024 as a result of the periods' operations. The balance in net position represents the accumulated results of all past periods' operations.

Statement of Net Position

A summary of the Statement of Net Position is presented in the table below. The format allows the reader to view the overall financial position of the District.

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT Statement of Net Position

	2025	2024
Assets:		
Current assets (unrestricted)	\$ 930,588	\$ 997,770
Restricted assets	2,132,126	141,006
Net pension asset (TCDRS)	125,238	58,758
Capital assets (net)	8,684,655	7,334,824
Total Assets	11,872,607	8,532,358
Deferred Outflows of Resources:		
Deferred outflows related to TCDRS, net	102,920	120,652
Liabilities:		
Current liabilities (payable from current assets)	396,491	440,753
Current liabilities (payable from restricted assets)	595,719	422,766
Long-term liabilities	5,054,353	2,005,713
Total Liabilities	6,046,563	2,869,232
Deferred Inflows of Resources:		
Deferred inflows related to TCDRS, net	28,526	2,943
Liabilities:		
Net Position:		
Net Investment in capital assets	3,420,984	4,917,929
Restricted	2,132,126	141,006
Unrestricted	347,328	721,900
Total Net Position	\$5,900,438	\$5,780,835

In 2025, the largest category of net position is Net Invested in Capital Assets, which comprises 58% of net position. This category totaling \$3,420,984 reflects the total invested in capital assets (land, buildings, equipment, water system improvements, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resource available for future spending. The current portion of the long-term debt of \$595,719 and \$422,766 for the years ended December 31, 2025 and 2024, respectively, is reflected in current liabilities. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets may not be used to liquidate these liabilities.

The second category of net position, Restricted Net Position, represents net position that is subject to external restrictions on how they may be used. Restricted Net Position totaled \$2,132,126 for the current year. For 2024, this category totaled \$141,006. Restricted Net Position is restricted for debt reserves required by Southside Bank related in 2019 to its purchase of the 2019 refunding revenue bonds and the 2025 revenue bonds for construction. Obviously, the amount of cash related to restricted net position has an effect on the availability of fund resources for future use, since the District may only use these funds for debt service and construction.

The third category of net position, Unrestricted Net Position, represents net position that is not subject to external restrictions on how they may be used. Unrestricted Net Position totaled \$347,328 and \$721,900 at December 31, 2025 and 2024, respectively.

At the end of the current period, the District was able to report positive balances in all three categories of net position and for the District as a whole.

Changes in Net Position

While the Statement of Net Position show the financial position, the Statement of Revenues, Expenses and Changes in Net Position show the changes in net position. As can be seen in the table below, the District had an increase in net position of \$119,603 for 2025 and an increase in net position of \$371,486 for 2024. A summary of the Statement of Revenues, Expenses and Changes in Net Position is presented in the table below.

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT		
Statement of Revenues, Expenses and Changes in Net Position		
	2025	2024
Operating Revenues:		
Service charges and fees	\$ 2,155,850	\$ 2,168,893
Total Operating Revenues	2,155,850	2,168,893
Operating Expenses:		
Operating expenses (excluding depreciation)	1,537,130	1,467,373
Total Operating Expenses (excluding depreciation)	1,537,130	1,467,373
Operating income (loss) before depreciation	618,720	701,520
Depreciation expense	329,197	325,384
Nonoperating Revenues (Expenses):		
Nonoperating revenues	161,192	79,382
Nonoperating expenses	(331,112)	(84,032)
Total Nonoperating Revenues/(Expenses)	(169,920)	(4,650)
Increase (Decrease) in Net Position	119,603	371,486
Net Position - Beginning of Year	5,780,835	5,409,349
Net Position - End of Year	\$ 5,900,438	\$ 5,780,835

Budget Variations

For 2025, the most significant variations between the original approved budget and the amended budget were in the areas of salaries, interest expense and repairs.

Capital Assets and Long-Term Debt

Capital Assets

The cost of property, plant and equipment, net of accumulated depreciation, as of December 31, 2025 and 2024 was \$8,684,655 and \$7,334,824, respectively. More detailed information about capital assets is presented in Note D to the financial statements.

Long-Term Debt

At year-end, the District had \$5,122,000 for 2025 and \$2,276,000 for 2024 of certification of obligation bonds outstanding. More detailed information about long-term liabilities is presented in Note E to the financial statements.

Economic Factors and Next Year Projections

The Water District serves approximately 2,500 customers, commercial and agricultural customers in northeast Texas. The district is currently in the final phase of completion of a \$3,000,000 bond project. This project includes a new 8,000-gallon pressure tank at Bright Star-Salem SUD #2 (North Shores), a new 300 gpm water well located on State Hwy 182, replacement of a baffle wall inside the ground storage tank at the surface water treatment plant, and a permanently mounted generator. The Board of Directors also approved a rate increase effective May 1, 2026. The minimum rate will increase from \$39.00 to \$42.00 per month.

The board is considering a water line improvement project on FM Hwy 515. This will improve water pressure and capacity for South Rains SUD and customers on FM Hwy 515. Engineering estimates indicate this project may cost approximately \$2,000,000.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District accountability. If you have questions regarding this report or need additional information, contact the District at (903) 765-2701.

***BRIGHT STAR-SALEM SUD
BASIC FINANCIAL STATEMENTS***

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2025

Assets	
Current Assets	
Cash and cash equivalents	\$ 322,598
Restricted Cash for I&S Fund	140,943
Restricted Cash for Construction	1,991,183
Certificates of deposit	461,458
Accounts receivable	146,532
Total Current Assets	<u>3,062,714</u>
Noncurrent Assets	
Net pension asset (TCDRS)	<u>125,238</u>
Property, Plant and Equipment	
Land	130,959
Construction in Progress	1,457,514
Building and improvements	175,955
Furniture, fixtures and equipment	391,294
Water system and equipment	12,299,561
Vehicles	312,745
Total Property, Plant and Equipment	<u>14,768,028</u>
Less: Accumulated depreciation	<u>(6,083,373)</u>
Total Net Property, Plant and Equipment	<u>8,684,655</u>
Total Assets	<u>\$ 11,872,607</u>
Deferred Outflows of Resources	
Total Deferred outflow related to TCDRS, net	<u>\$ 102,920</u>
Liabilities	
Current Liabilities	
Accrued interest expense	\$ 91,349
Other current liabilities	29,769
Construction payable	275,373
Note Payable, current	95,719
Bonds payable, current	500,000
Total Current Liabilities	<u>992,210</u>
Noncurrent Liabilities	
Membership and renters deposits	311,987
Developers deferred revenues	62,638
Note Payable, noncurrent	45,952
Bonds Payable, noncurrent	4,622,000
Other noncurrent liabilities	11,776
Total Noncurrent Liabilities	<u>5,054,353</u>
Total Liabilities	<u>\$ 6,046,563</u>
Deferred Inflows of Resources	
Total Deferred inflow related to TCDRS, net	<u>\$ 28,526</u>
NET POSITION	
Net Investment In Capital Assets	3,420,984
Restricted for:	
Interest & Sinking Fund - Bond Debt Service	140,943
Construction	1,991,183
Unrestricted	347,328
Total Net Position	<u>\$ 5,900,438</u>

See accompanying notes to the financial statements

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

Operating Revenues	\$ 1,935,454
Water sales	114,260
Installation tap fees	19,613
Late charges	4,750
Reconnect fees	57,975
Line extension fees	23,798
Other income	<u>2,155,850</u>
Total Operating Revenues	
Operating Expenses	657,615
Salaries	97,461
Employee benefits	42,979
Surface water lease availability	71,396
Field supplies	107,935
Utilities and telephone	20,938
Legal and professional	97,113
Repairs - water system	44,206
Repairs - other	7,686
Sludge removal	20,163
Fuel and oil	36,899
Office expense	70,381
Insurance - property	140,294
Chlorine supplies	31,756
Water system fees and samples	2,089
Rentals	10,031
Continuing education	50,308
Taxes	22,593
Miscellaneous	5,287
Board meetings	329,197
Depreciation	<u>1,866,327</u>
Total Operating Income/(Loss)	
Change in Net Position	289,523
Non-Operating Income/(Expense)	117,002
Interest Income	12,735
Sewer Income	19,200
Tower rent revenue	12,255
Gain on sale of capital assets	(90,100)
Bond Issuance Costs	<u>(241,012)</u>
Interest expense	<u>(169,920)</u>
Total Non-Operating Revenues (Expenses)	
Change in Net Position	119,603
Net Position at Beginning of the Year	<u>5,780,835</u>
Net Position at End of the Year	<u><u>\$ 5,900,438</u></u>

See accompanying notes to the financial statements

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,155,850
Cash payment to suppliers for goods and services	(830,745)
Cash payment to employees for services	(680,780)
Net cash provided by operating activities	<u>644,325</u>
Cash Flows from Capital and Related Financing Activities:	
Cash paid for interest expense on bond payable and notes	(172,347)
Cash received from note proceeds	91,350
Cash received from bond proceeds	3,200,000
Cash paid for principal repayment of bonds	(354,000)
Cash paid for principal repayment on notes payable	(90,574)
Cash paid for acquisition and construction of capital assets	(1,411,145)
Cash received for sale of capital assets	12,255
Cash received for other non-operating revenues	31,935
Cash paid for bond issuance costs	(90,100)
Net cash used for capital and related financing activities	<u>1,217,374</u>
Cash flows from Investing Activities:	
Retirement of certificate of deposits	100,000
Interest income	116,171
Net cash provided by investing activities	<u>216,171</u>
Net Increase/(Decrease) in cash	2,077,870
Cash and cash equivalents, December 31, 2024	<u>376,854</u>
Cash and cash equivalents, December 31, 2025	<u>\$ 2,454,724</u>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	\$ 289,523
Add: Depreciation	329,197
(Increase)/Decrease in current assets:	
Accounts receivable, net	54,764
Increase/(Decrease) in liabilities:	
Other current liabilities	16,586
Customer deposits	4,579
Developer deferred revenues	(27,351)
Other noncurrent liabilities	192
Pension plan assets, outflows and inflows	(23,165)
Net cash provided by operating activities	<u>\$ 644,325</u>

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE A - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Bright Star-Salem Special Utility District (the District) is a consumer cooperative providing water services to members living near small communities near Bright Star and Salem, Texas. The District provides water service to approximately 2,500 members. Bright Star-Salem had operated as a water supply corporation (a not-for-profit organization) for several years prior to July 1, 2007.

On April 6, 2006, the membership of Bright Star-Salem Water Supply Corporation voted to approve the conversion to a Special Utility District. An order creating the Bright Star-Salem Special Utility District was approved and signed by the Executive Director of the Texas Commission on Environmental Quality on February 21, 2007. The final confirmation election by the membership to create the Bright Star-Salem Special Utility District was held on May 12, 2007. In that election, the members voted to confirm their previous vote. Bright Star-Salem officially converted to a special utility district on July 1, 2007.

The primary effect of the conversion was that Bright Star-Salem no longer operated as a not-for-profit organization. It is recognized as a government entity.

Reporting Entity

The Board of Directors, a five-member group, has governance responsibilities over all activities related to the administration of the District. Because the members of the Board are elected, they have the authority to make decisions, appoint managers, and significantly influence operations, and have the primary accountability for fiscal matters. The District, for financial purposes, includes all of the funds relevant to the operation of the Bright Star-Salem Special Utility District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Bright Star-Salem Special Utility District.

The financial statements of the District do not include any separately administered organizations. No such organizations exist that are controlled by or are dependent on the District. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

The District is not included in any other governmental reporting entity as defined by Governmental Accounting Standards Board (GASB) in its Statement No. 14, The Financial Reporting Entity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended December 31, 2025, the District evaluated GASB Statement No. 101, *Compensated Absences*. This Statement establishes guidance for the recognition and measurement of compensated absences by requiring governments to recognize a liability for leave that is attributable to services already rendered and that is probable of being used or paid, including leave that would be settled through cash payments or by reducing future service obligations. Based on the District's existing policies, the implementation of this standard did not result in a change to the recognition or measurement of compensated absences, and no adjustment to beginning net position was required. The provisions of GASB Statement No. 101 will apply to the extent the District's policies change in a manner that would affect the recognition of compensated absences in future periods.

Basis of Presentation

The District's basic financial statements consist of fund financial statements including a statement of net position, a statement revenues, expenses, changes in fund net position, and statement of cash flows. Because the District is engaged only in business-type activities, government-wide financial statements are not presented.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column. The District only has a water fund, which is a major fund.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes one category of funds: proprietary. The only fund type used by the District is a Proprietary Fund, and is described below:

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Water Fund – The Water Fund is used to account for the revenues generated from the charges for water services and related activities provided to the customers of the District.

Measurement Focus Fund Financial Statements

Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary fund financial statements are prepared using the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within thirty (30) days of year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budget Process

Formal budgetary accounting is employed as a management control for the District. The same basis of accounting is used to reflect actual revenues and expenses recognized on a generally accepted accounting principles basis. The Board of Directors adopts a budget for the Proprietary Fund of the District.

Once a budget is approved, it can be amended only by approval of a majority of the Board of Directors. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact and are reflected in the official minutes of the Board. The District did amend the original budget multiple times during the year ended December 31, 2025.

For expenses, the significant amendments included an increase to salaries by \$90,000, an increase to interest expense by \$128,172, and a decrease of (\$75,000) to repairs. Even after each of the budget amendments, a number of the expense line items on budget comparison schedule showed that the actual expenses recorded were greater than the amounts budgeted for those same expense line items but did not exceed the budget in total.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturities of three months or less when purchased.

Restricted Assets (Cash)

Cash accounts that are restricted for specific purposes are disclosed separately. The restricted cash accounts are all related to the debt and expenses for the Water System Refund Revenue Bonds, Series 2019. Cash is also restricted for unspent funds for construction from Bond Series, 2025.

Investments

The District invests only in certificates of deposit and money market bank accounts.

Fair Values of Financial Instruments

The following methods and assumptions were used by Bright Star-Salem Special Utility District in estimating its fair value disclosures for financial instruments:

- Cash and equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments. Cash is recorded at amortized cost.
- Certificates of deposit: The carrying amounts reported in the statement of financial position are the original costs of the certificates of deposit plus any earned interest added to the certificate principal. CDs are recorded at amortized cost.
- Long-term debt: The fair values of the notes payable are based on their principal balances (carrying amounts).

Receivables

Charges for water services billed but not collected as of December 31, 2025 are recorded as service charges receivable. No allowance for doubtful accounts has been recorded because of historical collection efforts.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market value as of the date received. The District maintains a capitalization threshold of \$2,500.

All capital assets are depreciated, except for land and construction-in-progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure are estimated based on the District's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

Fixed Asset Category	Depreciation Lives
Buildings and Building Improvements	10-40 years
Office Furniture and Equipment	5-10 years
Field Equipment	5-7 years
Water System and Equipment	40-50 years System Mapping
Lake Fork Water System (original purchase)	20 years
Vehicles	5 years

Developers' Deferred Revenues

In the past, when a developer established a residential housing development within Bright Star-Salem's service area, they had to pay two separate types of reserve charges before the District would construct the water lines and provide water to the lots. These charges applied to each separate development.

The first was a reserve water charge. With the reserve water charge, the developer paid to the District the minimum monthly water charge for each unsold lot for the next twelve (12) months. This amount was paid upon signing a contract with the District. At the next annual contract anniversary date, the developer again paid to the District the minimum monthly water charge for each unsold lot for the next twelve months. This amount should decrease each year as lots are sold and become "paid connections". Once a lot became a paid connection, the developer was no longer responsible for making the annual payment for that lot. On the first contract anniversary date after at least 50% of the developer's lots had become paid connections, the developer no longer paid the reserve water charge for that development.

The amount of reserve water charge received in a fiscal year that applies to any months in that same fiscal year was recorded as a reserve water service revenue. The amount of reserve water charge received in any fiscal year that applied to months in the subsequent fiscal year was recorded as a deferred revenue.

The second type of reserve water charge is the reserve water deposit. The reserve water deposit was calculated in the same manner as the reserve water charge, except the minimum monthly service charge is calculated for twenty-four (24) months. The purpose of this payment was to serve as a deposit reserve fund. If a developer failed to make a reserve water charge at any time in a subsequent year, the funds from the reserve water deposit would be used to make the developer's reserve water charge.

Since the reserve water deposit was not yet been earned by the District, it was recorded as deferred revenue. Once 50% of the development's lots have become paid connections, any reserve water deposit funds that had not been applied as reserve water charges were then removed from the deferred revenue accounts and recorded as reserve water service revenues. Any remaining reserve water deposit funds are refunded to the developers.

During 2010, the District's Board of Directors changed the policy for developer payments, with an effective date of February 18, 2010. Subsequent to that date, developers paid for the construction of the water lines, but were no longer be required to make any types of reserve water charges. Agreements made prior to that date will still be subject to the agreements as originally made, which includes the reserve deposits.

These deferred revenues are recorded as long-term liabilities on the Statement of Net Position.

Inventory

Inventory items are expensed when purchased.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond issuance costs, whether withheld from the actual debt proceeds or not, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the insurance coverage.

Compensated Absences

The District allows employees to carry over earned, but unused, vacation. Unused time of sixty days per year can be carried over to the next fiscal year for a maximum allowable accumulation of ninety-five days. Unused time can be paid upon leaving the District. Because of the immateriality of the amount of any carried over earned, but unused, vacation, the amount of this compensated absence is not disclosed in these financial statements.

Customer and Renters' Deposits

Upon commencement of water service from Bright Star-Salem, all customers must pay a customer deposit of \$125. The customer deposit is refundable upon the customer's request to cease water service. If the customer rents the property to a renter, the renter must also pay a renter's deposit to Bright Star-Salem of \$125. If all payments have been paid by a renter when he ceases water service, the renter's deposit is refunded to them.

Pension Plan

The District participates in the Texas County & District Retirement System (TCDRS).

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County & District Retirement System and additions to/deductions from TCERS' Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Effective with the fiscal year ended December 31, 2015, the District implemented GASB Statement No. 68, which significantly changes what governmental entities must report in their financial statements and pension disclosures. This statement establishes procedures for measuring and recognizing the obligations associated with pensions as well as identifies methods for attributing the associated costs to the appropriate period as they are earned over an employee's career. Also included in this statement are amendments to the note and required supplementary information requirements, as well as details to address special funding situations.

Deferred Outflow of Resources and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets plus deferred outflow of resources, and liabilities plus deferred inflow of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

For purposes of net position, fund equities are displayed as net investment in capital assets, restricted, and unrestricted. Net position assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District has restricted balances, which is an external restriction by creditors, related to the debt service for the 2019 bond issue. The Debt Service (I&S) restriction \$140,943 represents the net position assets restricted for interest and sinking purposes on the 2019 revenue bonds. The Construction restriction \$1,991,183 represents the net position assets restricted for construction purposes on the 2025 revenue bonds.

In instances where an expenditure may be made from restricted or unrestricted funds, the policy for determination of which of the net position funds will be used will be made on a case-by-case basis by the District Board, or authorized person.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for providing water services and other services related to the operation of the water system, such as installation tap fees, reconnect fees, late charges, and line extension fees. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

Use of Estimates

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

NOTE C - CASH AND INVESTMENTS

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act.

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agents. Since the District complies with this law, it has no custodial credit risk for deposits.

The District's depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The District's cash deposits and certificates of deposit at December 31, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The Public Funds Investment Act (the "Act") (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

State statutes and the District's Investment Policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) fully collateralized repurchase agreements; 5) bankers acceptances, 6) commercial paper, 7) money market mutual funds and no-load mutual funds, and 8) public investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC). The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of December 31, 2025 the District had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>
TexPool Investment Pool	
Total Investment Pools	<u>2,385,399</u>
Total	<u>2,385,399</u>

The Texas Local Government Investment Pool ("TexPool") is organized in conformity with the Interlocal Cooperation Act, Chapter 891 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company ("Trust Company"), which is authorized to operate TexPool.

Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers Inc. and Federated Investor's, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. As of December 31, 2025, the District's investments in public funds investment pools in TexPool was rated AAAM by Standards & Poor's.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

	Balance 1/1/2025	Additions	Deletions / Reclassifications	Balance 12/31/2025
Capital Assets not being Depreciated:				
Land	\$ 130,959	-	-	\$ 130,959
Constructions-in-Process	36,076	1,421,438	-	1,457,514
Total Capital Assets not being Depreciated	<u>167,035</u>	<u>1,421,438</u>	-	<u>1,588,473</u>
Capital Assets being Depreciated:				
Water System	12,135,561	164,000	-	12,299,561
Building & Improvements	175,955	-	-	175,955
Office Furniture & Field Equipment	394,929	3,855	(7,490)	391,294
Vehicles	235,004	97,225	(19,484)	312,745
Total Capital Assets being Depreciated	<u>12,941,449</u>	<u>265,080</u>	<u>(26,974)</u>	<u>13,179,555</u>
Less: Total Accumulated Depreciation	<u>(5,773,660)</u>	<u>(329,197)</u>	<u>19,484</u>	<u>(6,083,373)</u>
Total Capital Assets being Depreciated, Net	<u>7,167,789</u>	<u>(64,117)</u>	<u>(7,490)</u>	<u>7,096,182</u>
Total Capital Assets, Net	<u>\$ 7,334,824</u>	<u>1,357,321</u>	<u>(7,490)</u>	<u>\$ 8,684,655</u>

During fiscal year 2025, the District purchased a line locator, 2025 Chevrolet 3500, 2025 Chevrolet 1500 and water system improvements. The District sold a fully depreciated 2008 Dodge truck for \$12,255 and removed a duplicate asset.

Constructions-in-Process includes \$332,566 for construction of a new well for the District and \$1,124,948 for the pressure tank and plant improvement for North Shore.

NOTE E – LONG-TERM DEBT

On July 22, 2019, the District’s Board approved an ordinance authorizing the issuance of the Water System Revenue Refunding Bonds, Series 2019 in the principal amount of \$3,845,000. The bonds were purchased by Southside Bank in Tyler, Texas on September 4, 2019. The Series 2019 Refunding Bonds were used to fund the call of a prior Water System Revenue Bonds. The bonds of the Series 2019 are callable on September 1, 2026.

On January 27, 2025, the District’s Board approved an ordinance authorizing the issuance of the Water System Revenue Bonds, Series 2025 in the principal amount of \$3,200,000. The bonds were purchased by Broad Street Bank in Mineola, Texas on February 13, 2025. The bonds of the Series 2025 are callable on February 15, 2030.

The District’s outstanding notes related to business-type activities contain provisions that in an event of default, outstanding amounts due become immediately due if the District is unable to make payment. If the District is unable to make those payments, the financing entity may repossess all equipment, property, water lines, and accounts owned by the District, and any inventory.

Changes in long-term obligations for the year ended December 31, 2025, are as follows:

	Balance at 1/1/2025	Increase	Decrease	Balance at 12/31/2025	Due within One Year
Business-type activities:					
Water Syst. Refund Rev. Bonds, Series 2019 (2.99%), Due in 2030	\$ 2,276,000	\$ -	\$(354,000)	\$ 1,922,000	\$ 365,000
Water Syst. Revenue Bonds, Series 2025 (5.929%), Due in 2040	-	3,200,000	-	3,200,000	135,000
Direct borrowings:					
Loan payable (4.75%), Due in 2027	140,895	-	(68,764)	72,131	65,964
Note Payable (6.026%), Due in 2028	-	91,350	(21,810)	69,540	29,755
Business activity long-term liabilities	\$ 2,416,895	\$ 3,291,350	\$(444,574)	\$ 5,263,671	\$ 595,719

Debt service requirements to maturity on long-term debt at December 31, 2025, are as follows:

Year Ending December 31,	Business-Type Activities			
	Bonds		Loan Payable	
	Principal	Interest	Principal	Interest
2026	500,000	243,225	95,719	5,370
2027	514,000	224,158	37,755	1,718
2028	533,000	204,377	8,198	123
2029	561,000	183,585	-	-
2030	579,000	161,664	-	-
2031-2036	1,285,000	650,669	-	-
2037-2040	1,150,000	141,727	-	-
Totals	\$ 5,122,000	\$ 1,809,405	\$ 141,671	\$ 7,211

Interest expense was \$241,012 for the year ended December 31, 2025.

NOTE F - EMPLOYEES' PENSION PLAN

Plan Description

The District participates as one of 890 Texas counties and districts in the defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). TCDRS is a system created in 1967 by the Texas Legislature and is administered in accordance with the Texas Government Code, Title 8, Subtitle F, the TCDRS Act, as an agent multiple-employer retirement system for Texas county and district employees. The TCDRS Act places the general administration of TCDRS with a nine-member Board of Trustees. Although the Governor, in coordination with Senate approval, appoints the TCDRS Board members, TCDRS does NOT receive State funding. The TCDRS Act further intended that the defined benefit 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. TCDRS issues an annual comprehensive financial report (ACFR) on a calendar year basis, which may be obtained by writing to the TCDRS Board of Trustees, P.O. Box 2034, Austin, Texas 78768-2034.

All eligible employees of the District are required to be enrolled in the plan.

Benefits Provided and Contributions

TCDRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Plan provisions, applicable to District employees, are adopted by the Board within the options available in the TCDRS Act.

District employees deposit 7% of their paychecks into their TCDRS account. The employee's savings grow by law, at a rate of 7%, compounded annually. At retirement, the employee's account balance is combined with District matching (\$1.5 for every dollar in the employee's account) and converted into a lifetime monthly benefit.

Employees receive a month of service time for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to the aforementioned monthly benefit at age 60 or older. Employees may retire before age 60 if they meet one of the following requirements:

- *"Rule of" eligibility* – Under these rules, a vested employee can retire if their age plus years of service time adds up to at least 75
- *30-year retirement at any age* – This lets employees retire when they have at least 30 years of service time.

Retirees elect to receive their lifetime benefit by choosing from one of seven actuarially equivalent payment options.

At the December 31, 2024, valuation and measurement date, the following is a breakdown of District pension plan members:

Annuitants currently receiving benefits	2
Inactive employees entitled to benefits	3
Depositing members	<u>10</u>
Total	<u>15</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2024, using the following actuarial assumptions:

<i>TCDRS system-wide economic assumptions</i>	
Real rate of return	5.00%
Inflation	2.50%
Long-term investment return*	7.50%

**net of investment expenses*

Assuming interest will be credited at these nominal annual rates to the various funds, the actuary has then assumed the following:

- An annual rate of 7.5% for calculating the actuarial accrued liability and normal cost contributions rate for the retirement plan of the District.
- An annual rate of 7% required under the TCDRS Act for: (1) accumulating current service credit and multiple matching credit after the valuation date; (2) accumulating prior service credit after the valuation date; (3) determining the amount of the monthly benefit at future dates of retirement or disability; and (4) calculating the actuarial accrued liability of the system-wide Current Service Annuity Reserve Fund.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Rate of Return

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

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
US Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities - Developed	MSCI World Ex USA (net) Index	6.00%	4.75%
Int'l Equities - Emerging	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REIT's Index +33%		
	S&P Global REIT (net) Index	2.00%	3.95%
Master Ltd. Partnerships	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	8.15%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. Treasury	2.00%	1.10%

Discount Rate

Due to the projected fiduciary net position being projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the District is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, the actuary has used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Net Pension Liability/(Asset)

The District's net pension liability for the fiscal year ended December 31, 2025, was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those respective dates. The components of the net pension liability of the District at December 31, 2024, is as follows:

	<u>Fiscal Year Ending December 31, 2025</u>
Total pension liability	\$ 1,203,177
Fiduciary net position	<u>(1,328,415)</u>
Net pension liability/(asset)	<u>\$ (125,238)</u>
Fiduciary net position as a % of total pension liability	110.41%

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.6%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate:

	<u>1% Decrease 6.60%</u>	<u>Current Rate 7.60%</u>	<u>1% Increase 8.60%</u>
Total pension liability	\$ 1,379,783	\$ 1,203,177	\$ 1,054,695
Fiduciary net position	<u>(1,328,415)</u>	<u>(1,328,415)</u>	<u>(1,328,415)</u>
Net pension liability/(asset)	<u>\$ 51,368</u>	<u>\$ (125,238)</u>	<u>\$ (273,720)</u>

Changes in Net Pension Liability/(Asset)

	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability/(Asset) (a)-(b)</u>
Balance as of December 31, 2023	\$ 1,086,570	\$ 1,145,328	\$ (58,758)
Increase (decrease) in:			
Service cost	70,801	-	70,801
Interest on total pension liability	87,034	-	87,034
Effect of plan changes	6,115	-	6,115
Effect of economic/demographic gains or losses	(22,505)	-	(22,505)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(11,000)	(11,000)	-
Benefit payments	(13,839)	(13,839)	-
Administrative expenses	-	(723)	723
Member contributions	-	40,796	(40,796)
Net investment income	-	118,060	(118,060)
Employer contributions	-	46,041	(46,041)
Other	-	3,751	(3,751)
Balance as of December 31, 2024	<u>\$ 1,203,176</u>	<u>\$ 1,328,414</u>	<u>\$ (125,238)</u>

Pension Expense/(Income)

For the fiscal year ended December 31, 2025, the District recognized pension expense of \$27,115.

Deferred Outflows/Inflows Related to Pensions

At December 31, 2025, The District reported, in the aggregate, deferred outflows related to pensions in the amount of \$102,920. The following schedule presents the items contained in deferred outflows related to pensions.

	<u>Fiscal Year Ending December 31, 2025</u>
Differences between expected and actual experience	\$ 23,390
Changes in assumptions	29,250
Net difference between projected and actual earnings	-
Contributions made subsequent to measurement date	<u>50,280</u>
Total deferred outflows related to pensions	<u>\$ 102,920</u>

Contributions made subsequent to the measurement date in the amount of \$50,280, will be recognized as a reduction of the net pension liability for the fiscal year ended December 31, 2024.

At December 31, 2025, the District reported, in the aggregate, deferred inflows related to pensions in the amounts of \$28,526. The following schedule presents the items contained in deferred inflows related to pensions:

	<u>Fiscal Year Ending December 31, 2025</u>
Differences between expected and actual experience	\$ 20,356
Changes in assumptions	-
Net difference between projected and actual earnings	<u>8,170</u>
Total deferred inflows related to pensions	<u>\$ 28,526</u>

The other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>For the Fiscal Year(s) Ending December 31,</u>	<u>Recognition of DOoR/DIoR</u>
2025	\$ 1,168
2026	20,200
2027	(6,969)
2028	(837)
2029	4,474
Thereafter	<u>6,078</u>
Total	<u>\$ 24,114</u>

NOTE G - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District continues to carry commercial insurance for all of these types of risks of loss, including commercial building and property, vehicle collision, liability, comprehensive, builder's risk, workman's compensation, and public officials' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 12, 2026, which is the date the financial statements were issued.

***BRIGHT STAR-SALEM SUD
REQUIRED SUPPLEMENTARY INFORMATION***

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Measurement Date of Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	70,801	70,453	60,815	55,948	\$ 38,915	\$ 38,468	\$ 32,232	\$ 33,932	\$ 29,118	\$ 22,898
Interest on total pension liability	87,034	77,114	66,587	57,391	47,389	39,485	31,717	27,128	20,442	19,154
Effect of plan changes	6,115	-	-	-	-	21,655	22,485	-	3,934	(5,392)
Effect of assumption changes or inputs	(22,505)	-	-	1,237	48,725	-	-	(469)	-	2,597
Effect of economic/demographic (gains) or losses	-	557	7,637	2,152	20,296	(312)	4,456	(182)	14,131	(27,272)
Benefit payments/refunds of contributions	(24,839)	(11,299)	(1,225)	-	(4,421)	-	(2,396)	(1,724)	(3,867)	(1,055)
Net change in total pension liability	116,606	136,825	133,814	116,728	150,904	99,296	88,494	58,685	63,758	10,930
Total pension liability, beginning	1,086,570	949,745	815,930	699,202	548,298	449,002	360,508	301,823	238,064	227,135
Total pension liability, ending (a)	1,203,176	1,086,570	949,744	815,930	699,202	548,298	449,002	360,508	301,822	238,065
Fiduciary Net Position										
Employer contributions	46,041	43,692	39,568	31,303	30,849	24,353	22,574	22,523	21,952	19,283
Member contributions	40,796	40,779	36,650	33,711	33,222	28,411	26,336	26,276	21,952	19,283
Investment income net of investment expenses	118,060	106,474	(61,372)	163,040	60,719	75,048	(7,249)	47,734	19,390	(4,069)
Benefit payments/refunds of contributions	(24,839)	(11,299)	(1,225)	-	(4,421)	-	(2,396)	(1,723)	(3,867)	(1,055)
Administrative expenses	(723)	(598)	(564)	(507)	(518)	(447)	(368)	(277)	(211)	(176)
Other	3,751	4,049	11,342	2,037	1,823	1,888	1,428	628	3,380	(20)
Net change in fiduciary net position	183,086	183,097	24,399	229,584	121,674	129,253	40,325	95,161	62,596	33,246
Fiduciary net position, beginning	1,145,328	962,231	937,832	708,248	586,574	457,321	416,996	321,835	259,239	225,994
Fiduciary net position, ending (b)	1,328,414	1,145,328	962,231	937,832	708,248	586,574	457,321	416,996	321,835	259,240
Net pension liability/(asset), ending = (a) - (b)	(125,238)	(58,758)	(12,487)	(121,902)	(9,046)	(38,276)	(8,319)	(56,488)	(20,013)	(21,175)
Fiduciary net position as a % of total pension liability	110.41%	105.41%	101.31%	114.94%	101.29%	106.98%	101.85%	115.67%	106.63%	108.89%
Pensionable covered payroll	\$ 582,802	\$ 582,553	\$ 523,570	\$ 481,589	\$ 474,604	\$ 405,874	\$ 376,228	\$ 375,378	\$ 365,872	\$ 321,391
Net pension liability as a % of covered payroll	-21.49%	-10.09%	-2.38%	-25.31%	-1.91%	-9.43%	-2.21%	-15.05%	-5.47%	-6.59%

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(I) *Presentation* - Information for the years ended December 31, 2024 through 2015 was available. The District will continue to present on a 10-year trend.

(II) *Benefit changes* - There were no changes in benefits during the year.

(III) *Changes in assumptions* - There were no changes of assumptions this year.

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025**

Measurement Date of Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	\$ 9,959	\$ 13,988	\$ (4,028)	\$ 279,756	5.0%
2013	9,364	13,610	(4,246)	272,208	5.0%
2014	12,188	17,793	(5,605)	296,545	6.0%
2015	10,959	19,283	(8,324)	321,391	6.0%
2016	11,781	21,952	(10,171)	365,872	6.0%
2017	10,285	22,523	(12,237)	375,378	6.0%
2018	9,857	22,574	(12,716)	376,228	6.0%
2019	14,246	24,353	(10,106)	405,874	6.0%
2020	23,730	30,849	(7,119)	474,604	6.5%
2021	22,587	31,303	(8,717)	481,589	6.5%
2022	37,854	39,568	(1,714)	523,570	7.6%
2023	42,468	43,692	(1,223)	582,553	7.5%
2024	\$ 43,477	\$ 46,041	\$ (2,564)	\$ 582,802	7.9%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

(I) *Valuation Timing* - 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.

(II) *Methods and Assumptions Used to Determine Contribution Rates* -

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 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 administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015 - 2016: No changes in plan provisions. 2017: Employer contributions reflect that the member contribution rate was increased to 7%. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: Employer contributions reflect that current service matching rate was increased to 125% for future benefits. 2020: Employer contributions reflect that current service matching rate was increased to 150% for future benefits. 2021 - 2024: No changes in plan provisions.

*Only changes effective 2015 and later are shown in the Notes

***BRIGHT STAR-SALEM SUD
OTHER INFORMATION***

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
BUDGET COMPARISON SCHEDULE
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Original Budget	Amend. Amend.	Amend. Budget	Actual	Variance
OPERATING REVENUES					
Water Sales	\$ 2,000,000	-	\$ 2,000,000	\$ 1,935,454	\$ (64,546)
Installation Tap Fees	111,000	-	111,000	114,260	3,260
Late Charges	19,000	-	19,000	19,613	613
Reconnect Fees	6,000	-	6,000	4,750	(1,250)
Line Extension Fees	55,000	10,000	65,000	57,975	(7,025)
Other Income	5,500	500	6,000	23,798	17,798
Total Revenues	2,196,500	10,500	2,207,000	2,155,850	(51,150)
OPERATING EXPENSES					
Salaries	610,000	90,000	700,000	657,615	42,385
Employee Benefits	120,000	5,000	125,000	97,461	27,539
Surface Water Lease Availability	38,000	5,000	43,000	42,979	21
Field Supplies	70,000	-	70,000	71,396	(1,396)
Utilities & Telephone	117,500	1,000	118,500	107,935	10,565
Legal and Professional	19,500	1,750	21,250	20,938	312
Repairs - Water System	80,000	(15,000)	65,000	97,113	(32,113)
Repairs - Other	126,000	(75,625)	50,375	44,206	6,169
Sludge Removal	35,000	(25,000)	10,000	7,686	2,314
Fuel and Oil	26,000	(4,500)	21,500	20,163	1,337
Office Expense	45,100	(3,000)	42,100	36,899	5,201
Insurance - Property	70,000	-	70,000	70,381	(381)
Chlorine Supplies	145,000	-	145,000	140,294	4,706
Water System Fees and Samples	28,000	7,000	35,000	31,756	3,244
Rentals	3,000	-	3,000	2,089	911
Continuing Education	9,000	2,000	11,000	10,031	969
Taxes	50,000	2,000	52,000	50,308	1,692
Miscellaneous	61,400	(25,200)	36,200	22,593	13,607
Board Meetings	8,500	(1,500)	7,000	5,287	1,713
Depreciation	330,000	-	330,000	329,197	803
Total Expenses	1,992,000	(36,075)	1,955,925	1,866,327	89,598
Excess (Deficiency) of Revenues Over/(Under) Expenses	204,500	46,575	251,075	289,523	38,448
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	100,000	20,000	120,000	117,002	(2,998)
Sewer Income	13,000	-	13,000	12,735	(265)
Tower rent revenue	19,200	-	19,200	19,200	-
Gain on sale of capital assets	-	-	-	12,255	12,255
Bond Issuance Costs	-	-	-	(90,100)	(90,100)
Interest expense	(143,257)	(128,172)	(271,429)	(241,012)	30,417
Total Non-Operating Revenues (Expenses)	(11,057)	(108,172)	(119,229)	(169,920)	(50,691)
Change In Net Assets	193,443	(61,597)	131,846	119,603	(12,243)
Net Position, Beginning	5,780,835	-	5,780,835	5,780,835	-
Net Position, Ending	\$ 5,974,278	(61,597)	5,912,681	5,900,438	\$ (12,243)

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2025**

TSI - 1

1. Services Provided by the District during the Year:

Retail Water

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum Use
Water:	\$ 39.00	0 Gallons	N	\$4.15 (0-2,000) \$4.65 (2,001-10,000) \$5.75 (10,001-30,000) \$6.75 (> 30,000)

District employs winter averaging for wastewater usage: No

Total charges per 10,000 gallons usage: Water: \$ 84.50

b. Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	X 1.0	
< 3/4"	2,736	2,443	X 1.0	2,431
3/4"	17	17	X 1.5	24
1"	16	13	X 2.5	35
1 1/2"	11	10	X 5.0	50
2"	10	9	X 8.0	72
3"	4	3	X 15.0	30
4"	1	1	X 26.0	26
Total Water	2,795	2,496		2,668

3. Total Water Consumption during the Year (rounded to the nearest thousand):

Gallons pumped into system: 166,603,611

Gallons billed to customers: 141,400,400

Water Accountability Ratio: (Gallons billed/Gallons pumped) 0.85

4. Standby Fees

None

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
SCHEDULE OF PROPRIETARY FUND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

TI - 2

Personnel Expenditures: (including benefits)	\$ 805,384
Professional Fees:	
Postage	14,607
Auditing	18,750
Legal	2,188
Engineering	4,000
Purchased Services for Resale:	
Surface Water Lease Availability	42,979
Contracted Services	
Rental & Lease	2,089
Water System Fees	10,224
Water Samples	21,532
Telephone	13,231
Utilities	94,704
Repairs and Maintenance	141,319
Administrative Expenditures	
Office Supplies	5,501
Insurance	70,381
Licenses	7,686
Software Maintenance	13,440
Advertising & Promotion	488
Interest	241,012
Other Administrative Expenditures	8,150
Other Expenses	
Fuel	20,163
Field Supplies	71,396
Depreciation/Amortization	329,197
Chlorine Supplies	140,294
Capital Outlay	1,686,518
Bond Issuance Costs	90,100
Miscellaneous	28,624
TOTAL EXPENSES, INCLUDING CAPITAL OUTLAY	<u>\$ 3,883,957</u>
TOTAL EXPENSES, EXCLUDING CAPITAL OUTLAY	<u>\$ 2,197,439</u>
Number of persons employed by the District:	
Full-Time	<u>9</u>
Part-Time	<u>5</u>

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
 TEMPORARY INVESTMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2025**

<u>Proprietary Fund</u>	<u>Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
Certificate of Deposit - BSB #1	5442477	4.50%	7/1/26	406,050
Certificate of Deposit - Yantis	1009	4.32%	4/26/26	<u>55,408</u>
Total				<u>\$ 461,458</u>

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Due During Fiscal Years Ending 12-31:	Revenue Refunding Bonds - Series 2019			Revenue Bond - Series 2025			Annual Requirements for All Series		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 2/15	Interest Due 8/15, 2/15	Total	Principal Due	Interest Due	Total
	2026	365,000	57,468	422,468	135,000	185,757	320,757	500,000	243,225
2027	374,000	46,554	420,554	140,000	177,604	317,604	514,000	224,158	738,158
2028	383,000	35,372	418,372	150,000	169,005	319,005	533,000	204,377	737,377
2029	396,000	23,920	419,920	165,000	159,665	324,665	561,000	183,585	744,585
2030	404,000	12,080	416,080	175,000	149,584	324,584	579,000	161,664	740,664
Subsequent	-	-	-	2,435,000	792,396	3,227,396	2,435,000	792,396	3,227,396
	\$1,922,000	\$175,394	\$2,097,394	\$3,200,000	\$1,634,011	\$4,834,011	\$5,122,000	\$1,809,405	\$6,931,405

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN BONDED DEBT
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Revenue Refund Bond Issue Series 2019</u>	<u>Revenue Bond Issue Series 2025</u>	<u>Totals</u>
Interest rate	2.99%	5.93%	
Dates interest payable	3/1 & 9/1	2/15 & 8/15	
Maturity dates	9/1/2020 to 9/1/2030	8/15/2025 to 2/15/2040	
Bonds outstanding at beginning of year	\$ 2,276,000	\$ -	\$ 2,276,000
Bonds/Notes sold during current year	-	3,200,000	3,200,000
Retirements during current year	<u>(354,000)</u>	<u>-</u>	<u>(354,000)</u>
Bonds outstanding at end of current year	\$ <u>1,922,000</u>	\$ <u>3,200,000</u>	\$ <u>5,122,000</u>
Interest paid during current year	\$ 68,052	\$ 95,934	\$ 163,986
Paying agent	<u>Southside Bank Tyler, Texas</u>	<u>BroadStreet Bank Mineola, Texas</u>	
Bond Authority:	<u>Revenue Refund Bond Issue</u>	<u>Revenue Bond Issue</u>	<u>Totals</u>
Amount authorized by voters/board	\$ 3,907,000	\$ 3,200,000	\$ 7,107,000
Amount issued	<u>3,907,000</u>	<u>3,200,000</u>	<u>7,107,000</u>
Remaining to be issued	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Debt Service Fund Cash/Temporary Investments balances as of December 31, 2025:			\$ <u>140,943</u>
Average annual Debt Service payment (Principal & Interest) for remaining term of all debt:			\$ <u>741,746</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
PROPRIETARY FUND - UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
AMOUNTS										
Operating Revenues										
Water Sales	\$1,935,454	\$1,869,766	\$1,742,849	\$1,695,056	\$1,521,396	\$1,457,535	\$1,371,105	\$1,357,383	\$1,249,742	\$1,221,858
Connection and Other Fees	220,396	299,127	180,286	237,720	233,700	198,556	159,585	123,763	156,912	132,862
Grant Revenues	-	-	-	20,000	-	-	-	-	-	-
Total Operating Revenues	2,155,850	2,168,893	1,923,135	1,952,776	1,755,096	1,656,091	1,530,690	1,481,146	1,406,654	1,354,720
Operating Expenses										
Salaries and Employee Benefits	755,076	699,169	758,825	676,543	581,338	554,334	491,393	448,416	445,743	429,590
Surface Water Lease Availability	42,979	39,717	36,842	35,496	34,493	34,493	34,493	34,401	33,261	31,755
Field Supplies	71,396	83,696	80,389	92,440	85,408	73,469	76,458	67,078	54,276	60,819
Utilities and Telephone	107,935	108,703	101,337	106,463	92,847	91,965	91,704	94,693	80,928	79,963
Legal and Professional	20,938	18,563	19,343	17,500	13,260	14,110	24,160	22,626	16,724	18,935
Repairs	141,319	120,634	88,818	614,743	78,159	32,902	300,450	36,894	59,270	113,733
Sludge Removal	7,686	7,212	11,705	45,487	10,971	16,145	6,004	4,002	11,243	-
Fuel and Oil	20,163	21,812	22,384	26,537	19,548	11,987	13,625	13,063	12,116	12,470
Office	36,899	44,477	48,741	37,523	32,686	27,298	23,229	24,614	27,518	24,038
Insurance	70,381	67,937	59,776	47,324	43,491	45,425	40,994	42,753	29,456	27,541
Chlorine, Water System Fees, and Samples	172,050	165,420	150,724	142,317	134,804	122,300	108,797	107,740	95,520	110,628
Other	90,308	90,033	53,885	73,238	68,492	65,725	95,797	63,571	66,031	66,306
Depreciation	329,197	325,384	317,353	315,704	324,022	326,826	326,091	320,131	315,579	322,850
Total Operating Expenses	1,866,327	1,792,757	1,750,122	2,231,315	1,519,519	1,416,979	1,633,195	1,279,982	1,247,665	1,298,628
Net Operating Income	289,523	376,136	173,013	(278,539)	235,577	239,112	(102,505)	201,164	158,989	56,092
Other										
Interest Income	117,002	26,205	18,343	8,662	10,351	14,315	15,950	13,525	12,048	12,251
Rental Income	19,200	19,200	19,200	19,200	10,877	10,298	16,400	10,800	9,600	5,207
Gain/(Loss) from Sale of Assets	12,255	21,200	20,515	63,879	-	14,192	(29,999)	10,500	-	12,603
Interest Expense	(241,012)	(84,032)	(97,814)	(109,285)	(121,553)	(133,211)	(169,243)	(181,033)	(188,743)	(194,670)
Bond Issuance Costs	(90,100)	-	-	-	-	-	(60,607)	-	-	-
Insurance Proceeds	-	-	-	318,097	-	-	-	-	-	-
Miscellaneous Income	12,735	12,777	12,608	12,295	20,800	17,600	9,251	16,286	5,306	4,750
Total Other Revenues/(Expenses)	(169,920)	(4,650)	(27,148)	312,848	(79,525)	(76,806)	(218,248)	(129,922)	(161,789)	(159,859)
Net Income (Loss)	\$119,603	\$371,486	\$145,865	\$34,309	\$156,052	\$162,306	(\$320,753)	\$71,242	(\$2,800)	(\$103,767)

PERCENT OF TOTAL OPERATING REVENUE												
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
89.78%	86.21%	90.63%	86.80%	86.68%	88.01%	89.57%	91.64%	88.85%	90.19%			
10.22%	13.79%	9.37%	12.17%	13.32%	11.99%	10.43%	8.36%	11.15%	9.81%			
0.00%	0.00%	0.00%	1.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%			
35.02%	32.24%	39.46%	34.65%	33.12%	33.47%	32.10%	30.27%	31.69%	31.71%			
1.99%	1.83%	1.92%	1.82%	1.97%	2.08%	2.25%	2.32%	2.36%	2.34%			
3.31%	3.86%	4.18%	4.73%	4.87%	4.44%	5.00%	4.53%	3.86%	4.49%			
5.01%	5.01%	5.27%	5.45%	5.29%	5.55%	5.99%	6.39%	5.75%	5.90%			
0.97%	0.86%	1.01%	0.90%	0.76%	0.85%	1.58%	1.53%	1.19%	1.40%			
6.56%	5.56%	4.62%	31.48%	4.45%	1.99%	19.63%	2.49%	4.21%	8.40%			
0.36%	0.33%	0.61%	2.33%	0.63%	0.97%	0.39%	0.27%	0.80%	0.00%			
0.94%	1.01%	1.16%	1.36%	1.11%	0.72%	0.89%	0.88%	0.86%	0.92%			
1.71%	2.05%	2.53%	1.92%	1.86%	1.65%	1.52%	1.66%	1.96%	1.77%			
3.26%	3.13%	3.11%	2.42%	2.48%	2.74%	2.68%	2.89%	2.09%	2.03%			
7.98%	7.63%	7.84%	7.29%	7.68%	7.38%	7.11%	7.27%	6.79%	8.17%			
4.19%	4.15%	2.80%	3.75%	3.90%	3.97%	6.26%	4.29%	4.69%	4.89%			
15.27%	15.00%	16.50%	16.17%	18.46%	19.73%	21.30%	21.61%	22.43%	23.83%			
86.57%	82.66%	91.00%	114.26%	86.58%	85.56%	106.70%	86.42%	88.70%	95.86%			
13.43%	17.34%	9.00%	-14.26%	13.42%	14.44%	-6.70%	13.58%	11.30%	4.14%			
5.43%	1.21%	0.95%	0.44%	0.59%	0.86%	1.04%	0.91%	0.86%	0.90%			
0.89%	0.89%	1.00%	0.98%	0.62%	0.62%	1.07%	0.73%	0.68%	0.38%			
0.57%	0.98%	1.07%	3.27%	0.00%	0.86%	-1.96%	0.71%	0.00%	0.93%			
-11.18%	-3.87%	-5.09%	-5.60%	-6.93%	-8.04%	-11.06%	-12.22%	-13.42%	-14.37%			
-4.18%	0.00%	0.00%	0.00%	0.00%	0.00%	-3.96%	0.00%	0.00%	0.00%			
0.00%	0.00%	0.00%	16.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
0.59%	0.59%	0.66%	0.63%	1.19%	1.06%	0.60%	1.10%	0.38%	0.35%			
-7.88%	-0.21%	-1.41%	16.02%	-4.53%	-4.64%	-14.26%	-8.77%	-11.50%	-11.80%			
5.55%	17.13%	7.58%	1.76%	8.89%	9.80%	-20.95%	4.81%	-0.20%	-7.66%			

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

TI-8

<u>Name and Address</u>	<u>Term</u>	<u>Fees</u>	<u>Expenses</u>	<u>Title</u>	<u>Resident</u>
Board Members: Laura Reid 380 WCR 1522 Alba, TX 75410	5/26-5/29	\$780	-	President	Yes
Jackie Staley 320 WCR 1610 Alba, TX 75410	5/25-5/28	\$780	-	Vice-President	Yes
Jeannine Hayes 1362 RCR 2430 Alba, TX 75410	5/24-5/27	\$715	-	Secretary/Treasurer	Yes
Ron Burge 328 RCR 2530 Alba, TX 75410	5/25-5/28	\$520	-	Director	Yes
Paula Hass P.O. Box 120 Alba, TX 75410	5/24-5/27	\$780	-	Director	Yes

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

Key Administrative Personnel:

Wanda Gaby 2728 RCR 2610 Alba, TX 75410	\$98,800	General Manager
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Consultants:

Leonard Dougal Jackson Walker, LLP 100 Congress Ave. Austin, TX 78701	\$2,188	Attorney
Wilf & Henderson, P.C 1810 Galleria Oaks Dr. Texarkana, TX 75503	\$18,750	Auditor

Investment Officer:

Wanda Gabby (See above)

