

**OFFICIAL NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON**

\$6,610,000*

**GREATER TEXOMA UTILITY AUTHORITY
(A political subdivision of the State of Texas located in Grayson, Collin, Fannin and Cooke Counties)
CONTRACT REVENUE BONDS, SERIES 2026
(LAKE KIOWA SPECIAL UTILITY DISTRICT PROJECT)**

Sealed Bids Due Monday, May 18, 2026 at 9:00 AM, CDT

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The Greater Texoma Utility Authority (the “Authority”) is offering for sale its \$6,610,000* Contract Revenue Bonds, Series 2026 (Lake Kiowa Special Utility District Project) (the “Bonds”). Bids may be submitted by either of three alternative procedures: (i) written bids; (ii) electronic bids; or (iii) telephone. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the Authority nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

The Authority and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of electronic or telephone bids.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System (“PARITY”).

WRITTEN BIDS DELIVERED IN PERSON . . . Signed bids, plainly marked “Bid for Bonds,” should be addressed to “Board of Directors, Greater Texoma Utility Authority,” and delivered to the Authority’s Financial Advisor, Specialized Public Finance Inc. at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746 by 9:00 AM, CDT on May 18, 2026 (the “date of the bid opening”). All bids must be submitted on the Official Bid Form, without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to the i-Deal LLC’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The Authority will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale and shall be binding upon the bidder as if made by a signed bid delivered to the Authority. The Authority shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the Authority, as described under “Basis for Award” below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

BIDS BY TELEPHONE . . . Bidders must submit SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, and submit their bid by telephone on the date of the sale.

Telephone bids will be accepted at (512) 275-7300, between 8:30 AM and 9:00 AM, CDT.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.

Specialized Public Finance Inc. assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if telephone or fax options are exercised.

*See “CONDITIONS OF THE SALE – Basis for Award.” Preliminary, subject to change.

PLACE AND TIME OF BID OPENING . . . The bids for the Bonds will be publicly opened and read in the office of the Financial Advisor at 9:00 AM, CDT on Monday, May 18, 2026.

SIGNED OFFICIAL BID FORM . . . The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and must submit via email a Signed Official Bid Form in connection with the sale, by 9:30 AM CDT on the date of the sale to Monica Melvin, Specialized Public Finance Inc. at monica@spfmuni.com.

AWARD OF THE BONDS . . . The Authority’s Board will take action to award the Bonds (or reject all bids) at a meeting scheduled to convene at 12:00 PM, Central Time, on Monday, May 18, 2026, and adopt a resolution authorizing the Bonds and approving the Official Statement (the “Resolution”).

WITHDRAWAL OF THE BIDS . . . Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for twelve hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

EXTENSION OF SALE DATE . . . The Authority reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT on Friday, May 15, 2026 of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

THE BONDS

DESCRIPTION . . . The Bonds will be dated June 18, 2026 (the “Dated Date”). Interest will accrue from the date of delivery to the initial purchaser (the “Date of Initial Delivery”) and will be due on February 15, 2027, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Bonds will mature on August 15 in each year as follows:

MATURITY SCHEDULE*

Maturity (August 15)	Principal Amount	Maturity (August 15)	Principal Amount
2027	\$ 45,000	2042	\$ 205,000
2028	100,000	2043	220,000
2029	105,000	2044	230,000
2030	110,000	2045	240,000
2031	120,000	2046	255,000
2032	125,000	2047	265,000
2033	130,000	2048	280,000
2034	140,000	2049	295,000
2035	145,000	2050	310,000
2036	150,000	2051	330,000
2037	160,000	2052	345,000
2038	170,000	2053	365,000
2039	180,000	2054	380,000
2040	185,000	2055	405,000
2041	195,000	2056	425,000

*See “CONDITIONS OF THE SALE – Basis for Award.” Preliminary, subject to change.

OPTIONAL REDEMPTION . . . The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

SERIAL BONDS AND/OR TERM BONDS . . . Bidders may provide that all of the Bonds be issued as serial Bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term Bonds. If the successful bidder elects to alter the Maturity Schedule reflected above and convert principal amounts of the serial bonds into term bonds, such term bonds shall be subject to mandatory redemption.

AUTHORITY FOR ISSUANCE . . . The Bonds are being authorized and issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Texas Special District Local Laws Code, Chapter 8283 (the “Act”), and the Resolution to be adopted by the Board of Directors of the Authority on May 18, 2026 (see “THE BONDS – Authority for Issuance” in the Preliminary Official Statement).

BOOK-ENTRY-ONLY SYSTEM . . . The Authority intends to utilize the book-entry-only system of The Depository Trust Company (“DTC”). See “THE BONDS – Book-Entry-Only System” in the Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas (see “THE BONDS – Paying Agent/Registrar” in the Official Statement).

SOURCE OF PAYMENT . . . The Bonds constitute, and are, special obligations of the Authority payable, both as to principal and interest, solely from and, together with the outstanding Previously Issued Bonds and any Additional Bonds, if issued, secured by a first lien on and pledge of the Pledged Revenue (as defined in the Resolution) which includes payments to be received by the Authority from the Lake Kiowa Special Utility District (the “District”) pursuant to a “Water Facilities Contract” dated March 17, 2014, as amended (the “Contract”), between the Authority and the District. In accordance with the terms of the Contract, the issuance of the Bonds by the Authority will be approved by a resolution to be adopted by the District. The Authority has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation or from any other source of funds of the Authority other than Pledged Revenue and bondholders shall have no right to receive payment from any source other than the Pledged Revenue.

Further details regarding the Bonds are set forth in the Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Bonds will be sold in one block on an “All or None” basis, and at a price of not less than 103% of their par value and not more than 112% of their par value. Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2.5% in rate. The maximum coupon rate shall not exceed 5.00%. For Bonds having stated maturities on and after August 15, 2036, no reoffering yield producing a dollar price less than 97.5% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS FOR AWARD . . . Subject to the Authority’s right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Bonds will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the “Purchaser”) making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost (defined herein) rate to the Authority. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Date of Initial Delivery of all debt service payments on the Bonds on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Bonds plus any premium bid, if any. In the event of a bidder’s error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

POST BID MODIFICATION OF PRINCIPAL AMORTIZATION . . . After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the Authority and its Financial Advisor in \$5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Bonds by more than 20% from the amount set forth herein without permission of the Purchaser. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The Authority will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. Purchaser’s compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the Authority or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to “CONDITIONS OF THE SALE – Basis for Award” herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

In order to provide the Authority with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the Authority with a breakdown of its “underwriting spread” among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTEREST PARTY FORM 1295: Described hereinafter is an obligation of the Authority to receive information from winning bidder if bidder is not a publicly traded business entity (a “Privately Held Bidder”). Pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the Authority may not award the Bonds to a winning bidder which is a Privately Held Bidder unless such party submits a Bond of Interested Parties Form 1295 (the “Disclosure Form”) to the Authority as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Bonds is the best bid received, the Authority, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the Authority’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the Authority to complete the award.

Process for completing the Disclosure Form. Reference should be made in the Disclosure Form to the rules of the TEC with respect to the Disclosure Form (the “Disclosure Rules”) and the Interested Party Disclosure Act. Instructional information regarding such matters are set forth at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm. For purposes of completing the Disclosure Form the Purchaser will need the following information: (a) item 2 – name of governmental entity: Greater Texoma Utility Authority and (b) item 3 – the identification number assigned to this contract by the Authority: GTUA 2026 Bonds (Lake Kiowa SUD), and a description of the services to be provided under the contract: Purchase of Bonds. The Interested Party Disclosure Act and the Disclosure Rules require a business entity contracting with the Authority to complete the form at the TEC Internet “portal” that may be accessed at the url set forth above, and then print, sign and deliver the Disclosure Form by email to the Authority and to the Authority’s Bond Counsel at kristen.savant@nortonrosefulbright.com. Following the award of the Bonds, the Authority will acknowledge receipt of the completed Disclosure Form through the TEC website, as required by the law.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder **MUST BE ACKNOWLEDGED BY AND SUBMITTED UNDER A NOTARY STAMP**. No exceptions may be made to that requirement. The Interested Party Disclosure Act provides that such acknowledgment is made “under oath and under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the Authority, and no award will be made by the Authority of the Bonds until a completed Disclosure Form is received. The Authority reserves the right to reject any bid that is not accompanied by a completed Disclosure Form, as described herein. Neither the Authority nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the Authority that its bid is the conditional winning bid.

VERIFICATIONS OF STATUTORY REPRESENTATION AND COVENANTS . . . By submission of a bid for the obligations, each bidder makes the following representation and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the “Government Code”), as heretofore amended. As used herein, “affiliate” means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. §230.405, and exists to make a profit. If the bidder’s bid is accepted, then liability for breach of any such verification during the term of the contract for purchase and sale of the obligations created thereby (the “Agreement”) shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

NOT A SANCTIONED COMPANY . . . Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

NO BOYCOTT OF ISRAEL . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

NO DISCRIMINATION AGAINST FIREARM ENTITIES . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

NO BOYCOTT OF ENERGY COMPANIES . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER AND BRINGDOWN VERIFICATION . . . By submission of a bid for the obligations, each bidder represents and verifies that it is aware of the Office of the Texas Attorney General’s (the “Texas Attorney General”) All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Office of the Texas Attorney General using the following link: (<https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf>) and the Texas Attorney General’s supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link: (<https://texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf>). Each bidder represents and verifies that the bidder has (i) on file a standing letter (“Standing Letter”) acceptable to the Texas Attorney General addressing the representation and verifications described under the heading “Verifications of Statutory Representation and Covenants,” and (ii) will, upon request of the Authority or Bond Counsel (defined herein) on behalf of the Authority, provide the Authority and Bond Counsel (defined herein) with a copy of its Standing Letter. Each bidder further represents and verifies that its Standing Letter remains in effect as of the date of the Agreement and that the Texas Attorney General has not notified the bidder that a determination has been made that the bidder boycotts energy companies or boycotts Israel or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas. Upon request of the Authority or Bond Counsel (defined herein) on the Authority’s behalf, each bidder shall provide additional written certifications to the Authority and Bond Counsel (defined herein) (which may be by email) to the effect that the Texas Attorney General may continue to rely on the Standing Letter and the statutory representation and covenants contained in the Agreement through the closing date (currently scheduled for June 18, 2026) (the “Bringdown Verification”). The Authority reserves the right, and each bidder hereby expressly authorizes the Authority, to provide such Bringdown Verification to the Texas Attorney General.

To the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Attorney General, the Authority reserves the right to cash and accept the Good Faith Deposit (see “CONDITIONS OF THE SALE – Good Faith Deposit”). THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE REPRESENTATION OR VERIFICATIONS MADE IN CONNECTION WITH CHAPTERS 2252, 2271, 2274, AND 2276, TEXAS GOVERNMENT CODE, AS AMENDED (COLLECTIVELY, THE “COVERED VERIFICATIONS”) SHALL SURVIVE UNTIL BARRED BY THE APPLICABLE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THIS OFFICIAL NOTICE OF SALE OR THE OFFICIAL BID FORM. ADDITIONALLY, THE AUTHORITY RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.

IMPACT OF BIDDING SYNDICATE ON AWARD . . . For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Authority is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

GOOD FAITH DEPOSIT . . . The winning bidder will be required to provide a deposit in the amount of \$132,200 to the Authority as bid security (the “Good Faith Deposit”) by 5:00 p.m. CDT on May 18, 2026. The bid security may be provided to the Authority (i) via wire transfer (the Authority or its financial advisor, Specialized Public Finance Inc., will provide wire instructions to the winning bidder), or (ii) in the form of a certified or cashier’s check made payable to the order of Authority in the amount of the deposit set forth above. The wire option will be retained by the Authority and: (a) will be applied, without allowance for interest, against the purchase price when the Bonds are delivered to and paid for by such winning bidder or (b) will be retained by the Authority as liquidated damages if the winning bidder defaults with respect to the terms of its bid, except as provided under the subcaption “CONDITIONS OF THE SALE – Verifications of Statutory Representation and Covenants” (which damages shall not be liquidated or otherwise limited), or (c) will be returned to the winning bidder if the Bonds are not issued by the Authority for any reason which does not constitute a default by the winning bidder. If the check option is utilized, the check will be (a) returned uncashed to the winning bidder when the Bonds are delivered to and paid for by such winning bidder, (b) cashed by the Authority as liquidated damages if the winning bidder defaults with respect to the terms of its bid, except as provided under the subcaption “CONDITIONS OF THE SALE – Verifications of Statutory Representation and Covenants” (which damages shall not be liquidated or otherwise limited), or (c) returned uncashed to the winning bidder if the Bonds are not issued by the Authority for any reason which does not constitute a default by the winning bidder.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Bonds shall be paid by the Authority.

DELIVERY OF THE BONDS . . . Delivery will be accomplished by the issuance of one Initial Bond either in typed or printed form, in the aggregate principal amount of \$6,610,000*, payable in stated installments to the Purchaser, signed by the Board of Directors, approved by the Texas Attorney General, and registered and signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Bond, it shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC’s book-entry-only system. Delivery will be at the principal office of the Paying Agent/Registrar. Payment for the Bonds must be made in immediately available funds for unconditional credit to the Authority, or as otherwise directed by the Authority. The Purchaser will be given six business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about June 18, 2026, and it is understood and agreed that the Purchaser will accept delivery of and make payment for the Bonds by 10:00 AM, CDT, on June 18, 2026, or thereafter on the date the Bonds are tendered for delivery, up to and including May 19, 2026. If for any reason the Authority is unable to make delivery on or before May 19, 2026, the Authority shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit check will be returned, and both the Authority and the Purchaser shall be relieved of any further obligation. In no event shall the Authority be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the Authority’s reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Purchaser to take up and pay for the Bonds is subject to the Purchaser’s receipt of (a) the legal opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel for the Authority (“Bond Counsel”) and (b) the no-litigation certificate, all as further described in the Official Statement.

ESTABLISHMENT OF ISSUE PRICE (HOLDING-THE-OFFERING PRICE RULE WILL APPLY IF COMPETITIVE SALE REQUIREMENTS ARE NOT SATISFIED)

(a) The winning bidder shall assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority by Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Authority and Bond Counsel. All actions to be taken by the Authority under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Authority by the Authority’s financial advisor identified herein and any notice or report to be provided to the Authority may be provided to the Authority’s financial advisor.

(b) The Authority intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the Authority shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Authority may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Authority anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the Authority shall so advise the winning bidder. In such event, the Authority intends to treat the initial offering price to the public as of the sale date of each maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”). The Authority shall promptly advise the winning bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the Authority.

*See “CONDITIONS OF THE SALE – Basis for Award.” Preliminary, subject to change.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Authority when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The Authority acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The Authority further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail or other third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale:

(i) “public” means any person other than an underwriter or a related party,
(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date that the Bonds are awarded by the Authority to the winning bidder.

LEGAL OPINION . . . The Bonds are offered for delivery when, as and if issued, subject to the approval of the Texas Attorney General. Delivery of and payment for the Bonds is subject to the receipt by the Purchaser of an opinion of Bond Counsel, to the effect that the Bonds are valid and binding obligations of the Authority and that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “TAX MATTERS” in the Official Statement.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Authority to deliver the Bonds and of the Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall

have been no material adverse change in the condition of the Authority from those set forth in or contemplated by the “Preliminary Official Statement” as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Bonds to the Purchaser, the Authority will deliver to the Purchaser a certificate, as of the same date, to the effect that to the best of the Authority’s knowledge no litigation of any nature is pending or, to the best of the certifying officials’ knowledge or belief, threatened against the Authority, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officials of the Authority.

CERTIFICATION OF OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Initial Bond, the Authority will execute and deliver to the Purchaser a certificate as described in the Official Statement.

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. 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 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Purchaser represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Bonds in accordance with the securities law of the states in which the Bonds are offered or sold. The Authority agrees to cooperate with the Purchaser, at the Purchaser’s written request and sole expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the Authority shall not be obligated to qualify as a foreign corporation or execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Official Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Bonds, but is merely notice of the sale of the Bonds. The offer to sell the Bonds is being made by means of this Official Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Bonds.

ISSUANCE OF ADDITIONAL DEBT . . . The Authority does anticipate issuing additional Lake Kiowa Special Utility District contract payment supported debt within the next twelve months.

RATING . . . The Bonds and the Authority’s outstanding Lake Kiowa Special Utility District Contract Revenue Bond debt have been rated “A” by S&P Global Ratings (“S&P”) without regard to credit enhancement.

BOND INSURANCE . . . The Authority has applied to municipal bond insurance companies. In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor **will be paid by the Purchaser**. Any fees to be paid to the rating agencies as a result of said insurance **will be paid by the Authority**. Any downgrade by a rating agency of the bond insurance provider shall not relieve the Purchaser of its obligation under the heading “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS” herein.

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12 . . . The Authority has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be “final” as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the Authority, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the Authority concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Official Notice of Sale and Bidding Instructions and in the Official Statement.

The Authority will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Bonds. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the Authority assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Bonds.

CONTINUING DISCLOSURE AGREEMENT . . . The Authority will agree in the Resolution to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Purchaser’s obligation to accept and pay for the

Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Resolution containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The Authority and the District have complied in all material respects with their continuing disclosure agreements for the last five years.

On the date of the sale, the Board will, in the Resolution authorizing the issuance of the Bonds, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Purchaser.

May 6, 2026

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OFFICIAL BID FORM

Board of Directors
 Greater Texoma Utility Authority
 5100 Airport Drive
 Denison, Texas 75020

May 18, 2026

Members of the Board of Directors:

Reference is made to your Preliminary Official Statement and Official Notice of Sale and Bidding Instructions, dated May 6, 2026, of \$6,610,000* Greater Texoma Utility Authority Contract Revenue Bonds, Series 2026 (Lake Kiowa Special Utility District Project), both of which constitute a part hereof.

For your legally issued Bonds, in the aggregate principal amount of \$6,610,000*, we will pay you a price of \$ _____, representing approximately _____% of the par value. Such Bonds mature August 15, in each of the years and in the amounts and interest rates shown below:

Maturity (August 15)	Principal Amount*	Interest Rate	Maturity (August 15)	Principal Amount*	Interest Rate
2027	\$ 45,000	%	2042	\$ 205,000	%
2028	100,000	%	2043	220,000	%
2029	105,000	%	2044	230,000	%
2030	110,000	%	2045	240,000	%
2031	120,000	%	2046	255,000	%
2032	125,000	%	2047	265,000	%
2033	130,000	%	2048	280,000	%
2034	140,000	%	2049	295,000	%
2035	145,000	%	2050	310,000	%
2036	150,000	%	2051	330,000	%
2037	160,000	%	2052	345,000	%
2038	170,000	%	2053	365,000	%
2039	180,000	%	2054	380,000	%
2040	185,000	%	2055	405,000	%
2041	195,000	%	2056	425,000	%

Of the principal maturities set forth in the table above, term Bonds have been created as indicated in the following table (which may include multiple term Bonds, one term Bond or no term Bond if none is indicated). For those years which have been combined into a term Bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term Bond maturity date shall mature in such year. The term Bonds created are as follows:

Term Bond Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST _____ %

*See "CONDITIONS OF THE SALE – Basis for Award." Preliminary, subject to change.

The Initial Bond shall be registered in the name of _____, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

A wire transfer or a cashiers or certified check to the Authority in the amount of \$132,200 will be made available in accordance with the Official Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Official Notice of Sale, the proceeds of this deposit shall be retained by the Authority as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

We are having the Bonds of the following maturities _____ insured by _____ at a premium of \$_____, **said premium to be paid by the Purchaser.** Any fees to be paid to the rating agencies as a result of said insurance **will be paid by the Authority.**

We agree to accept delivery of the Bonds utilizing the book-entry-only system through DTC and make payment for the Initial Bond in immediately available funds in the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 AM, CDT, on June 18, 2026, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

For purposes of contracting for the sale of the Bond, the entity signing the bid form as Purchaser or Manager shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Authority is not a party to that agreement and any information provided regarding syndicate managers would be or informational purposes only.

The undersigned agrees to complete, execute, and deliver to the Authority, not later than the close of business on the business day following the award of the sale of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Official Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to or required by the Authority.

Upon notification of conditional verbal acceptance, the undersigned, if required, will complete an electronic form of the Bond of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the Authority and to the Authority's Bond Counsel at kristen.savant@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the Authority from providing final written award of the enclosed bid.

All syndicate members listed on the bid form (i) must have on file a Standing Letter acceptable to the Texas Attorney General addressing the representations and verifications described under the heading "CONDITIONS OF THE SALE – Verifications of Statutory Representation and Covenants," (ii) will, upon request of the Authority or Bond Counsel on behalf of the Authority, provide the Authority and Bond Counsel with a copy of its Standing Letter, and (iii) will, upon request of the Authority or Bond Counsel on the Authority's behalf, provide a Bringdown Verification.

Through submittal of this executed Official Bid Form, the undersigned makes the representation and verifications provided in the Official Notice of Sale and Bidding Instructions under the heading "CONDITIONS OF THE SALE – Verifications of Statutory Representation and Covenants" and "– Representation Regarding Texas Attorney General Standing Letter and Bringdown Verification."

By submitting this bid, the Purchaser understands and agrees that if Purchaser should fail or refuse to take up and pay for the obligations in accordance with this bid, or it is determined that after the acceptance of this bid by the Authority that the Purchaser was found not to satisfy the requirements described in the Official Notice of Sale and Bidding Instructions under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the obligations, then the check submitted herewith as the Purchaser's Good Faith Deposit shall be cashed and accepted by the Authority. **IF THE AUTHORITY CASHES THE PURCHASER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.**

By submitting this bid, the Purchaser understands and agrees that the liability of the Purchaser for breach of any of the representation or verifications made in connection with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended and as described above (collectively, the "Covered Verifications") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Official Notice of Sale. Additionally, the Purchaser acknowledges and agrees that the Authority reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Name of Purchaser or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Greater Texoma Utility Authority, at _____ AM/PM Central Time on this the 18th day of May, 2026.

Greater Texoma Utility Authority

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\$6,610,000*
GREATER TEXOMA UTILITY AUTHORITY
CONTRACT REVENUE BONDS, SERIES 2026
(LAKE KIOWA SPECIAL UTILITY DISTRICT PROJECT)

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds") of the Greater Texoma Utility Authority (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2026.

(c) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Tax Exemption with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

Dated: _____

*See "CONDITIONS OF THE SALE – Basis for Award." Preliminary, subject to change.

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated May 6, 2026

Rating:
S&P: "A"
Insurance: Applied For
See "OTHER INFORMATION –
Rating" herein

NEW ISSUE – Book-Entry-Only

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



\$6,610,000*
GREATER TEXOMA UTILITY AUTHORITY
(A political subdivision of the State of Texas located in Grayson, Collin, Fannin and Cooke Counties)
CONTRACT REVENUE BONDS, SERIES 2026
(LAKE KIOWA SPECIAL UTILITY DISTRICT PROJECT)

Dated Date: June 18, 2026

Due: August 15, as shown on inside cover page

Interest to Accrue from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$6,610,000* Greater Texoma Utility Authority Contract Revenue Bonds, Series 2026 (Lake Kiowa Special Utility District Project) (the "Bonds") will accrue from the Date of Initial Delivery (defined below) and will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2027, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Greater Texoma Utility Authority (the "Authority") intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC") but reserves the right on its behalf or on the behalf of DTC to discontinue the use of such system. The Bonds will be initially issuable to Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including Texas Special District Local Laws Code, Chapter 8283 (the "Act"), and a resolution (the "Bond Resolution") to be adopted by the Board of Directors of the Authority on May 18, 2026. In accordance with the terms of the "Water Facilities Contract" dated March 17, 2014, as amended, by and between the Authority and the District (the "Contract"), the issuance of the Bonds by the Authority will be approved by a resolution to be adopted by the Board of Directors of the District on May 20, 2026 (the "District Resolution"). The Authority has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation or from any other source of funds of the Authority other than Pledged Revenue (see "THE BONDS – Security for Bonds" and "THE BONDS – Pledged Revenue" and "THE CONTRACT – Payments") and bondholders shall have no right to receive payment from any source other than the Pledged Revenue.

PROCEEDS . . . Proceeds from the sale of the Bonds will be used for water improvements for use by the District and paying the costs of issuing the Bonds (see "THE BONDS – Purpose").

BOND INSURANCE . . . The Authority has applied to municipal bond insurance companies. In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor **will be paid by the Purchaser.** Any fees to be paid to the rating agencies as a result of said insurance **will be paid by the Authority.**

CUSIP PREFIX: 39238R
MATURITY SCHEDULE
See Inside Cover Page

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Purchaser (as hereinafter defined) and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see "APPENDIX D – Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on June 18, 2026 (the "Date of Initial Delivery").

BIDS DUE ON MONDAY, MAY 18, 2026, AT 9:00 AM, CDT

*Preliminary, subject to change.

MATURITY SCHEDULE*

<u>Maturity August 15</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Numbers⁽¹⁾</u>
2027	\$ 45,000			
2028	100,000			
2029	105,000			
2030	110,000			
2031	120,000			
2032	125,000			
2033	130,000			
2034	140,000			
2035	145,000			
2036	150,000			
2037	160,000			
2038	170,000			
2039	180,000			
2040	185,000			
2041	195,000			
2042	205,000			
2043	220,000			
2044	230,000			
2045	240,000			
2046	255,000			
2047	265,000			
2048	280,000			
2049	295,000			
2050	310,000			
2051	330,000			
2052	345,000			
2053	365,000			
2054	380,000			
2055	405,000			
2056	425,000			

(Interest Accrues from the Date of Initial Delivery)

*Preliminary, subject to change.

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OPTIONAL REDEMPTION . . . The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). Additionally, the Bonds may be subject to mandatory redemption in the event the Purchaser elects to designate one or more maturities as term Bonds.

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For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, this document constitutes an Official Statement of the Authority with respect to the Bonds that has been deemed “final” by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or 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 by the Authority or the Purchaser to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon.

The information set forth herein has been obtained from the Authority, 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 or the Purchaser. This 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. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Authority’s undertaking to provide certain information on a continuing basis.

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

NONE OF THE AUTHORITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE “OTHER INFORMATION – FORWARD-LOOKING STATEMENTS” HEREIN.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District or other matters described.

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

AUTHORITY ADMINISTRATION

BOARD OF DIRECTORS

Place	Name and Position	Term Expires	Occupation	Appointing City
VI	Brad Morgan President	12/26	Managing Director, Dallas Strategic Retirement Partners	Sherman
IV	Donald Johnston Vice President	12/27	Attorney At Law	Sherman
IX	Scott Blackerby Secretary/Treasurer	12/27	Industrial Sales, K.D. Johnson, Inc.	General Law Cities
I	Kristofor Spiegel Member	12/26	Business Development Manager/Producer	Denison
II	Stanley Thomas Member	12/27	Retired	Denison
III	Ken Brawley Member	12/26	Business Owner	Denison
V	Matt Brown Member	12/27	President, Legend Bank	Sherman
VII	Henry E. Koehler Member	12/26	Retired	Gainesville
VIII	Josh Wells Member	12/26	Vice President of Sales, Wells McCoy Steel, Inc.	Van Alstyne

APPOINTED OFFICIALS

Name and Position	Position	Length of Service
Paul M. Sigle	General Manager	3 Years

CONSULTANTS AND ADVISORS

Auditor..... Haynes and Associates, PC
Roanoke, Texas

Bond CounselNorton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor Specialized Public Finance Inc.
Austin, Texas

OFFICIAL STATEMENT SUMMARY

The selected data on these pages is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach these data pages from this Official Statement or to otherwise use them without the entire Official Statement.

- THE ISSUER**..... The Greater Texoma Utility Authority (the “Authority”) is a governmental agency, a political subdivision, and a body politic and corporate of the State of Texas, duly created under the Constitution of the State of Texas by the Legislature of the State of Texas. The Authority was established with power to assist municipalities with water, wastewater and solid waste needs. To provide these services, contracts are entered into with entities to which the Authority provides services. The Authority has no taxing power.
- THE BONDS**..... The Bonds are being issued as \$6,610,000* Greater Texoma Utility Authority Contract Revenue Bonds, Series 2026 (Lake Kiowa Special Utility District Project). The Bonds are issued as serial bonds maturing August 15 in the years 2027 through and including 2056, unless the Purchaser designates one or more maturities as term Bonds (see “THE BONDS – Description of the Bonds”).
- PAYMENT OF INTEREST** Interest on the Bonds accrues from the Date of Initial Delivery and is payable commencing on February 15, 2027, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE BONDS – Optional Redemption”).
- AUTHORITY FOR ISSUANCE** The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas (the “State”), including Texas Special District Local Laws Code, Chapter 8283 (the “Act”), and a resolution (the “Bond Resolution”) to be adopted by the Board of Directors of the Authority on May 18, 2026. In accordance with the terms of the “Water Facilities Contract” dated March 17, 2014, as amended, by and between the Authority and the District (the “Contract”), the issuance of the Bonds by the Authority will be approved by a resolution to be adopted by the Board of Directors of the District on May 20, 2026 (the “District Resolution”).
- SECURITY FOR THE BONDS** The Bonds constitute, and are, special obligations of the Authority payable, both as to principal and interest, solely from and, together with the outstanding Previously Issued Bonds and any Additional Bonds, if issued, secured by a first lien on and pledge of the Pledged Revenue (as defined in the Bond Resolution) which include payments to be received by the Authority from the District pursuant to a “Water Facilities Contract” dated March 17, 2014, as amended (the “Contract”), between the Authority and the District. The Authority has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation or from any other source of funds of the Authority other than Pledged Revenue (see “THE BONDS – Security for Bonds,” “THE BONDS – Pledged Revenue” and “THE CONTRACT – Payments”) and bondholders shall have no right to receive payment from any source other than the Pledged Revenue.
- REDEMPTION** The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). Additionally, the Bonds may be subject to mandatory redemption in the event the Purchaser elects to designate one or more maturities as term Bonds.
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “TAX MATTERS – Tax Exemption” herein.
- USE OF BOND PROCEEDS** Proceeds from the sale of the Bonds will be used for water system improvements for use by the District and paying the costs of issuing the Bonds (see “THE BONDS – Purpose”).

*Preliminary, subject to change.

RATING AND INSURANCE The Bonds and the Authority’s outstanding Lake Kiowa Special Utility District Contract Revenue Bond debt have been rated “A” by S&P Global Ratings (“S&P”) without regard to credit enhancement. The Authority also has several issues outstanding which have insured ratings through insurance provided by various commercial insurance companies. The Authority has applied to municipal bond insurance companies. In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the Authority (see “BOND INSURANCE,” “BOND INSURANCE RISKS” and “OTHER INFORMATION – Rating”).

BOOK-ENTRY-ONLY SYSTEM..... The definitive Bonds 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 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).

PAYMENT RECORD Neither the District nor the Authority has ever defaulted in the payment of their bonded indebtedness.

For additional information regarding the Authority or the District, please contact:

<p>Mr. Paul Sigle General Manager Greater Texoma Utility Authority 5100 Airport Drive Denison, Texas 75020 903-786-4433</p>	<p>or</p>	<p>Mr. Rodney Brown General Manager Lake Kiowa SUD 133 Kiowa Drive South Lake Kiowa, Texas 76240 940-668-8391</p>	<p>or</p>	<p>Mr. Garry Kimball Managing Director Specialized Public Finance Inc. 248 Addie Roy Road, Suite B-103 Austin, Texas 78746 512-275-7300</p>
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PRELIMINARY OFFICIAL STATEMENT

\$6,610,000*

GREATER TEXOMA UTILITY AUTHORITY

(A political subdivision of the State of Texas located in Grayson, Collin, Fannin and Cooke Counties)

CONTRACT REVENUE BONDS, SERIES 2026

(LAKE KIOWA SPECIAL UTILITY DISTRICT PROJECT)

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$6,610,000* Greater Texoma Utility Authority Contract Revenue Bonds, Series 2026 (Lake Kiowa Special Utility District Project) (the “Bonds”). The offering of the Bonds is being made hereby. Potential investors in the Bonds are urged to carefully read this Preliminary Official Statement for the purpose of assessing an investment in the Bonds. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, as defined below, except as otherwise indicated herein (see “SELECTED PROVISIONS OF THE BOND RESOLUTION”).

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Lake Kiowa Special Utility District (the “District”), and the Greater Texoma Utility Authority (the “Authority”) and their 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 Authority’s Financial Advisor, Specialized Public Finance Inc., Austin, Texas.

THE BONDS

DESCRIPTION OF THE BONDS . . . Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months, will accrue from the Date of Initial Delivery, and will be payable semiannually on February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption. The Bonds are issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof within a maturity. The Bonds mature on August 15 in the years and in the principal amounts set forth on page 2 hereof. The definitive Bonds 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 Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall 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 bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or upon prior redemption, upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “THE BONDS – Book-Entry-Only System” herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas (the “State”), including Texas Special District Local Laws Code, Chapter 8283 (the “Act”), and a resolution (the “Bond Resolution”) to be adopted by the Board of Directors of the Authority on May 18, 2026. In accordance with the terms of the “Water Facilities Contract” dated March 17, 2014, as amended, by and between the Authority and the District (the “Contract”), the issuance of the Bonds by the Authority will be approved by a resolution to be adopted by the Board of Directors of the District on May 20, 2026 (the “District Resolution”).

*Preliminary, subject to change.

SECURITY FOR BONDS . . . The Bonds are special obligations of the Authority payable, both as to principal and interest, solely from and, together with the outstanding Previously Issued Bonds and any Additional Bonds, if issued, secured by a first lien on and pledge of the Pledged Revenue, which consist of the revenues to be received under the Contract (see “THE CONTRACT – Payments” herein) and amounts deposited into the funds reaffirmed or created by the Bond Resolution, including the Reserve Fund and the Bond Fund and the Construction Fund (see “SELECTED PROVISIONS OF THE BOND RESOLUTION”). The Bonds are secured on a parity basis with respect to the lien on the Pledged Revenue with other bonds of the Authority that are secured by the Pledged Revenue (the “Previously Issued Bonds”) that are presently outstanding in the principal amount of \$8,125,000. The Bonds are not a charge upon any other income or revenues of the District or the Authority and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the District or the Authority. The Bond Resolution does not create a lien or mortgage on the System (as defined below) and any judgment against the Authority or the District may not be enforced by levy and execution against any property owned by either the Authority or the District. The Authority has no taxing powers.

PLEGGED REVENUE . . . Under the Contract, the District has agreed and is obligated, subject to the provisions of the Contract, to make payments to the Authority in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of and interest on the Bonds when due, as required by the Bond Resolution. Payments by the District under the Contract are an operating expense of the District’s water system (the “System”) and are payable solely from the revenues of the System. Payment of the Bonds and Bonds Similarly Secured (as defined below) shall be senior with respect to the use of revenues of the System which may secure any of the District’s Water System Revenue Bonds.

THE RESERVE FUND . . . In the Bond Resolution, the Authority has covenanted and agreed to maintain a debt service reserve fund (the “Reserve Fund”) in an amount (the “Required Reserve Fund Amount”) equal to the average annual principal and interest requirements for the Bonds and all bonds previously issued or hereafter issued by the Authority which are secured by a pledge of the Pledged Revenue on a parity basis to the pledge on the Pledged Revenue that secure the Bonds (collectively, such bonds are referred to as the “Bonds Similarly Secured”). Upon the delivery of the Bonds, amounts on deposit in the Reserve Fund, allocated as a part of the Reserve Fund for the security of Bonds Similarly Secured under the resolutions authorizing the issuance of such Bonds Similarly Secured (including amounts held in the Reserve Fund by reason of the issuance of the Previously Issued Bonds) shall continue to be held as a part of the Reserve Fund for the security and payment, if required, of Bonds Similarly Secured. Amounts on deposit in the Reserve Fund may be used to pay the principal and interest on the Bonds Similarly Secured at any time when there is not sufficient money available therefor in the Authority’s Bond Fund. So long as the money and investments in the Reserve Fund total not less than the Required Reserve Fund Amount, no deposits from the Pledged Revenue shall be required to be made to said Reserve Fund, but should the Reserve Fund ever contain less than the Required Reserve Fund Amount (including as a result of the issuance of Additional Bonds), the Authority has covenanted to deposit in the Reserve Fund substantially equal monthly deposits in an amount which will result in the Required Reserve Fund Amount being on deposit in the Reserve Fund within not more than sixty (60) months from the date of the passage of the resolution authorizing the Bonds Similarly Secured, and such monthly deposits shall take into account the amounts already on deposit in said Reserve Fund. When the Required Reserve Fund Amount has been fully accumulated, said monthly payments to said Fund may be terminated; provided, however, should the money in the Reserve Fund be utilized so the Reserve Fund balance is less than the Required Reserve Fund Amount, after the same has been accumulated, monthly deposits shall be made in an amount not less than one-twelfth (1/12th) of the amount of the deficiency and shall continue to be made on or before the fifteenth (15th) day of each month until the Required Reserve Fund Amount has been fully restored. On the date of the issuance of the Bonds, the Required Reserve Fund Amount of \$ _____ will be less than the \$ _____ Reserve Fund balance as of _____, 2026. See “SELECTED PROVISIONS OF THE BOND RESOLUTION – Section 15: Reserve Fund.”

ISSUANCE OF ADDITIONAL BONDS . . . In addition to the right to issue bonds of inferior lien as authorized by the laws of the State, in the Bond Resolution the Authority has reserved the right hereafter to issue Additional Bonds. The Additional Bonds, when issued, shall be payable from and secured by a first lien on and pledge of the Pledged Revenue in the same manner and to the same extent as are the Bonds and the Previously Issued Bonds. Bonds Similarly Secured shall in all respects be of equal dignity. The Additional Bonds may be issued in one or more installments provided, however, that no Additional Bonds, shall be issued unless and until the following conditions have been met:

- (a) The Authority is not then in default as to any covenant, condition or obligation prescribed in a resolution authorizing the issuance of the Outstanding Bonds Similarly Secured or the Contract (including any amendment or supplement thereto).
- (b) A consulting engineer certifies to the Authority the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project.
- (c) The District shall have approved the resolution authorizing the issuance of the Additional Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional Bonds is payable, in whole or in part, from payments to be made by the District under and pursuant to the Contract.
- (d) The Additional Bonds are made to mature on August 15 or February 15 or both in each of the years in which they are scheduled to mature.
- (e) The resolution authorizing the issuance of the Additional Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Bonds as the same become due.

- (f) The resolution authorizing the issuance of the Additional Bonds provides that (i) the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the average annual debt service requirement (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured, as of the date of the last series of Bonds Similarly Secured after giving effect to the issuance of the Additional Bonds for the payment of principal of and interest on all obligations to be secured by a first lien on and pledge of the Pledged Revenue, and (ii) any additional amount to be maintained in the Reserve Fund shall be accumulated within not more than 60 months from the date of the passage of the resolution authorizing the issuance of the proposed Additional Bonds.
- (g) The Authority demonstrated to the Texas Water Development Board's Executive Administrator that the Pledged Revenues will be sufficient to pay the Previously Issued Bonds, the Bonds and the proposed Additional Bonds.

Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the Authority may deem to be in the best interest of the Authority and if less than all such Outstanding Bonds Similarly Secured are refunded, the proposed refunding bonds shall be considered as "Additional Bonds," but the certificate required in subdivision (b) above shall not be required or be applicable to the issuance of such refunding bonds.

RATE COVENANT . . . The District has covenanted in the Contract that it will at all times charge and collect for services rendered by the System rates sufficient to pay all expenses of operating and maintaining the System, including all payments, obligations and indemnities provided under the Contract. See "THE LAKE KIOWA SPECIAL UTILITY DISTRICT WATER SYSTEM – Monthly Water Rates" herein.

OPTIONAL REDEMPTION . . . The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If fewer than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not fewer than 30 days prior to a redemption date for the Bonds, the Authority shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS OR ANY PORTION THEREOF CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied or sufficient moneys are not received, such notice shall be of no force and effect, the Authority shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds 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 Authority and the District believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One

fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority 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 Bonds 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 Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority does not take any responsibility for the accuracy thereof.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Bond Resolution, the Authority retains the right to replace the Paying Agent/Registrar. The Authority covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank trust company, financial institution 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 Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Authority agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the beneficial owners thereof, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof 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. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the principal 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds 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 Bonds 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 Bond or Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the Authority nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Bond; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable 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 Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each holder of a Bond 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.

DEFEASANCE OF BONDS . . . In the Bond Resolution, the Authority has reserved the right to defease the Bonds and thereby release the lien established by the Bond Resolution with respect to the Pledged Revenue by funding an escrow account that is dedicated to the payment of the Bonds. See "SELECTED PROVISIONS OF THE BOND RESOLUTION – Section 29: Satisfaction of Obligation of Authority." There is no assurance that the current law will not be changed in a manner which would permit investments other than those described in the Bond Resolution to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, registered owners may 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 Government Obligations or that for any other Government Obligations will be maintained at any particular rating category.

AMENDMENTS TO THE RESOLUTION . . . In the Bond Resolution, the Authority has reserved the right to amend and supplement the Bond Resolution under certain conditions. Amendments for certain purposes are prohibited unless the Authority has obtained the consent of bondholders holding a majority in aggregate principal amount of the Bonds Similarly Secured then outstanding. See "SELECTED PROVISIONS OF THE BOND RESOLUTION – Section 38: Resolution a Contract – Amendments."

BONDHOLDERS' REMEDIES . . . Except for the remedy of mandamus to enforce the Authority's covenants and obligations under the Bond Resolution, the Bond Resolution does not establish other remedies or specifically enumerate events of default with respect to the Bonds. The Bond Resolution does not provide for a trustee to enforce the covenants and obligations of the Authority. In no event will registered owners have the right to have the maturity of the Bonds accelerated as a remedy. The enforcement of the

remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Bond Resolution would be successful. Furthermore, the Authority is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Authority avail itself of Chapter 9 protection from creditors, the ability to enforce any remedies under the Bond Resolution 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 Bond Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

PURPOSE . . . Proceeds from the sale of the Bonds will be used for water improvements for use by the Authority and paying the costs of issuing the Bonds.

SOURCES AND USES OF FUNDS . . . The proceeds from the sale of the Bonds will be used approximately as follows:

<u>SOURCES:</u>	
Par Amount of Bonds	\$
Bid Premium	
Total Sources	<u>\$</u>
 <u>USES:</u>	
Deposit to Construction Fund	\$
Deposit to Reserve Fund	
Deposit to Bond Fund	
Costs of Issuance/Rounding Amount	
Total Uses	<u>\$</u>

BOND INSURANCE

The Authority has applied to municipal bond insurance companies. In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor **will be paid by the Purchaser.** Any fees to be paid to the rating agencies as a result of said insurance **will be paid by the Authority.**

BOND INSURANCE RISKS

The following risk factors related to municipal bond insurance policies generally apply:

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable Bond documents. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the Bond Resolution. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the Authority nor the Purchaser have made independent investigation into the claims-paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . S&P, Moody’s Investors Services, Inc., and Fitch Ratings (the “Rating Agencies”) have downgraded 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 are possible. In addition, certain 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 the Bond Insurer of the Bonds.

THE AUTHORITY

The Greater Texoma Utility Authority (formerly “Greater Texoma Municipal Utility District”) is a governmental agency, a political subdivision, and a body politic and corporate of the State of Texas, duly created, existing, and acting under the provisions of Article XVI, Section 59 of the Constitution of the State of Texas and by virtue of Chapter 97, Acts of the 66th Legislature of the State of Texas, Regular Session 1979, as amended by Chapter 398, Acts of the 68th Legislature, Regular Session 1983, Chapter 509, Acts of the 78th Legislature, Regular Session 2003, and Chapter 334, Acts of the 82nd Legislature, Regular Session 2011 (collectively, the “Act”). The Authority was established to assist municipalities with water, wastewater, and solid waste needs. To provide these services, contracts are entered into with entities to which the Authority provides services. The Authority has no taxing power. The cities of Sherman and Denison were included in the Authority’s territory by provisions of the Act. Subsequent to the passage of the Act, the cities of Gunter, Howe, Pottsboro, Tioga, Tom Bean, Whitewright, Whitesboro, Gainesville, Anna, Ector, Bailey, Collinsville, Leonard, Van Alstyne, Muenster and the Town of Valley View requested annexation into the Authority and have been so annexed through action of the Board of Directors in accordance with the provisions of the Act.

ADMINISTRATION . . . Policy-making functions of the Authority are the responsibility of, and are vested in, the Board of Directors, consisting of a maximum of nine members who occupy places numbered I through IX inclusive, and serve two-year terms. The governing body of the City of Denison appoints directors to Places I, II and III. The governing body of the City of Sherman appoints directors to Places IV, V, and VI. Other home rule cities annexed by the Authority may individually or collectively appoint two directors (Places VII and VIII) whose terms shall commence on the next following January 1. The City of Gainesville in Cooke County as a home rule city appoints a director to Place VII, currently vacant. The City of Anna in Collin County as a home-rule City has appointed a director to Place VIII. The general law cities are collectively entitled to the appointment of one director to Place IX.

THE CONTRACT

The following is a summary of certain provisions of the Contract between the Authority and the District. Reference should be made to the Contract for complete information. Copies of the Contract are available upon request from the Authority. As used under this caption, the term “Resolution” means any resolution of the Board of Directors authorizing the issuance of the Bonds and providing for their security and payment, as such resolution(s) may be amended from time to time as therein permitted. The term “Bonds” means “any bonds to be issued by the Authority for the purpose of providing funds to pay the necessary costs of the Project, whether in one or more issues, or any bonds issued to refund same.” “Project” means the facilities financed by the Authority for the District pursuant to the Contract.

DISTRICT’S REPRESENTATIONS:

- (a) In its capacity as a special utility district in Texas, the District is empowered under applicable laws of Texas, to enter into the engagements prescribed for it under the Contract and to perform all obligations which may result therefrom, and its governing body has duly authorized execution of the Contract.
- (b) The District will timely pay to the Authority the full amount it is required to pay under the provisions of the Contract for the services supplied by the Authority for the Project.
- (c) That the District will plan, construct, maintain, operate and finance its own utility system and set retail rates to individual customers for water service adequate to pay all District obligations secured by and made payable from the revenues derived from the operation of the District’s Water System.
- (d) That the District will cooperate with the Authority in the performance of the duties and responsibilities assigned to the Authority by the Contract.

AUTHORITY’S REPRESENTATIONS:

- (a) In its capacity as a conservation and reclamation district created by Texas Special District Local Laws Code, Chapter 8283 (the “Act”), pursuant to Article XIV, Section 59 of the Texas Constitution, the Authority is empowered under applicable laws of the State of Texas, particularly under the Act, the Interlocal Cooperation Act and the Texas Water Code, to enter into the engagements prescribed for it under the Contract and to perform all obligations which may result therefrom, and its governing body has duly authorized execution of the Contract.
- (b) That the Authority will finance all costs of the Project not provided by the District and any grant secured by the construction of the Project.

THE AUTHORITY AND THE DISTRICT AGREE THAT:

- (a) Unless otherwise agreed by the parties, the District is responsible for the preparation of final plans and specifications for the Project.
- (b) Final plans and specifications for the Project shall be subject to the approval of the District and the Authority.
- (c) All construction contracts shall be let and awarded pursuant to the laws applicable to the Authority.
- (d) The Authority shall let and award all construction contracts, subject to the approval of each contract by the District.
- (e) The Authority shall deposit from the proceeds from the sale of its Bonds in a special Construction Fund to be created and established by the Resolution(s), an amount of money which shall be specified in said Resolution(s). The Authority shall draw on and use said Construction Fund to pay the cost of acquiring, constructing, improving, extending, enlarging and repairing the Project.
- (f) Unless otherwise agreed by the parties, the District shall be responsible for the acquisition of all land, rights-of-way, property rights, easements and interest required to provide a Project, subject to the approval of the District and the Authority.

CONSTRUCTION, MAINTENANCE AND OPERATION OF A PROJECT . . . Unless otherwise agreed by the parties, it is agreed that the District will be responsible for operating and maintaining the Project for the entire term of the Contract, and shall pay all costs and expenses incurred in regard to the Maintenance and Operating of the Project. The District hereby agrees and covenants to operate and maintain the Project in accordance with accepted good business and engineering practices and in accordance with all applicable federal and state laws, including any rules and regulations issued by appropriate agencies in the administration of said laws. If the District is the Operator, the District agrees to the extent allowed by law, to indemnify and to save and hold harmless the Authority from negligence, claims, damages, losses, costs and expenses, including reasonable attorney fees, including reasonable attorney fees, arising at any time from the acquisition, existence, ownership, operation and maintenance of the Project.

USE AND OWNERSHIP OF A PROJECT . . . It is agreed that the District and its customers shall have the exclusive use of the entire Project for the useful life of the Project. In consideration for the Authority’s obligation hereunder, the District recognizes and agrees that the Authority will acquire an undivided interest in the Project equivalent to the percentage of the total cost of the Project provided by the Authority through the issuance and sale of its Bonds. It is further agreed that the District’s obligations to make any and all payments specified in Article III of the Contract and the ownership interest of the Authority in the Project will terminate when all of the Authority’s Bonds issued in connection with the Project have been paid in full and retired and are no longer outstanding.

PAYMENTS . . . The District agrees that it will make the following payments to the Authority:

- (a) Monthly Amortization Payment -- Such amounts, payable monthly on or before the 10th day of each month, in approximately equal installments, as are necessary to pay (i) the principal coming due on the Authority’s Bonds on the next succeeding principal payment date; (ii) the interest coming due on the Authority’s Bonds on the next succeeding interest payment date; and (iii) the fees and charges of the Paying Agent(s) for paying or redeeming the Bonds and interest thereon coming due on each applicable date.
- (b) Reserve Fund Payment -- Such amount as is required to be paid into the Reserve Fund from the Revenue Fund (out of payments to be made by the District) under the Resolution in order to establish, maintain or replenish the Reserve Fund for the security and payment of Bonds.
- (c) Administrative Payment -- An amount sufficient to pay the administrative and overhead expenses of the Authority, directly attributable and chargeable to the Bonds and the Project, including the cost of routine annual accounting reports and the costs of all continuing disclosure undertakings.
- (d) Extraordinary Expense Payment -- Such amounts as are necessary to pay or reimburse the Authority for any extraordinary or unexpected expenses or costs reasonably and necessarily incurred by the Authority in connection with the Bonds and the Project, such as expenses of litigation, if any, and costs of special studies and special professional services, if and when required by any governmental directive or regulation or as may be agreed between the District and the Authority.
- (e) The cost of maintenance and operation of the Project (for which provision is made in Section 3.03 of the Contract), if the Authority is the Operator under that section.

The District covenants that it will timely make (i) the monthly amortization payments and (ii) the additional payments specified hereunder in accordance with the provisions of the Contract as the same shall become due and payable, irrespective of whether

service of the Project has been abandoned or discontinued, or if the Project has been rendered wholly or partially unusable by reason of "force majeure." The District recognizes the fact that the Authority will use the payment received from the District hereunder to pay, secure and finance the issuance of the Bonds, and the holders of the Bonds shall be entitled to rely upon the foregoing covenant of payment regardless of any other agreement that may exist between the Authority and the District.

The District represents and covenants that all payments to be made by it hereunder shall constitute "operating expenses" of the District's Water System. The District further agrees to fix and collect such rates and charges for water and services to its customers as will make possible the prompt payment of all expenses of operating and maintaining its Water System, including all payments, obligations and indemnities contracted hereunder.

The payments required to be made by the District under the terms of the Contract shall be due and payable in any and all events regardless of whether there shall be, for any reason, a delay in the completion of all or any part of the Project and regardless of whether the Project shall have been wholly or partially destroyed or damaged. The agreements of the District shall be and are separate and independent covenants and the District shall have no rights of set off, recoupment, or counterclaim.

TERM . . . The obligation of the District to promptly make all payments commence with the effective date of the Contract and continue for the period during which the Bonds are outstanding and unpaid.

OTHER PROVISIONS . . . The Authority and the District agree that in the event of default or threatened default, in the payment of principal of or interest on the Bonds, any court of competent jurisdiction (upon petition of the holders of twenty-five percent (25%) of the principal amount of the then outstanding Bonds of the Authority) shall appoint a receiver with authority to collect and receive all resources pledged to the payment of the Bonds, enforce all rights arising from default, if any, by the District in making payment under the Contract, and take charge of the pledged funds on hand and manage the proprietary affairs of the Authority insofar as such affairs relate to the Project. The court may further vest the receiver with such powers and duties as the court may find necessary for the protection of the holders of the Bonds.

Should the District fail to make any payment at the time therein specified, interest on such amounts shall accrue at the rate of the lesser of ten percent (10%) per annum from the date such payment becomes due until paid in full with interest as herein specified. In the event such payment is not made within sixty (60) days from the date such payment becomes due, the Authority may institute a proceeding for a mandatory injunction requiring the payment of the amount due and interest thereon, such action to be instituted in a court of competent jurisdiction.

Should the District choose to discontinue the operation of all or part of the Project, the District shall have the exclusive right to the salvage of all of the properties and improvements constituting the Project so discontinued. Any cost of salvage will be a maintenance and operating expense of the District, and any money realized from such salvage will serve as a reduction of such expense.

The abandonment of the use of the Project shall have no effect upon the obligations of the District to the Authority provided for by the Contract, and all payments provided for by the Contract shall remain obligations of the District of the same nature as provided for by the Contract. The District shall retain the use of the land where the Project is situated and all remaining improvements thereon for its corporate purposes.

The District represents to the Authority that the execution of the Contract and the operation hereunder will not in any way impair the obligation of contract by and between the District and any other person. The Project is in furtherance of governmental policy, not inconsistent with the existing contractual obligations of the District.

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**THE LAKE KIOWA SPECIAL UTILITY DISTRICT
WATER SYSTEM**

WATER SYSTEM . . . The District operates a public water system serving residents in Cooke County, Texas. The District currently has 1,412 connections and acquires water from the North Texas Municipal Water District's system.

The Bonds will provide funding for the construction of pump stations, elevated storage facilities, and other essential system improvements. These improvements are designed to accommodate anticipated population growth, ultimately providing service for an additional 25,000 new connections.

TABLE 1 – WATER CONSUMPTION

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Annual Gallons Pumped	211,450,281	203,145,836	228,198,229	162,719,500	235,960
Annual Gallons Sold	210,414,175	202,109,792	227,036,131	166,363,345	234,076
Water Accountability Percent	99.51%	99.49%	99.49%	102.24%	99.20%

TABLE 2 – MONTHLY WATER RATES (AS OF JANUARY 1, 2026)

Tier	3/4" - 1" Meter	1 1/2" Meter	2" Meter
Monthly Minimum Charge	\$ 108.08	324.24	432.29
0-20,000 Gallons	4.33	4.33	4.33
20,001-60,000	6.48	6.48	6.48
60,001-80,000	15.14	15.14	15.14
80,001 +	23.22	23.22	23.22

TABLE 3 – LAKE KIOWA SPECIAL UTILITY DISTRICT WATER STATEMENT OF OPERATIONS

	Fiscal Years Ended June 30,				
	2025	2024	2023	2022	2021
Operating Revenues:					
Charges for Services	\$ 2,321,873	\$ 1,912,222	\$ 1,956,856	\$ 1,704,998	\$ 1,645,584
Lease Revenues and Other	53,036	44,632	79,829	85,610	134,556
Total Operating Revenues	<u>\$ 2,374,909</u>	<u>\$ 1,956,854</u>	<u>\$ 2,036,685</u>	<u>\$ 1,790,608</u>	<u>\$ 1,780,140</u>
Operating Expenses:					
Maintenance & Operations ⁽¹⁾	<u>\$ 1,115,182</u>	<u>\$ 1,039,156</u>	<u>\$ 1,026,409</u>	<u>\$ 990,275</u>	<u>\$ 881,048</u>
Non-Operating Revenues ⁽²⁾ :	<u>\$ 64,386</u>	<u>\$ 65,046</u>	<u>\$ 19,720</u>	<u>\$ 12,528</u>	<u>\$ 19,020</u>
Net Available for Debt Service	<u>\$ 1,324,113</u>	<u>\$ 982,744</u>	<u>\$ 1,029,996</u>	<u>\$ 812,861</u>	<u>\$ 918,112</u>

(1) Excludes interest and depreciation expenses.

(2) Includes interest income and sale of assets.

TABLE 4 – COMPUTATION OF LAKE KIOWA SUD’S COVERAGE OF GTUA DEBT SERVICE⁽¹⁾

Net Available for Debt Service, Fiscal 2025 ⁽¹⁾	\$ 1,324,113
Average Annual Debt Service, 2026-2056	\$ 750,078
Coverage of Average Annual Debt Service by Fiscal 2025 Net Available	1.77 times
Maximum Annual Debt Service Requirements, 2034	\$ 1,056,259
Coverage of Maximum Requirements by Fiscal 2025 Net Available	1.25 times

(1) Includes the Bonds. Preliminary, subject to change.

TABLE 5 – GREATER TEXOMA UTILITY AUTHORITY (LAKE KIOWA SPECIAL UTILITY DISTRICT PROJECT) STATEMENT OF OPERATIONS

	Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
<u>Revenues:</u>					
Charges for Services	\$ 621,608	\$ 621,751	\$ 660,567	\$ 661,960	\$ 435,860
Interest Income	67,305	103,275	178,051	4,316	3,260
Total Revenues	<u>\$ 688,913</u>	<u>\$ 725,026</u>	<u>\$ 838,618</u>	<u>\$ 666,276</u>	<u>\$ 439,120</u>
<u>Expenses:</u>					
General & Administrative ⁽¹⁾	\$ 23,943	\$ 9,836	\$ 14,359	\$ 27,072	\$ 12,655
Net Available for Debt Service	\$ 664,970	\$ 715,190	\$ 824,259	\$ 639,204	\$ 426,465
Contract Revenue Bonds as of 1/31/2026 ⁽²⁾	\$ 8,125,000				
Reserve Fund as of 1/31/2026	\$ 380,204				

(1) Excludes depreciation expense.

(2) Excludes the Bonds.

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DEBT INFORMATION

TABLE 6 – PRO-FORMA DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Outstanding Debt			The Bonds ⁽¹⁾			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
	9/30						
2026	\$ 450,000	\$ 158,707	\$ 608,707	\$ -	\$ -	\$ -	\$ 608,707
2027	455,000	150,688	605,688	45,000	401,971	446,971	1,052,658
2028	465,000	142,292	607,292	100,000	344,663	444,663	1,051,955
2029	475,000	133,409	608,409	105,000	339,413	444,413	1,052,821
2030	485,000	124,093	609,093	110,000	333,900	443,900	1,052,993
2031	490,000	114,345	604,345	120,000	328,125	448,125	1,052,470
2032	505,000	104,287	609,287	125,000	321,825	446,825	1,056,112
2033	515,000	93,753	608,753	130,000	315,263	445,263	1,054,016
2034	525,000	82,822	607,822	140,000	308,438	448,438	1,056,259
2035	300,000	71,517	371,517	145,000	301,088	446,088	817,604
2036	300,000	66,179	366,179	150,000	293,475	443,475	809,654
2037	310,000	60,582	370,582	160,000	285,600	445,600	816,182
2038	180,000	54,499	234,499	170,000	277,200	447,200	681,699
2039	185,000	51,871	236,871	180,000	268,275	448,275	685,146
2040	185,000	48,985	233,985	185,000	258,825	443,825	677,810
2041	190,000	45,932	235,932	195,000	249,113	444,113	680,045
2042	195,000	42,645	237,645	205,000	238,875	443,875	681,520
2043	195,000	39,135	234,135	220,000	228,113	448,113	682,248
2044	200,000	35,489	235,489	230,000	216,563	446,563	682,051
2045	205,000	31,629	236,629	240,000	204,488	444,488	681,116
2046	210,000	27,570	237,570	255,000	191,888	446,888	684,457
2047	215,000	23,328	238,328	265,000	178,500	443,500	681,828
2048	215,000	18,920	233,920	280,000	164,588	444,588	678,508
2049	220,000	14,448	234,448	295,000	149,888	444,888	679,336
2050	225,000	9,806	234,806	310,000	134,400	444,400	679,206
2051	230,000	4,991	234,991	330,000	118,125	448,125	683,116
2052	-	-	-	345,000	100,800	445,800	445,800
2053	-	-	-	365,000	82,688	447,688	447,688
2054	-	-	-	380,000	63,525	443,525	443,525
2055	-	-	-	405,000	43,575	448,575	448,575
2056	-	-	-	425,000	22,313	447,313	447,313
	<u>\$ 8,125,000</u>	<u>\$ 1,751,916</u>	<u>\$ 9,876,916</u>	<u>\$ 6,610,000</u>	<u>\$ 6,765,496</u>	<u>\$ 13,375,496</u>	<u>\$ 23,252,411</u>

(1) Interest is calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

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SELECTED PROVISIONS OF THE BOND RESOLUTION

SECTION 10: Certain Definitions. In addition to terms defined elsewhere in this Resolution, for all purposes of this Resolution and in particular for clarity with respect to the issuance of the Bonds and the pledge and appropriation of the Pledged Revenue therefor, the following definitions are provided:

a) The term “Additional Bonds” shall mean parity revenue bonds issued in accordance with the terms and conditions prescribed in Section 19 hereof.

b) The term “Authorized Investments” shall mean the obligations identified in the “Public Funds Investment Act” (Texas Government Code, Chapter 2256), as amended.

c) The term “Bonds” shall mean the “Greater Texoma Utility Authority Contract Revenue Bonds, Series 2026 (Lake Kiowa Special Utility District Project)” authorized by this Resolution.

d) The term “Bonds Similarly Secured” shall mean the Bonds, the Previously Issued Bonds and Additional Bonds.

e) The term “Contract” or “Water Facilities Contract” shall mean that certain contract, dated as of the 17th day of March, 2014, by and between the Authority and the Lake Kiowa Special Utility District, together with amendments and supplements thereto (which by the term of such instrument is designated as a supplement to such Contract), a copy of such Contract being attached hereto as **Exhibit B** for the purposes of identification.

f) The term “District” shall mean the Lake Kiowa Special Utility District.

g) The term “Cost of the Project” shall have the meaning assigned such term in Section 1.01 of the Contract.

h) The term “Debt Service” shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Authority as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of Bonds Similarly Secured without a fixed numerical rate, that such obligations bear, or would have borne, interest at the highest rate reached, or that would have applied to such obligations (using the index or method for computing interest applicable to such obligations) during the twenty four (24) month period next preceding the date of computation; and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

i) The term “Depository Bank” means, currently, Bank of America, N.A., Dallas, Texas. The Authority reserves its right to change from time to time its depository bank to any other bank having trust powers. In the event of any change in the Authority’s depository bank, the Authority shall timely notify any parties affected by such change.

j) The term “Fiscal Year” shall mean the twelve month operational period of the Authority commencing October 1 of each year; provided, however, the Authority may change the fiscal year to another period of not less than twelve (12) calendar months but in no event may the fiscal year be changed more than one time in any three calendar year period.

k) The term “Government Obligations” as used herein, means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the Authority, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) 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 Authority, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other authorized securities or obligations under applicable laws of the State of Texas that may be used to defease obligations such as the Bonds.

l) The term “Maintenance and Operation Expense of the Project” shall have the meaning assigned such term in Section 1.01 of the Contract.

m) The term “Outstanding” shall mean when used in this Resolution with respect to Bonds or Bonds Similarly Secured, as of the date of determination, all Bonds or Bonds Similarly Secured theretofore issued and delivered, except:

i. those Bonds or Bonds Similarly Secured canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

ii. those Bonds or Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of Section 29 hereof; and

iii. those Bonds or Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 30 hereof or similar provisions with respect to Bonds Similarly Secured.

n) The term “Pledged Revenue” shall mean (i) the amount received by the Authority as monthly amortization payments by reason of Section 3.01(a) of the Contract, less the fees and charges of any paying agent/registrant with respect to Bonds Similarly Secured; plus (ii) the amounts deposited into the Bond Fund referenced in Section 12(b) of this Resolution and the amounts described in Section 3.01(b) of the Contract and deposited into the Reserve Fund referenced in Section 12(c) of this Resolution; plus (iii) any amounts on deposit in the Construction Fund, created and established by Section 26 of this Resolution, pending the application of such money for the payment of the Cost of the Project.

o) The term “Previously Issued Bonds” shall mean the outstanding (1) “Greater Texoma Utility Authority Contract Revenue Bonds, Series 2014 (Lake Kiowa Special Utility District Project)”, (2) “Greater Texoma Utility Authority Contract Revenue Bonds, Series 2017 (Lake Kiowa Special Utility District Project)”, and (3) “Greater Texoma Utility Authority Contract Revenue Bonds, Series 2021 (Lake Kiowa Special Utility District Project)” heretofore issued which are in every respect on a parity with the Bonds.

p) The term “Project” shall mean, with respect to the Bonds, the Series 2026 Project, and, with respect to the Bonds Similarly Secured, collectively, the Projects described as such in the exhibits attached to the ordinances of the District that have from time to time approved the issuance of Bonds Similarly Secured by the Authority for the financing of such Projects.

q) The term “Series 2026 Project” shall mean, with respect to the Bonds, the project described in Section 1 hereof.

SECTION 11: Pledge. The Authority hereby covenants and agrees that all of the Pledged Revenue is hereby irrevocably pledged for the payment of the Bonds Similarly Secured, and the interest thereon, and it is hereby declared and resolved that the Bonds Similarly Secured and the interest thereon shall constitute a first lien upon said Pledged Revenue.

Texas Government Code, Chapter 1208, as amended, applies to the issuance of the Bonds Similarly Secured and the pledge of the Pledged Revenue granted by the Authority under this Section of this Resolution, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are Outstanding and unpaid such that the pledge of the revenues granted by the Authority under this Section of this Resolution is to be subject to the filing requirements of Texas Business & Commerce Code, Chapter 9, as amended, then in order to preserve to the Holders of the Bonds the perfection of the security interest in said pledge, the Authority agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business & Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 12: Fund Designations. The Authority hereby covenants and agrees with the Holders of the Bonds Similarly Secured that all income, receipts and revenues derived from the operation and ownership of the Project shall be kept separate from other funds or accounts of the Authority. To that end the following special Funds (herein so called), were created and established by a resolution authorizing Previously Issued Bonds and shall exist and govern the application of the Pledged Revenue while the Bonds Similarly Secured are Outstanding, to wit:

a) Greater Texoma Utility Authority Revenue Fund, hereinafter called “Revenue Fund”. This Fund shall be kept in the Authority’s Depository Bank.

b) Greater Texoma Utility Authority Bond Interest and Sinking Fund, hereinafter called “Bond Fund”. This Fund shall be deposited with the Depository Bank of the Authority, or other authorized depository, as trustee of the Pledged Revenue, and moneys deposited therein shall be used to pay principal of and interest on Bonds Similarly Secured when and as the same shall become due and payable.

c) Greater Texoma Utility Authority Bond Reserve Fund, hereinafter called “Reserve Fund”. This Fund shall be deposited with a depository of the Authority and money deposited therein shall be used to pay the principal of and interest on Bonds Similarly Secured falling due at any time when there is insufficient money available in the Bond Fund.

SECTION 13: Revenue Fund. All revenues and income of any kind or character received by the Authority by reason of (i) its ownership of all or a part of the Project, (ii) the operation of the Project, or (iii) the Contract, shall be deposited in the Revenue Fund.

Investment income and profits from the investment of the Revenue Fund shall be retained therein until used as provided in this Section 13.

Money in the Revenue Fund shall be used in the following order of priority:

1. Payments into the Bond Fund, as provided by Section 14;
2. Payments into the Reserve Fund, as provided by Section 15;
3. The curing of any deficiencies, as provided by Section 17;
4. The payment of other costs of the Project including maintenance and operation expenses not paid by the Authority and those purposes for which provision is made by Section 3.01(c) through 3.01(e) of the Contract; and
5. Applied as provided in Section 18.

SECTION 14: Bond Fund. The Authority hereby covenants and agrees to deposit into the Bond Fund amounts sufficient to pay the principal of and interest on the Outstanding Bonds Similarly Secured as the same become due. There shall be deposited in the Bond Fund, by reason of the issuance of the Bonds, the following amounts:

From the Pledged Revenue on deposit in the Revenue Fund there shall be deposited in the Bond Fund (i) beginning on or before the fifteenth (15th) day of the month next following delivery of the Bonds and on or before the fifteenth (15th) day of each following month until and including the first interest payment date, an amount equal to not less than the fractional amount required in order to have the amount of the first installment of interest on deposit by the fifteenth (15th) day of the month next preceding the first interest payment date, and thereafter on the fifteenth (15th) day of each following month, an amount equal to not less than one sixth (1/6) of the next installment of interest; (ii) beginning on or before the fifteenth (15th) day of the month next following delivery of the Bonds, and on or before the fifteenth (15th) day of each following month until and including the first principal payment date, an amount equal to not less than the fractional amount required in order to have the amount of the first installment of principal on deposit by the fifteenth (15th) day of the month preceding the first principal payment date, and thereafter on or before the fifteenth (15th) day of each month, an amount equal to one twelfth (1/12) of the next annual principal payment to become due on the Bonds.

The monthly deposits to the Bond Fund for the payment of principal and interest on the Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to pay all Outstanding Bonds Similarly Secured (principal and interest) for which said Fund was created and established or (ii) the Bonds Similarly Secured are no longer Outstanding.

SECTION 15: Reserve Fund. Upon the delivery of the Bonds, amounts on deposit in the Reserve Fund, allocated as a part of the Reserve Fund for the security of "Bonds Similarly Secured" under the resolutions authorizing the issuance of such Bonds Similarly Secured (including amounts held in the Reserve Fund by reason of the issuance of the Previously Issued Bonds) shall continue to be held as a part of the Reserve Fund for the security and payment, if required, of Bonds Similarly Secured as defined herein. The Authority hereby covenants and agrees with the Holders of the Bonds Similarly Secured that it will provide for the accumulation of, and when accumulated, will thereafter continuously maintain in the Reserve Fund an amount equal to the Average Annual Debt Service requirement of all Bonds Similarly Secured (the "Required Reserve Fund Amount"). The Average Annual Debt Service requirement shall be calculated on a Fiscal Year basis on the Outstanding Bonds Similarly Secured on the date of the last series of Bonds Similarly Secured (after giving effect to the issuance of such last series); provided, however, the average annual requirement shall also be calculated at the end of each Fiscal Year. Any amounts on deposit in the Reserve Fund in excess of such requirement shall be transferred to the Revenue Fund.

In addition, beginning on or before the fifteenth day of the first month following the delivery of the Bonds, and on or before the 15th day of each month thereafter, there shall be deposited in the Reserve Fund an amount equal to not less than one-sixtieth (1/60) of the Required Reserve Fund Amount, and such monthly deposits shall take into account the amounts already on deposit in said Reserve Fund.

When the Required Reserve Fund Amount has been fully accumulated, said monthly payments to said Fund may be terminated; provided, however, should the amount in such fund be reduced, after the Required Reserve Fund Amount has been accumulated, monthly deposits shall be resumed and continued to be made in an amount not less than one-twelfth (1/12) of the amount of the deficiency, on or before the 15th day of each month until the Required Reserve Fund Amount has been fully restored.

Investment income and profits realized from the investment of the Reserve Fund shall be retained therein as may be necessary to fully fund or restore the Required Reserve Fund Amount and thereafter shall be transferred to the Revenue Fund.

SECTION 16: Investments – Security of Funds. Money deposited to the credit of any Fund referenced in this Resolution may, at the option of the Authority, be invested in Authorized Investments; provided that all such investments shall be made in such a manner that the money required to be expended from said Funds will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 15 hereof, be credited to and

deposited in the Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

All moneys on deposit in the special Funds for which this Resolution makes provision (except any portions thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys in such special Funds shall be used only for the purposes permitted by this Resolution.

SECTION 17: Transfer of Funds – Deficiencies in Funds. (a) While any of the Bonds are Outstanding, the Board of Directors shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity, such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date of payment for the Bonds.

(b) If in any month the Authority shall, for any reason, fail to pay into the Bond Fund and Reserve Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Pledged Revenue of the following month or months, and such payments shall be in addition to the amount hereinabove provided to be otherwise paid into said Funds during such month or months.

SECTION 18: Remainder of Revenues. Money remaining in the Revenue Fund, after making the payments required in items (1) through (4) of the last paragraph of Section 13, shall be transferred to any other fund referenced in this Resolution and used as a credit to the amount that would otherwise be required to be paid by the District under Section 3.01 of the Contract.

SECTION 19: Issuance of Additional Parity Bonds. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State, the Authority reserves the right hereafter to issue Additional Bonds. The Additional Bonds, when issued, shall be payable from and secured by a first lien on and pledge of the Pledged Revenue in the same manner and to the same extent as are the Previously Issued Bonds and the Bonds, and the Bonds Similarly Secured shall in all respects be of equal dignity. The Additional Bonds may be issued in one or more installments provided, however, that no Additional Bonds, shall be issued unless and until the following conditions have been met:

a) The Authority is not then in default as to any covenant, condition or obligation prescribed in a resolution authorizing the issuance of the Outstanding Bonds Similarly Secured or the Contract (including any amendment or supplement thereto).

b) A consulting engineer certifies to the Authority the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project.

c) The District shall have approved the resolution(s) authorizing the issuance of the Additional Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional Bonds is payable, in whole or in part, from payments to be made by the District, under and pursuant to the Contract.

d) The Additional Bonds are made to mature on August 15 or February 15 or both in each of the years in which they are scheduled to mature.

e) The resolution authorizing the issuance of the Additional Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the Debt Service on such Additional Bonds as the same become due.

f) The resolution authorizing the issuance of the Additional Bonds provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Average Annual Debt Service requirement (calculated on a Fiscal Year basis on the Outstanding Bonds Similarly Secured as of the date of the last series of Bonds Similarly Secured after giving effect to the issuance of the Additional Bonds) for the payment of principal of and interest on all obligations to be secured by a first lien on and pledge of the Pledged Revenue, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within not more than sixty (60) months from the date of the passage of the resolution authorizing the issuance of the proposed Additional Bonds.

g) The Authority will demonstrate to the Board's Executive Administrator that the Pledged Revenues will be sufficient to pay the Previously Issued Bonds, the Bonds and the proposed Additional Bonds.

Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the Authority may deem to be in the best interest of the Authority, and if fewer than all such Outstanding Bonds Similarly Secured are refunded the proposed refunding bonds shall be considered as "Additional Bonds" under the provisions of this section but the certificate required in subparagraph (b) above shall not be required or be applicable to the issuance of such refunding bonds.

SECTION 20: Insurance. The Authority covenants that it will at all times keep insured such of its plants, structures, buildings, stations, machinery, equipment, apparatus, distribution pipelines and equipment, as are usually 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, and will also at all times maintain worker's compensation insurance and insurance against public liability and property damages to the extent permitted by law, in a reasonable amount with a responsible insurance company or companies; provided, however, that any time while the District or any contractor engaged in construction work shall be fully responsible therefor, or the Authority has assumed such responsibility, the Authority shall not be required to carry such insurance.

SECTION 21: Records – Accounts – Accounting Reports. The Authority hereby covenants and agrees that so long as any of the Bonds Similarly Secured or any interest thereon remain Outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts on a Fiscal Year basis pertaining to the operation of the Project separate and apart from all other records and accounts of the Authority in accordance with accepted accounting practices and complete and correct entries shall be made of all transactions relating to said Project. The Holder or Holders of any Bonds Similarly Secured, or any duly authorized agent or agents of such Holders, shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the Project and all properties comprising same. The Authority further agrees that within ninety (90) days following the close of each Fiscal Year, or as soon thereafter as possible, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants or Licensed Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant shall particularly include the following:

- (a) A detailed statement of the receipts and disbursements from the Revenue Fund.
- (b) A balance sheet as of the end of such Fiscal Year.
- (c) The Accountant's comments regarding the manner in which the Authority and the District have complied with the covenants and requirements of this Resolution and the Contract and his recommendations for any changes or improvements in the operation, records and accounts of the Authority.
- (d) A list of the insurance policies in force (if obtained by the Authority) at the end of the Fiscal Year on the Project properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.
- (e) A list of the securities that have been on deposit as security for money in the Bond Fund and Reserve Fund throughout the Fiscal Year, a list of the securities, if any, in which money in the Bond Fund and Reserve Fund has been invested, and a statement of the manner in which money in the Revenue Fund has been secured in such Fiscal Year.

Expenses incurred in making the audits referred to above are to be regarded as Maintenance and Operating Expenses of the Project and paid as such. Copies of the aforesaid annual audit shall be immediately furnished to the Executive Director of the Municipal Advisory Council of Texas at his or her office in Austin, Texas, and, upon written request, to the initial Holder and any subsequent Holder of the Bonds Similarly Secured.

By its approval of this Resolution, the District agrees in order to secure its obligations under the Contract, to maintain rates and charges for its utility system sufficient to pay all of its obligations secured by and made payable from the revenues derived from the operation of its utility system.

SECTION 22: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees particularly that in the event the Authority defaults (i) in payments to be made to the Bond Fund or Reserve Fund as required by this Resolution, or (ii) in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, any Holder shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board of Directors and other officers of the Authority to observe and perform any covenant, condition or obligation prescribed in this Resolution.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

SECTION 23: Special Covenants. The Authority hereby further covenants as follows:

- (a) It has the lawful power to pledge the revenues supporting this issue of Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas; that the Bonds, the Previously Issued Bonds and the Additional Bonds, when issued, shall be ratably secured under said pledge of the Pledged Revenue in such manner that one bond shall have no preference over any other bond of said issues.

(b) Other than for the Previously Issued Bonds and the Bonds, the Pledged Revenue has in no manner been committed or pledged to the payment of any debt or obligation of the Authority.

(c) So long as any of the Bonds or any interest thereon remain Outstanding, the Authority will not sell or encumber the Project or any substantial part thereof; provided, however, this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the Project, and, also, with the exception of the Additional Bonds expressly permitted by this Resolution to be issued, it will not encumber the Pledged Revenue unless such encumbrance is made junior and subordinate to all of the provisions of this Resolution.

(d) The Authority will maintain rates and charges to the District sufficient to meet the debt service requirements on the Outstanding obligations of the Authority that are supported by such revenues and the establishment of the special funds maintained for the payment and security of such obligations.

None of the special covenants herein appearing shall be construed in any manner which would deprive the Authority of its right to pledge any revenues produced by modification of the Contract and specifically designated to meet obligations incurred in providing the Authority with enlarged or additional facilities; further, that none of said covenants shall be construed in any manner that would deprive the Authority of its right to pledge that part of any revenue or income derived by it from other future contracts with other cities, towns or villages or the Authority or others and required to satisfy conditions for payment of other bonds or obligations issued by the Authority and such right is especially reserved.

SECTION 24: Bonds are Special Obligations. The Bonds are special obligations of the Authority payable from the Pledged Revenue and the Holders thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

SECTION 25: Bonds are Negotiable Instruments. Each of the Bonds herein authorized shall be deemed and construed to be a "Security" and as such a negotiable instrument, within the meaning of Texas Business and Commerce Code, Chapter 8, as amended.

SECTION 26: Construction Fund. The Authority hereby creates a construction fund account in a depository of the Authority, which is known as the "Construction Fund," into which shall be deposited all remaining proceeds derived from the sale of the Bonds in accordance with Section 34 of this Resolution and this Section. To the extent of any conflict between this Section and Section 34, Section 34 controls. In this Section, when the term "Cost(s) of the Project" is used, the reference is to the Series 2026 Project.

Moneys on deposit in the Construction Fund shall be disbursed only for payment of the respective Costs of the Project financed. All expenditures for construction, labor, and materials shall be disbursed only upon receipt of a certificate of the Engineer (as defined in the Contract) based upon estimates of work and material furnished as approved by such Engineers and submitted to the Authority and the District's Engineer for approval prior to payment. The Authority shall keep records of the nature and amount of all Construction Fund expenditures and make the same available to the District and the engineers at all reasonable times. Should there be any balance in the Construction Fund after all such Costs of the Project have been paid, such balance shall be deposited in the Bond Fund.

All earnings realized from these investments shall be retained in the Construction Fund until completion of the Series 2026 Project and shall be treated in the same manner as other moneys in the Construction Fund are treated as pursuant to this Resolution.

SECTION 27: Notices to Holders-Waiver. Wherever this Resolution provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first class postage prepaid, to the address of each Holder as it appears in the Security Register.

In any case in which notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Bonds. Where this Resolution provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 28: Cancellation. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the Authority, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The Authority may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered that the Authority may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the Authority.

SECTION 29: Satisfaction of Obligation of Authority. If the Authority shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Resolution, then the pledge of the Pledged Revenue under this Resolution and all other obligations of the Authority to the Holders shall thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The Authority covenants that no deposit of moneys or Government Obligations will be made under this Section and no use made of any such deposit that would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar or an authorized escrow agent, pursuant to this Section that is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the Authority or deposited as directed by the Authority. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the Authority, be remitted to the Authority against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the Authority shall be subject to any applicable unclaimed property laws of the State of Texas.

SECTION 30: Mutilated – Destroyed – Lost and Stolen Bonds. In case any Bond shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond, or in lieu of and in substitution for such destroyed, lost or stolen Bond, only upon the approval of the Authority and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the Authority and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen.

Every replacement Bond issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Bonds; notwithstanding the enforceability of payment by anyone of the destroyed, lost, or stolen Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

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INVESTMENT POLICIES

The Authority and the District invest their investable funds in investments authorized by State law in accordance with investment policies approved by the Board of Directors of the Authority and the Board of Directors of the District, respectively. Both State law and the investment policies of the Authority and the District are subject to change.

LEGAL INVESTMENTS . . . Under State law, the Authority and the District are authorized to invest in obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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 Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (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 Authority or District 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 the State that the Authority or District 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 Authority or District appoints as its custodian of the banking deposits issued for its 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 SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for Authority or District deposits, or (ii) certificates of deposits where (a) the funds are invested by the Authority or District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Authority or District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the Authority or District, (b) the broker or the depository institution selected by the Authority or 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 Authority or 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 Authority or 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 SEC and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Authority or District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the Authority or District or cash held by the Authority or District to be pledged to the Authority or District, held in the Authority's or the District's name, and deposited at the time the investment is made with the Authority or District or with a third party selected and approved by the Authority or 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) 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; (12) 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 United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the Authority or the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and 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.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (15) for bond proceeds, 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 bond proceeds invested under such contract and are pledged to the Authority or District and deposited with the Authority or District or a third party selected and approved by the Authority or District.

Political subdivisions such as the Authority and District may enter into securities lending programs if (i) 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 (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Authority or the District, held in the Authority or the District’s name and deposited at the time the investment is made with the Authority or the District or a third party designated by the Authority or 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; and (iv) the agreement to lend securities has a term of one year or less.

The Authority and 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 “AAA-m” or an equivalent by at least one nationally recognized rating service. The Authority and 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 Authority and the District each retain ultimate responsibility as fiduciary of their respective assets. In order to renew or extend such a contract, the Authority and the District must do so by order, ordinance, or resolution. The Authority and the District are 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 State law, the Authority and the District are required to invest their 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 their funds, 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 PFI. All funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each funds’ 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 State law, Authority and District 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 investment officers of the Authority and the District are required to submit an investment report to the Board of Directors detailing: (1) the investment position of the Authority or the District, as the case may be, (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 during 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 strategy statements and (b) State law. No person may invest Authority or District funds without express written authority from the Board of Directors.

ADDITIONAL PROVISIONS . . . Under State law, the Authority is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt 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 Authority to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the Authority to: (a) receive and review the Authority’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Authority and the business organization that are not authorized by the Authority’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Authority’s entire portfolio requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the Authority and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Authority’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 Authority’s monthly average fund balance, excluding bond 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 Authority.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt 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 of Directors; (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 District’s entire portfolio requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), 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 bond 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 January 31, 2026, the Authority’s investable funds were invested in the following categories of investments, valued as set forth below:

Investment Type	Book Value
Certificates of Deposit/Securities	\$ 24,968,000
TexStar	11,588,972
Total	\$ 36,556,972

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel’s opinion is reproduced as APPENDIX D. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representation and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Authority as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income,

individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

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

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

The purchase price of certain Bonds (the “Premium Bonds”) paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority 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 (the “MSRB”). In the Bond Resolution, the District has agreed to provide to the Authority, no later than March 1 of each year (or such other date as may be agreed to by the District and the Authority, but no later than six months after the District’s fiscal year end), while the District is an “obligated person” under SEC Rule 15c2-12 (the “Rule”), the information with respect to the District described below.

ANNUAL REPORTS . . . The Authority shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the Authority beginning in the year 2026, financial information and operating data with respect to the Authority and the District of the general type included in the body of this Official Statement in Tables 1 through 7 (the “Annual Financial Information”), and (2) within twelve months after the end of each fiscal year of the Authority beginning in the year 2026, the audited financial statements of the Authority and the District (the “Audited Financial Statements”). If the audit of such financial statements is not complete within twelve (12) months after any such fiscal year end, then the Authority shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available.

Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX B (with respect to the Audited Financial Statements of the Authority) and APPENDIX C (with respect to the Audited Financial Statements of the District) to this Official Statement, as applicable, or such other accounting principles as the Authority and the District, respectively, may be required to employ from time to time pursuant to state law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Website or filed with the SEC, as permitted by the Rule.

The Authority’s Fiscal year end is September 30 and the District’s current fiscal year end is June 30. Accordingly, the Authority must provide the Annual Financial Information by March 31 and the District by December 31 in each year, unless the Authority or the District, as applicable, changes its fiscal year. If either the Authority or the District changes their fiscal year, the Authority or the District, as applicable, will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The Authority will also provide timely notices of certain events to the MSRB. The Authority will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten (10) 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Authority or the District; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 Authority or the District (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Authority, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Authority or the District, any of which reflect financial difficulties. In addition, the Authority will provide timely notice of any failure by the Authority to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

In addition, in the Resolution, to the extent applicable to the District as an “obligated person” under the Rule and in connection with the Bonds, the District will agree to notify the Authority in a timely manner and not more than ten (10) business days after occurrence of the following events: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties.

For these purposes, any event described in clause (12) in each of the two immediately preceding paragraphs is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority or 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 Authority or 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 Authority or the District. Additionally, the Authority and the District intend the words used in clauses (15) and (16) of the preceding paragraphs and the definition of “financial obligation” in these clauses to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION FROM MSRB . . . The Authority and the District have 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 Authority and the District have not agreed to update information or to provide notices of certain specified events only as described above. The Authority and the District have not agreed to provide other information that may be relevant or material to a complete presentation of their respective financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither the Authority nor the District makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority and the District disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of their continuing disclosure agreements or from any statement made pursuant to such agreements, although holders of Bonds may seek a writ of mandamus to compel the Authority or the District, as applicable, to comply with their respective agreements.

The Authority and the District may amend their continuing disclosure agreements 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 Authority or the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Authority or the District, as applicable (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority and the District may also amend or repeal the provisions of their respective continuing disclosure agreements 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 Bonds in the primary offering of the Bonds. If the Authority or the District, as applicable, so amends their respective agreements, each of the Authority and the District has agreed to include with the next financial information and operating data provided in accordance with their respective agreements described above an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The Authority and the District have complied in all material respects with their continuing disclosure agreements for the last five years.

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OTHER INFORMATION

RATING . . . The Bonds and the Authority's outstanding Lake Kiowa Special Utility District Contract Revenue Bond debt have been rated "A" by S&P Global Ratings ("S&P") without regard to credit enhancement. The Authority also has several issues outstanding which have insured ratings through insurance provided by various commercial insurance companies. The rating reflects only the respective view of such organization and neither the Authority nor the District makes any representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . It is the opinion of the District attorney and Authority General Counsel that there is no pending litigation against the District or the Authority, respectively, that would have a material adverse financial impact upon the District, the Authority or their operations.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . V.T.C.A., 1201.041, Government Code, as amended, provides that the Bonds are negotiable instruments, investment securities governed by V.T.C.A., Chapter 8, Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipal or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA, V.T.C.A., Chapter 2256, Government Code, as amended, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds 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 Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINION . . . The Authority will furnish to the Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the Authority, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103 of the Code, subject to the matters described under "TAX MATTERS – Tax Exemption" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished to the Purchaser. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Preliminary Official Statement to verify that such description conforms to the provisions of the Resolution. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

The legal opinion to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues expressly 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 from the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION . . . The financial data and other information contained herein have been obtained from District and Authority 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 Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial body.

INITIAL PURCHASER . . . After requesting competitive bids for the Bonds, the Authority accepted the bid of _____ (the "Purchaser") to purchase the Bonds at the interest rates shown on page 2 of this Official Statement at a price of approximately _____% of par. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the Authority to the Purchaser. The Authority has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the District or the Authority, that are not purely historical, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies of the District or the Authority 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 Authority and the District on the date hereof, and neither the Authority nor the District assumes any obligation to update any such forward-looking statements. The actual results of the District or the Authority 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 and the Authority. 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 AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Bonds, the Authority and the District will each furnish the Purchaser separate certificates, executed by an authorized representative of the Authority and the District, acting in such persons' representative capacities, to the effect that to the best of such persons' knowledge and belief: (a) the descriptions and statements of or pertaining to the Authority and the District, respectively, contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds 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 Authority and the District and their respective affairs, including their respective financial affairs, are concerned, the 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 light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Authority and the District, and their respective activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the Authority and the District each believe to be reliable and neither the Authority nor the District have any reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Authority or the District, as applicable, since the date of their respective last audited financial statements.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the Authority's and the District's records, audited financial statements and other sources which are believed by the Authority and the District 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.

In the Bond Resolution, the Board of Directors approved (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Purchaser's use of this Official Statement in connection with the public offering and sale of the Bonds.

APPENDIX A

GENERAL INFORMATION REGARDING THE LAKE KIOWA SPECIAL UTILITY DISTRICT

DISTRICT INFORMATION

The Lake Kiowa Special Utility District (the “District”) is a political subdivision located in Cooke County. The Board of Directors (the “Board”), is 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 District. Members of the Board are elected by the public and 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.

DISTRICT OFFICIALS

<u>Board Members</u>	<u>Term Expires</u>
Ken Bonzo President	May 2028
Curt Deatrich Vice President	May 2027
Bruce McDonald Treasurer	May 2026
William Richey Secretary	May 2027
Edward Cooke Assistant Treasurer	May 2027
Gary O’Dell Director	May 2026
Joseph Anselmo Director	May 2028

DISTRICT PERSONNEL

<u>Name</u>	<u>Position</u>
Rodney Brown	General Manager

LOCATION AND POPULATION . . . The District was formed on March 6, 2012 and began as Kiowa Homeowners Water Supply Corporation, located in Cooke County. The Kiowa Homeowners Water Supply Corporation transferred all of its assets and liabilities to the District and it became operational on July 1, 2012. The District provides rural water service to residents of the City of Lake Kiowa.

The District has continued to grow over the years and now serves 1,412 residential meters (with a City population of approximately 2,500).

LABOR MARKET PROFILE

	Cooke County	
	<u>February 2026</u>	<u>February 2025</u>
Total Civilian Labor Force	22,870	22,599
Total Employment	22,074	21,800
Total Unemployment	796	799
Percent Unemployed	3.5%	3.5%

	State of Texas	
	<u>February 2026</u>	<u>February 2025</u>
Total Civilian Labor Force	15,903,182	15,831,790
Total Employment	15,201,223	15,157,168
Total Unemployment	701,959	674,622
Percent Unemployed	4.4%	4.3%

APPENDIX B

EXCERPTS FROM THE
GREATER TEXOMA UTILITY AUTHORITY
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

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



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greater Texoma Utility Authority
Denison, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Greater Texoma Utility Authority (the "Authority"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of September 30, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority 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.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2025 the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Authority's 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 Authority'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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority'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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining and individual fund statements and schedules, other supplementary information, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical section 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 19, 2026

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Management's Discussion and Analysis

As management of the Greater Texoma Utility Authority (the "Authority"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2025. Please read it in conjunction with the independent auditor's report on page 1 and the Authority's Basic Financial Statements that begin on page 11.

AUTHORITY PROFILE

The Greater Texoma Utility Authority was created pursuant to enabling legislation and the applicable provisions of Chapters 30, 49, and 54 of the Texas Water Code. The Greater Texoma Utility Authority is a political subdivision of the State of Texas. By legislative approval in 1983, the entity's name was changed from Greater Texoma Municipal Utility District to Greater Texoma Utility Authority. In the beginning, the Authority encompassed the entire territory within the boundaries of the cities of Sherman and Denison, Texas. Through an election held on August 1, 1979, both cities confirmed the Authority's legislative ability to issue revenue bonds, contract for services related to water, sewer, or solid waste activities and to implement any other activities that member cities might wish to contract for and finance. After creation of the Authority, the cities of Gunter, Howe, Pottsboro, Tioga, Tom Bean, Whitewright, Whitesboro, Gainesville, Muenster, Bailey, Valley View, Leonard, Van Alstyne, Collinsville, Ector and Anna each requested annexation to the Authority and were annexed through the actions of the Authority's Board of Directors.

The Authority's Board of Directors is comprised of nine members who were appointed by the city councils of the member cities of the Authority. Three members of the Board are each appointed by the cities of Denison and Sherman, while the City of Gainesville and the City of Anna appoint one member each and one at-large member is chosen by the remaining member cities. The administrative offices of the Authority are located at the North Texas Regional Airport and provide operational and management control of the Authority's operations.

GREATER TEXOMA UTILITY AUTHORITY List of Participating Entities

<u>Member Cities</u>		<u>Other Participants</u>	
Sherman	Muenster	Argyle Water Supply Corp.	City of Krum
Denison	Pottsboro	City of Bells	City of Melissa
Gainesville	Tioga	Bolivar Water Supply Corp.	Northwest Grayson County WCID#1
Anna	Tom Bean	Town of Callisburg	Town of Oak Ridge
Bailey	Valley View	Town of Dorchester	City of Paradise
Collinsville	Van Alstyne	Gober Municipal Utility District	City of Sadler
Ector	Whitesboro	City of Lindsay	City of Savoy
Gunter	Whitewright	City of Princeton	City of Southmayd
Howe		Red River Authority	Marilee SUD
		North Texas Grndwater Dist.	Two Way SUD
		Red River Grndwater Dist.	Woodbine Water Supply
		Bearcreek SUD	Lake Kiowa SUD
		City of Kaufman	City of Henrietta
		City of Valley View	Arledge Ridge WSC
		College Mound SUD	Becker Jiba SUD
		Gastonia-Scurry SUD	North Kaufman WSC

FINANCIAL HIGHLIGHTS

The Authority's combined net position was \$32,149,540 as of September 30, 2025, of which \$54,746,273 is a deficit of unrestricted net position available for future unrestricted spending.

During the year, the Authority's net position decreased by \$6,736,902. This decrease primarily resulted from debt payments on the recent, large City of Sherman bonds. The bonds are structured to provide a capitalized interest fund that covers the first several interest payments, so these early interest expenses directly reduce net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

The Authority presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private-sector business enterprises. The basic financial statements can be found on pages 11 through 18 of this report and the notes to the financial statements immediately follow on pages 19 through 29.

The statement of net position presents information on all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. All the Authority's assets are reported whether they serve the current year or future years.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. It provides the user information on the Authority's operating revenues and expenses, non-operating revenues and expenses, and whether the Authority's financial position has improved or deteriorated as a result of the year's operations. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods. Liabilities are reported regardless of whether they must be paid in the current or future years.

The statement of cash flows presents the Authority's cash and cash equivalents during the period reported on. This information can assist the user of the report in determining how the Authority financed its activities and how it met its cash requirements.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the statements and can be found beginning on page 19 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents *supplementary information* consisting of combining and individual fund financial statements and schedules and other supplementary information. This supplementary information can be found on pages 30-195 of this report.

FINANCIAL ANALYSIS

The Authority enters contracts with its participating entities to provide certain water and sewer facilities. Revenues for the Authority are derived from participating entities for amortization of bonded debt, reserve fund payments, a pro-rata portion of the administrative and overhead costs of the Authority, extraordinary or unexpected expense payments, and the cost of maintenance and operation of the projects if the Authority is the operator.

Statement of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 352,436,098	\$ 519,974,500
Restricted assets	59,769,089	8,299,717
Capital assets (net)	<u>702,950,658</u>	<u>441,398,383</u>
Total noncurrent assets	<u>762,719,747</u>	<u>449,698,100</u>
Total assets	<u>1,115,155,845</u>	<u>969,672,600</u>
Deferred outflows of resources	<u>167,926</u>	<u>188,716</u>
Current liabilities	54,406,913	83,361,832
Noncurrent liabilities	<u>1,028,767,318</u>	<u>847,613,042</u>
Total liabilities	<u>1,083,174,231</u>	<u>930,974,874</u>
Net position:		
Net investment in capital assets	84,028,325	32,210,871
Restricted	2,867,488	2,666,489
Unrestricted	<u>(54,746,273)</u>	<u>4,009,082</u>
Total net position	<u>\$ 32,149,540</u>	<u>\$ 38,886,442</u>

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, the total net position equaled \$32,149,540. The largest portion of the Authority's total net position in the amount of \$84,028,325 represents the Authority's net investment in capital assets (e.g., land, construction in progress, equipment, etc.) less accumulated depreciation and the related debt that was used to acquire those assets. Another portion of net position, \$2,867,488, represents resources that are subject to external restrictions on how they may be used. These constraints are comprised of external restrictions imposed by bond covenants to maintain mandatory sinking funds for debt service. Thus, these resources are not available for using to finance the day-to-day operations of the Authority. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, is a deficit \$54,746,273 as of September 30, 2025.

Statement of Revenues, Expenses and Changes in Net Position

	<u>2025</u>	<u>2024</u>
Operating revenues		
Charges for Services	\$ 36,949,160	\$ 27,259,018
Total operating revenues	<u>36,949,160</u>	<u>27,259,018</u>
Operating Expenses		
Operating expense	6,879	8,362
General and administrative	11,528,261	9,765,876
Maintenance and repair	407,239	223,438
Depreciation	<u>11,657,925</u>	<u>9,887,949</u>
Total operating expenses	<u>23,600,304</u>	<u>19,885,625</u>
Nonoperating revenues/(expenses)		
Investment income	21,715,383	29,237,626
Gain on sale of capital assets	500	6,053
Amortization of bond premium	1,036,402	1,073,626
Interest expense	(39,813,714)	(31,666,828)
Bond issuance costs	(2,995,405)	(2,045,822)
Amortization of loss on early retirement of debt	(20,791)	(20,789)
Landfill closure and posclosure care costs	<u>(8,133)</u>	<u>(5,119)</u>
Total nonoperating revenues (expenses)	<u>(20,085,758)</u>	<u>(3,421,253)</u>
Income (loss) before contributions and transfers	(6,736,902)	3,952,140
Capital contributions	<u>-</u>	<u>1,363,657</u>
Change in net position	(6,736,902)	5,315,797
Net position, beginning	<u>38,886,442</u>	<u>33,570,645</u>
Net position, ending	<u>\$ 32,149,540</u>	<u>\$ 38,886,442</u>

The Authority's total revenue increased approximately 26% (\$9,690,142) due to increased charges for services related to additional bond projects in the prior and current year. The total of all operating and non-operating expenses was \$66,438,347, an increase of 24% from the previous year. The increase in total expenses was due

primarily to significant bond issuance costs due to large debt issuances throughout the year, as well as increased operating costs within the Collin-Grayson Fund due to rising costs of purchased water.

DEBT AND CAPITAL ASSET ADMINISTRATION

Long-Term Debt

As of September 30, 2025, the Authority carried long-term debt of \$1,003.6 million, an increase of \$145.1 million compared to the prior year. The Authority issued three new bonds in the current year, two with the City of Sherman totaling \$156.2 million and the other with Bearcreek SUD totaling \$32.3 million. Sherman continues its needs for improved and expanded water and wastewater facilities for its steady population growth.

The Authority’s revenue bonds are issued by pledging contractual revenues, whereby the participating entity pledges to make payments to the Authority sufficient to cover all future debt service. Many of these issuances are issued through revolving loan funds or other programs of the Texas Water Development Board.

Outstanding Long-Term Debt

	2025	2024
Anna-Melissa	\$ 980,000	\$ 1,450,000
Arledge Ridge WSC	2,845,000	2,880,000
Bearcreek SUD	38,630,000	6,530,000
City of Bells	7,275,000	7,425,000
Bolivar Water Supply Corp.	285,000	375,000
Collin Grayson Municipal Alliance	19,840,000	20,235,000
Town of Dorchester	4,507,000	4,612,000
City of Ector	620,000	645,000
City of Gainesville	5,820,000	6,355,000
Gober Municipal Utility District	1,210,000	1,245,000
City of Mustang (Gunter)	4,605,000	4,775,000
City of Henrietta	9,800,000	9,950,000
City of Kaufman	2,170,000	2,260,000
City of Krum	4,265,000	4,480,000
Lake Kiowa SUD	8,125,000	8,565,000
Lake Texoma	6,606,941	7,809,386
City of Melissa	735,000	900,000
Northwest Grayson WCID	2,650,000	2,805,000
City of Paradise	800,000	825,000
City of Pottsboro	13,250,000	13,650,000
City of Princeton	27,530,000	29,351,575
City of Sadler	125,000	129,999
City of Sherman	820,200,000	699,727,593
City of Tom Bean	890,000	965,000
City of Valley View	670,000	685,000
City of Van Alstyne	6,320,000	6,700,000
City of White Shed	3,470,000	3,520,000
City of Whitewright	9,420,000	9,740,000
	<u>\$ 1,003,643,941</u>	<u>\$ 858,590,553</u>

More detailed information about the Authority's long-term liabilities is presented in Note III.H to the financial statements.

Capital Assets

At the end of fiscal year 2025, the Authority had \$702,950,658 in land, building and improvements, office furniture and equipment, landfill equipment and machinery, and construction in progress net of accumulated depreciation. During the current fiscal year, the Authority expended approximately \$514 million in construction costs for the various projects funded by the participating entities. Approximately \$50.4 million of projects were completed and transferred to projects in service.

	2025	2024
Projects in Service	\$ 159,466,651	\$ 120,695,362
Water Storage Rights	20,021,383	20,021,383
Construction in Progress	513,530,354	292,971,399
Land	9,806,929	7,596,721
Machinery & Equipment	125,341	113,518
Total	<u>\$ 702,950,658</u>	<u>\$ 441,398,383</u>

More detailed information about the Authority's capital assets is presented in Note III.C. to the financial statements.

FUTURE PLANS AND ACTIVITIES TO BE UNDERTAKEN IN THE FISCAL YEAR ENDING SEPTEMBER 30, 2025, AND BEYOND.

The Authority has several projects to be undertaken in the next fiscal year and beyond including the following:

City of Sherman Projects - The Authority has several projects that are under design and/or construction for the City of Sherman. The new Lab Building at the wastewater treatment plant uses the last of the funds in the TWDB 2020 bond issue and was under construction in March 2025.

The Authority issued bonds in 2022, 2023, 2024, and 2025 for the design and construction of several major infrastructure projects including, but not limited to, water treatment plant expansion, pump station expansion, major transmission pipeline, elevated storage tank, and wastewater treatment plant expansion as well as a new wastewater treatment plant for the Texas Instrument's new semiconductor manufacturing plant and Global Wafers' silicon wafer factory coming to the Sherman area. Those major projects are being closed out with the last project expected to be completed in 2026.

The Authority also issued bonds for the engineering and construction of some improvements to the City of Van Alstyne's water system. The Authority issued bonds through the TWDB in 2021 to fund the addition of a new elevated storage tank for the City. The City is growing, and they need to increase their elevated storage capacity to maintain compliance with state regulations. The project was bid out in 2023, and construction is expected to be completed in 2026.

The Authority issued three (3) bond series to build a new elevated storage tank and replace Lake Kiowa SUD's aged asbestos cement pipelines. The elevated storage tank and phases 1, 2, 3, and 4 are now complete. The Authority is in the process of issuing additional bonds in 2026 to construct phase 5 of the water line replacements. Construction will begin in 2026 and is expected to be completed in 2027.

City of Princeton Projects - The Authority has issued bonds for the City to construct a new wholesale water delivery point which will include a meter vault, ground storage tank and pump station.

The Authority issued bonds in 2022 to fund the design and construction of a new elevated storage tank along with the water lines to connect the new elevated storage tank to the City's water system. Both project a nearing completion.

City of Van Alstvyne Projects - The Authority also issued bonds for the engineering and construction of some improvements to the City of Van Alstyne's water system. The Authority issued bonds through the TWDB in 2021 to fund the addition of a new elevated storage tank for the City. The City is growing, and they need to increase their elevated storage capacity to maintain compliance with state regulations. The project was bid out in 2023, and construction is expected to be completed in 2026.

Lake Kiowa SUD Projects - The Authority issued three (3) bond series to build a new elevated storage tank and replace Lake Kiowa SUD's aged asbestos cement pipelines. The elevated storage tank and phases 1, 2, 3, and 4 are now complete. The Authority is in the process of issuing additional bonds in 2026 to construct phase 5 of the water line replacements. Construction will begin in 2026 and is expected to be completed in 2027.

City of Pottsboro - In 2019, the Authority issued bonds for the City of Pottsboro, to construct a new wastewater treatment plant and lift station. This project will expand the city's treatment capacity to keep up with a growing service area. This project is currently under design and during the design process the engineers have recommended that we pursue additional funds due to the recent inflation in construction and materials prices. The Authority issued additional bonds for additional funds. This project is under construction and is expected to be completed in early 2026.

City of Whitewright - The Authority issued bonds for the City of Whitewright in late 2019 to construct a new water well, ground storage tank, pump station, re-coating of an elevated storage tank, and water line replacements. The project was divided into three separate projects. The water line replacement and new water well is under construction and was completed in early 2025. The bond issuance did not have significant funds to fund all three projects due to the ongoing inflation in construction pricing and delays in materials. The Authority was invited to apply for additional funds through TWDB. The bond issuance is expected to close in 2026.

The Authority issued bonds through the TWDB to upgrade the City's wastewater treatment plant. This will be a major rehabilitation which will replace multiple treatment units that have deteriorated after decades of use. The project is currently under design and is expected to be under construction in 2026.

Bear Creek Special Utility District - The Authority issued bonds in 2024 for the Bear Creek Special Utility District to construct a new pump station with pressure plane improvements, a 2,000,000-gallon-ground storage tank and a new 500,000-gallon composite EST. The pump station and pressure plane improvements were recently awarded, and construction began in early 2025. The two ESTs have been bid, and construction is expected to begin in 2026.

Collin-Grayson Municipal Alliance - The Authority issued bonds in late 2022 to fund an expansion of the Bloomdale Pump Station for the Collin-Grayson Municipal Alliance. The work will consist of the following components, a 4th pump and motor, VFDs, soft starters, 2 additional stages to the three (3) existing pumps, additional ground storage tank, SCADA upgrades, Backup Generator, piping and pressure relief additions, all associated electrical, plumbing and earthwork and appurtenances. The project was bid out in 2023 and is currently under construction. The project is expected to be completed in 2026.

City of Henrietta - The Authority has closed on a new bond issuance through the TWDB to fund a new wastewater treatment plant along with a lift station and force-main to divert wastewater from the City of Henrietta to the new facility. The project is currently under design and is expected to be under construction in 2026.

City of Bells - The Authority issued bonds through the TWDB in 2022 to fund improvements to the City of Bell's water and wastewater system. The wastewater project will include improvements to the City's WWTP in addition to potential wastewater collection line replacements. For their water system, this issuance will fund a new water well, ground storage tank, meter replacements, and the replacement of some of the aged water lines in the City's water distribution system. Meter replacement was completed in 2024. The WWTP is currently under construction with completion in 2025. The water lines replacement project began construction in early 2025.

City of Valley View - The Authority closed a new bond issuance in 2022 through the TWDB to fund the planning and design of wastewater project(s). The City of Valley View's WWTP is nearing capacity and experiencing inflow and infiltration challenges. Additionally, The City has aged sewer lines that need replacing. The Planning and design for this project occurred in 2023-2024.

The Authority is pursuing a bond issue in 2026 for the construction of the WWTP improvements and wastewater line replacement based on the findings of the testing completed in the planning phase and the results of the design work.

City of Dorchester - The Authority closed a bond issuance in 2022 through the TWDB to fund the addition of a new water well, ground storage tank and pump station to the City of Dorchester's water system. The new well has been bid and construction will begin in early 2026.

Northwest Grayson Water Control Improvements District No. 1 - The Authority closed a bond issuance in 2022 through the TWDB to fund the addition of a new elevated storage tank to Northwest Grayson Water Control Improvements District No. 1 water system. The system is growing and approaching the limits of the TCEQ's elevated storage requirements. The project is under construction and is expected to be completed in 2026.

Gober Municipal Utility District - The Authority issued bonds in 2023 through the TWDB to fund an electrical improvement project for Gober MUD's water system. The project is under construction and is expected to be completed in 2026 due to long lead times for generators. The Authority is pursuing funding for the replacement of two ground storage tanks in 2026.

White Shed Water Supply Corporation - The Authority issued bonds through the TWDB in 2023 to fund a new well and storage tank for White Shed WSC's water system. The project is under design and is expected to be in construction in 2026.

City of Gainesville - The Authority closed a new bond issuance in 2022 through the TWDB to fund the replacement of the water transmission main along Foundry Road. The City of Gainesville's current transmission main is 80+ years old and suffers significant leaks. Construction began in late 2024 and was completed in 2025. The City is planning to use the remaining funds in the bond issuance to replace an additional transmission main.

Arledge Ridge Water Supply Corporation - The Authority issued bonds in 2024 to fund a 300 GPM water well, a 200,000-gallon elevated storage tank and a disinfection, control and electrical building, with appurtenances for the Arledge Ridge Water Supply Corporation. The project is currently in the design phase.

Bartley Woods WSC - The Authority is pursuing bonds for Bartley Woods WSC in 2027 to fund installation of two (2) 50,000 gallon ground storage tanks, one (1) 5,000 gallon 100 PSI hydropneumatics tank, and one (1) 5,500 gallon 100 PSI hydropneumatics tank, four (4) new 25 HP pumps with a corresponding lift station, controls, and yard piping, and a new 1,800 foot well with corresponding transmission line. These projects will address storage capacity and water loss issues within the system.

Ravenna-Nunnelee WSC - The Authority is pursuing bonds for Ravenna-Nunnelee WSC in 2027 to fund a project to correct the low pressures in the system by installing larger lines to reduce pressure loss in the distribution system and to install generators at the offsite well and two pump station sites.

STSP - The Authority issued bonds on behalf of four (4) entities, College Mound SUD, Becker-Jiba SUD, Gastonia Scurry SUD, and North Kaufman WSC, to fund the South Transmission System Pipeline which would provide water from North Texas Municipal Water District to these areas. Design of the project will begin in early 2026.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Debi Atkins, Finance Officer, at 5100 Airport Drive, Denison, TX 75020.

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BASIC FINANCIAL STATEMENTS

GREATER TEXOMA UTILITY AUTHORITY

STATEMENT OF NET POSITION
ENTERPRISE FUNDS

SEPTEMBER 30, 2025

	Collin- Grayson	Lake Texoma	Princeton
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 59,274	\$ 6,191	\$ 22,771
Interest receivable	5,173	101,004	100,383
Due from other governments	3,226,330	-	-
Due from other funds	31,439	-	-
Prepaid expenses	-	-	-
Restricted assets:			
Cash and cash equivalents	4,623,909	292,271	1,254,673
Temporary investments	100,000	80,000	1,803,000
Total current assets	<u>8,046,125</u>	<u>479,466</u>	<u>3,180,827</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	257,496	59	847
Temporary investments	460,000	1,350,000	892,000
Capital assets, net	16,232,909	20,021,383	27,337,567
Total non-current assets	<u>16,950,405</u>	<u>21,371,442</u>	<u>28,230,414</u>
Total assets	<u>24,996,530</u>	<u>21,850,908</u>	<u>31,411,241</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	-	16,370
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>16,370</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,016	-	-
Accrued payroll liabilities	-	-	-
Due to other funds	-	25,569	6,903
Retainage payable	273,847	-	-
Accrued interest payable	192,130	25,006	65,272
Unearned revenue	253,333	202,500	60,001
Compensated absences	-	-	-
Revenue bonds payable	450,000	1,232,925	720,000
Total current liabilities	<u>1,173,326</u>	<u>1,486,000</u>	<u>852,176</u>
Non-current liabilities:			
Accrued interest payable	414,967	-	-
Revenue bonds payable	10,715,000	5,374,016	27,868,261
State participation (TWDB interest)	8,675,000	-	-
Total non-current liabilities	<u>19,804,967</u>	<u>5,374,016</u>	<u>27,868,261</u>
Total liabilities	<u>20,978,293</u>	<u>6,860,016</u>	<u>28,720,437</u>
NET POSITION			
Net investment in capital assets	842,971	15,136,713	2,285,349
Restricted for debt service	717,496	59	430,847
Unrestricted	2,457,770	(145,880)	(9,022)
Total net position	<u>\$ 4,018,237</u>	<u>\$ 14,990,892</u>	<u>\$ 2,707,174</u>

The accompanying notes are an integral part of these financial statements.

Sherman	Other Funds	Totals
\$ 1,063,587	\$ 568,954	\$ 1,720,777
2,308,165	1,626,972	4,141,697
11,071	59,509	3,296,910
373,759	622,574	1,027,772
-	10,587	10,587
176,077,263	24,438,636	206,686,752
<u>79,557,764</u>	<u>54,010,839</u>	<u>135,551,603</u>
<u>259,391,609</u>	<u>81,338,071</u>	<u>352,436,098</u>
175,584	104,105	538,091
50,329,236	6,199,762	59,230,998
<u>570,210,437</u>	<u>69,148,362</u>	<u>702,950,658</u>
<u>620,715,257</u>	<u>75,452,229</u>	<u>762,719,747</u>
<u>880,106,866</u>	<u>156,790,300</u>	<u>1,115,155,845</u>
151,556	-	167,926
<u>151,556</u>	<u>-</u>	<u>167,926</u>
10,514,896	83,920	10,602,832
-	33,493	33,493
-	995,300	1,027,772
8,719,482	1,338,133	10,331,462
15,677,455	1,085,723	17,045,586
-	1,553,750	2,069,584
-	63,259	63,259
<u>5,320,000</u>	<u>5,510,000</u>	<u>13,232,925</u>
<u>40,231,833</u>	<u>10,663,578</u>	<u>54,406,913</u>
-	-	414,967
849,993,854	125,726,220	1,019,677,351
-	-	8,675,000
<u>849,993,854</u>	<u>125,726,220</u>	<u>1,028,767,318</u>
<u>890,225,687</u>	<u>136,389,798</u>	<u>1,083,174,231</u>
46,018,075	19,745,217	84,028,325
175,584	1,543,502	2,867,488
<u>(56,160,924)</u>	<u>(888,217)</u>	<u>(54,746,273)</u>
<u>\$ (9,967,265)</u>	<u>\$ 20,400,502</u>	<u>\$ 32,149,540</u>

GREATER TEXOMA UTILITY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Collin- Grayson</u>	<u>Lake Texoma</u>	<u>Princeton</u>
OPERATING REVENUES			
Charges for services	\$ 12,669,988	\$ 1,419,487	\$ 1,514,611
Total operating revenues	<u>12,669,988</u>	<u>1,419,487</u>	<u>1,514,611</u>
OPERATING EXPENSES			
Operating expenses	-	-	-
General and administrative	7,546,615	42,305	27,240
Maintenance and repair	-	-	-
Depreciation	<u>671,760</u>	<u>-</u>	<u>1,441,531</u>
Total operating expenses	<u>8,218,375</u>	<u>42,305</u>	<u>1,468,771</u>
OPERATING INCOME (LOSS)	<u>4,451,613</u>	<u>1,377,182</u>	<u>45,840</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	212,697	106,407	219,259
Gain on sale of capital assets	500	-	-
Interest expense:			
Amortization of bond premium	-	-	63,315
Debt service	(720,447)	(187,450)	(808,219)
Bond issuance costs	-	-	-
Amortization of deferred loss on bond refunding	-	-	(4,175)
Landfill closure and postclosure care costs	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(507,250)</u>	<u>(81,043)</u>	<u>(529,820)</u>
CHANGE IN NET POSITION	3,944,363	1,296,139	(483,980)
NET POSITION, BEGINNING OF YEAR	<u>73,874</u>	<u>13,694,753</u>	<u>3,191,154</u>
NET POSITION, END OF YEAR	<u>\$ 4,018,237</u>	<u>\$ 14,990,892</u>	<u>\$ 2,707,174</u>

The accompanying notes are an integral part of these financial statements.

Sherman	Other Funds	Totals
<u>\$ 10,296,990</u>	<u>\$ 11,048,084</u>	<u>\$ 36,949,160</u>
<u>10,296,990</u>	<u>11,048,084</u>	<u>36,949,160</u>
-	6,879	6,879
1,057,886	2,854,215	11,528,261
407,239	-	407,239
<u>6,017,676</u>	<u>3,526,958</u>	<u>11,657,925</u>
<u>7,482,801</u>	<u>6,388,052</u>	<u>23,600,304</u>
<u>2,814,189</u>	<u>4,660,032</u>	<u>13,348,856</u>
17,089,232	4,087,788	21,715,383
-	-	500
973,087	-	1,036,402
(33,893,049)	(4,204,549)	(39,813,714)
(2,064,704)	(930,701)	(2,995,405)
(16,616)	-	(20,791)
-	(8,133)	(8,133)
<u>(17,912,050)</u>	<u>(1,055,595)</u>	<u>(20,085,758)</u>
(15,097,861)	3,604,437	(6,736,902)
<u>5,130,596</u>	<u>16,796,065</u>	<u>38,886,442</u>
<u>\$ (9,967,265)</u>	<u>\$ 20,400,502</u>	<u>\$ 32,149,540</u>

GREATER TEXOMA UTILITY AUTHORITY

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Collin- Grayson	Lake Texoma	Princeton
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments received from customers	\$ 9,758,813	\$ 1,431,292	\$ 1,516,279
Payments to suppliers and others	(7,542,979)	(42,305)	(27,240)
Payments to employees	-	-	-
Net cash provided by operating activities	<u>2,215,834</u>	<u>1,388,987</u>	<u>1,489,039</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from other funds	-	-	-
Cash paid to other funds	<u>(313,514)</u>	<u>(4,545)</u>	<u>(13,887)</u>
Net cash provided (used) by non-capital and related financing activities	<u>(313,514)</u>	<u>(4,545)</u>	<u>(13,887)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of capital assets	500	-	-
Acquisition and construction of capital assets	(2,412,599)	-	(1,174,967)
Principal repayment on debt	(395,000)	(1,202,445)	(700,000)
Interest and fiscal charges on debt	(1,365,107)	(191,781)	(810,486)
Proceeds from issuance of long-term debt	-	-	-
Landfill closure and postclosure care costs	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(4,172,206)</u>	<u>(1,394,226)</u>	<u>(2,685,453)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>273,825</u>	<u>39,045</u>	<u>195,809</u>
Net cash provided by investing activities	<u>273,825</u>	<u>39,045</u>	<u>195,809</u>
NET CHANGE IN CASH AND INVESTMENTS	(1,996,061)	29,261	(1,014,492)
CASH AND INVESTMENTS, BEGINNING	<u>7,496,740</u>	<u>1,699,260</u>	<u>4,987,783</u>
CASH AND INVESTMENTS, ENDING	<u>\$ 5,500,679</u>	<u>\$ 1,728,521</u>	<u>\$ 3,973,291</u>

The accompanying notes are an integral part of these financial statements.

Sherman	Other Funds	Totals
\$ 10,296,990	\$ 11,366,663	\$ 34,370,037
(1,465,125)	(1,445,196)	(10,522,845)
-	(1,477,545)	(1,477,545)
<u>8,831,865</u>	<u>8,443,922</u>	<u>22,369,647</u>
1,063,730	788,624	1,852,354
-	(1,529,977)	(1,861,923)
<u>1,063,730</u>	<u>(741,353)</u>	<u>(9,569)</u>
-	-	500
(288,760,546)	(9,989,648)	(302,337,760)
(5,195,000)	(4,300,000)	(11,792,445)
(35,218,856)	(4,533,614)	(42,119,844)
161,015,449	33,769,559	194,785,008
-	(8,133)	(8,133)
(168,158,953)	14,938,164	(161,472,674)
<u>23,685,132</u>	<u>3,326,589</u>	<u>27,520,400</u>
<u>23,685,132</u>	<u>3,326,589</u>	<u>27,520,400</u>
(134,578,226)	25,967,322	(111,592,196)
<u>441,781,660</u>	<u>59,354,974</u>	<u>515,320,417</u>
<u>\$ 307,203,434</u>	<u>\$ 85,322,296</u>	<u>\$ 403,728,221</u>

GREATER TEXOMA UTILITY AUTHORITY

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Collin- Grayson	Lake Texoma	Princeton
	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 4,451,613	\$ 1,377,182	\$ 45,840
Depreciation	671,760	-	1,441,531
Accounts receivable (increase) decrease	(3,164,508)	6,805	-
Prepaid expenses (increase) decrease	-	-	-
Accounts payable increase (decrease)	3,636	-	-
Accrued compensated absences increase (decrease)	-	-	-
Accrued liabilities increase (decrease)	-	-	-
Due to other funds increase (decrease)	-	-	-
Unearned revenue increase (decrease)	<u>253,333</u>	<u>5,000</u>	<u>1,668</u>
Net cash provided by operating activities	<u>2,215,834</u>	<u>1,388,987</u>	<u>1,489,039</u>
Cash reconciliation:			
Beginning of period:			
Current assets:			
Cash	170,532	94,239	1,055,650
Restricted cash	4,393,555	254,965	971,396
Restricted temporary investments	2,710,000	-	2,058,000
Noncurrent assets:			
Restricted cash	222,653	56	10,737
Restricted temporary investments	<u>-</u>	<u>1,350,000</u>	<u>892,000</u>
Total	<u>7,496,740</u>	<u>1,699,260</u>	<u>4,987,783</u>
End of Period:			
Current assets:			
Cash	59,274	6,191	22,771
Restricted cash	4,623,909	292,271	1,254,673
Restricted temporary investments	100,000	80,000	1,803,000
Noncurrent assets:			
Restricted cash	257,496	59	847
Restricted temporary investments	<u>460,000</u>	<u>1,350,000</u>	<u>892,000</u>
Total	<u>\$ 5,500,679</u>	<u>\$ 1,728,521</u>	<u>\$ 3,973,291</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Accrued construction payables and retainage	\$ 48,433	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Sherman	Other Funds	Totals
\$ 2,814,189	\$ 4,660,032	\$ 13,348,856
6,017,676	3,526,958	11,657,925
-	87,936	(3,069,767)
-	920	920
-	(81,178)	(77,542)
-	(6,830)	(6,830)
-	20,886	20,886
-	4,555	
-	230,643	490,644
<u>8,831,865</u>	<u>8,443,922</u>	<u>22,369,647</u>

10,165,517	1,859,936	13,345,874
128,133,850	17,674,797	151,428,563
301,139,845	36,338,418	342,246,263
10,448	55,823	299,717
<u>2,332,000</u>	<u>3,426,000</u>	<u>8,000,000</u>
<u>441,781,660</u>	<u>59,354,974</u>	<u>515,320,417</u>

1,064,261	580,584	1,733,081
176,076,589	24,438,636	206,686,078
79,557,764	54,010,839	135,551,603
175,584	92,475	526,461
<u>50,329,236</u>	<u>6,199,762</u>	<u>59,230,998</u>
<u>\$ 307,203,434</u>	<u>\$ 85,322,296</u>	<u>\$ 403,728,221</u>

\$ 10,514,896	\$ 481,006	\$ 11,044,335
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GREATER TEXOMA UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Greater Texoma Utility Authority (the "Authority") is a political subdivision of the State of Texas. The Authority operates pursuant to its enabling legislation and the applicable provisions of Chapters 30, 49, and 54 of the Texas Water Code. The creation of the Authority was declared to be essential to assist incorporated cities, towns or villages to develop water, sewer, and solid waste facilities on a regional basis. In July 1983, by legislative approval, this entity's name was changed from Greater Texoma Municipal Utility District to its present name.

Initially, the Authority was comprised of all the territory that is contained within the corporate boundaries of the cities of Denison and Sherman, Texas. Both cities held an election on August 11, 1979, which confirmed the Authority's legislative ability to issue revenue bonds, contract for services related to water, sewer, or solid waste activities, and implement any other activities that member cities might wish to contract for and finance. Subsequent to the creation of the Authority, the cities of Gunter, Howe, Pottsboro, Tioga, Tom Bean, Whitewright, Whitesboro, Gainesville, Muenster, Bailey, Valley View, Leonard, Van Alstyne, Collinsville, Ector, and Anna requested annexation to the Authority and have been annexed through actions of the Board of Directors.

The Authority is governed by a nine-member Board of Directors comprised of officials appointed by the city councils of member cities of the Authority. The cities of Denison and Sherman each appoint three members to the Board, the City of Gainesville appoints one member, the City of Anna appoints one member, and one at-large member is selected by the remaining member cities. None of the member cities appoints a majority of board members. For purposes of control and daily management, the Authority is centrally operated and administered. Administration of the Authority entails fiscal as well as management control of the Authority's respective operations.

The Authority is independent of and overlaps many formal political boundaries. Financial information for these entities is not included in the accompanying financial statements. Member governments and other participants (collectively participating entities) of the Authority are as follows:

<u>Member Cities</u>		<u>Other Participants</u>	
Sherman	Mustang	Argyle Water Supply Corp.	City of Krum
Denison	Pottsboro	City of Bells	City of Melissa
Gainesville	Tioga	Bolivar Water Supply Corp.	Northwest Grayson County WCID# 1
Anna	Tom Bean	Town of Callisburg	Town of Oak Ridge
Bailey	Valley View	Town of Dorchester	City of Paradise
Collinsville	Van Alstyne	Gober MUD	City of Sadler
Ector	Whitesboro	City of Lindsay	City of Savoy
Howe	White Shed	City of Princeton	City of Southmayd
Muenster	Whitewright	Red River Authority	Marilee SUD
		North Texas Grndwater Dist.	Two Way SUD
		Red River Grndwater Dist.	Woodbine Water Supply
		Bearcreek SUD	Lake Kiowa SUD
		City of Kaufman	City of Henrietta
		City of Valley View	Arledge Ridge Water Supply Corp.
		College Mound SUD	Becker Jiba SUD
		Gastonia Scurry SUD	North Kaufman WSC

The Board of Directors has the decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. Therefore, the Authority is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB"). The Authority is not a component unit of any of its participating entities. Furthermore, none of the participating entities are a component unit of the Authority.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority is a special-purpose government engaged in a single business-type activity; therefore, the financial statements are presented as enterprise funds.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The projects of each participating entity are accounted for as a separate enterprise activity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues for the enterprise funds are charges to the various projects based on the requirements needed to service the debt. Operating expenses for the enterprise funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority reports the following major funds:

Collin-Grayson Municipal Alliance Fund: The Authority's bonds for the Collin-Grayson Municipal Alliance comprised of the cities of Anna, Howe, Melissa and Van Alstyne, were issued to finance acquisition and construction of water facilities. Revenues from the Alliance are pledged to secure the bond debt. This fund records these amounts from the Alliance as revenues. The fund reports expenses related to administrative costs and interest associated with the bonds. The Authority operates and maintains this regional wholesale water system for the benefit of the cities of Anna, Howe, Melissa and Van Alstyne.

Lake Texoma Reallocation Project Fund: The Authority facilitates the issuance of bonds for the Lake Texoma Allocation Project, comprised of the cities of Collinsville, Denison, Gainesville, Gunter, Lindsay, Pottsboro, Sherman, Southmayd, Whitesboro and the special utility districts of Marilee, Northwest Grayson County, Lake Kiowa SUD, Woodbine Water Supply, Two Way Water and Red River Authority to finance acquisition of water storage rights in Lake Texoma. Revenues from the various entities are pledged to secure the bond debt. This fund records these amounts from the entities as revenues. The fund reports expenses related to administrative costs and interest associated with the bonds.

Princeton Projects Fund: The Authority facilitates the issuance of bonds for the City of Princeton to finance acquisition and construction of water and sewer facilities. Revenues from the City of Princeton are pledged to secure the bond debt. This fund records these amounts from the City as revenues. The fund reports expenses related to administrative costs and interest associated with the bonds.

Sherman Projects Fund: The Authority facilitates the issuance of bonds for the City of Sherman to finance acquisition and construction of water and sewer facilities. Revenues from the City of Sherman are pledged to secure the bond debt. This fund records these amounts from the City as revenues. The fund reports expenses related to administrative costs and interest associated with the bonds.

The activities for all of the Authority's nonmajor enterprise funds are reported in a single column in the financial statements.

C. Assets, Liabilities, Deferred Outflows of Resources, Net Position, Revenues, and Expenses

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash on hand, cash held in demand deposit accounts at financial institutions, cash held with fiscal agents, and balances held by public funds investment pools. Accrued interest is shown separately on the balance sheet. Since the Authority does not maintain a pooled cash account for use by all funds, any cash overdrafts that may result are treated as current liabilities.

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Pooled and temporary investments consist of investment pools, certificates of deposit, and U.S. government securities. Investment pools are reported at net asset value per share, which approximates fair value. The Authority's certificates of deposit are considered nonparticipating investments and, therefore, are reported at amortized cost. U.S. government securities are reported at fair value. The Authority's intent is to hold U.S. government securities to maturity. Funds are invested in accordance with applicable provisions of State law.

TexPool and TexSTAR have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Restricted Assets

Restricted assets of the Authority represent restricted assets such as sinking funds for bond payments mandated by bond covenants as well as certain construction funds held in escrow.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Accrued interest receivable is recognized for unrealized interest earnings on investments.

Capital Assets

The Authority defines capital assets as assets with an initial individual cost of \$250 or more and an estimated useful life in excess of two years, except for project capital assets described below. Capital assets are recorded at cost or, if donated, at their acquisition value at the date of donation. Expenses that materially extend the useful life of existing assets are capitalized. Certain costs for professional services associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold, retired, or transferred to participating entities is removed from the appropriate accounts and any resulting gain or loss is included in the increase in net position.

Project capital assets are defined as direct and indirect costs associated with construction or acquisition related to bond-funded projects for participating entities. During the period in which bonds are outstanding on project facilities, ownership of these assets is vested in the Authority to comply with state and federal regulations. After all associated debt and claims have been extinguished; ownership is transferred to the appropriate participating entity.

Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Projects in Service	10 to 40 years
Leasehold Improvements	17 to 35 Years
Office Equipment and Furniture	3 to 11 Years
Vehicles	5 Years

The useful lives of projects in service are estimated as equal to the remaining life of the related debt at the conclusion of the construction phase.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Authority reports one type of deferred outflow. Deferred charges on bond refunding arise from the difference between the carrying value of refunded bonds and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Long-Term Obligations

Long-term liabilities consist of revenue bonds payable that are accounted for in the specific fund responsible for the repayment of debt.

Compensated Absences

Accumulated unpaid compensated absences represent the estimated liabilities for accumulated and unpaid absences for vacation leave of employees according to prescribed policies. Accumulated unpaid vacation pay is accrued when incurred. The Authority encourages employees to use their vacation each year to minimize amounts carried over. For this reason, accrued compensated absences are considered a current liability.

Unearned Revenue

Unearned revenue arises from cash received before the related performance requirements have been met. Unearned revenue primarily consists of prepayments from member governments for next year's payments, generally in situations where debt service payments are made soon after year-end. Other unearned revenues consist of unspent grant proceeds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net position is categorized as:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of investment in capital assets, net of related debt. Rather, that portion of debt is included in the same net position component as the unspent proceeds.

Negative balances invested in net investment in capital assets are attributable to outstanding debt greater than capital assets net of accumulated depreciation. This is because project capital assets are depreciated on a straight-line basis over the life of the related debt, whereas debt principal payments are not necessarily equal amounts.

Restricted Net Position - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants) or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The restricted net position of the Authority represents sinking fund reserves that are mandated by bond covenants to be maintained.

Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of *net investment in capital assets* or *restricted net position*. It is the Authority's policy to spend funds available from restricted sources prior to unrestricted sources.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond and grant proceeds) and unrestricted resources. To calculate the amounts to report as *restricted net position* and *unrestricted net position*, a flow assumption must be made about the order in which the resources are considered applied. It is the Authority's policy to consider *restricted net position* to have been depleted before *unrestricted net position* is applied.

Interfund Transactions

Interfund services provided or used are accounted for as revenues or expenses. Transactions that constitute reimbursements within individual funds for expenses initially made from it, which are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

Estimates

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

Change in Accounting Principle

During fiscal year 2025, the Authority implemented GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

The Authority's Board of Directors adopts an annual operating budget as a financial plan for the year, pursuant to the legal requirements of the Authority's bond documents and contracts with participating entities. Budgetary basis financial statements are not presented as part of the basic financial statements because there is no legal requirement to do so. Budget information is, however, presented as supplemental schedules.

B. Deficit Net Position

As of September 30, 2025, the Authority reported deficit net position in the following funds:

	2025
Major Funds	
Sherman	\$ 9,967,265
Nonmajor Funds:	
Ector	9,613
General	89,743
Krum	203,956

These deficits arise for projects in service depreciating more quickly than the related debt and will be absorbed by future revenues from the participating entities.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Authority's deposits and investments are invested pursuant to its investment policy guidelines as directed by the Texas Public Funds Investment Act. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect Authority 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 dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The objectives primarily emphasize safety of principal and liquidity and address investment diversification, yield, and maturity and the quality and capability of investment management and a list of the types of investments.

Cash and deposits of the Authority include all amounts deposited at the Authority's depository bank, including demand deposits and certificates of deposit. As of year-end the Authority's cash deposits were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

The following are investments held by the Authority at year-end:

Description	Measurement Basis	Fair Value Measurement Level	Reported Value	Weighted Average Maturity (Days)
Certificates of Deposit	Cost	N/A	\$ 255,907,010	154
TexPool	NAV	N/A	26,809	42
TexSTAR	NAV	N/A	<u>147,794,402</u>	<u>50</u>
		Total Investments	<u>\$ 403,728,221</u>	<u>246</u>

The certificates of deposit are considered nonparticipating securities because they have no ready market; therefore, they are reported at cost.

Investments in TexPool and TexSTAR are reported as cash equivalents in the financial statements.

The Public Funds Investment 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 Authority 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 returns, (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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the Authority to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposits issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivision of any state having been rated as to investment quality no less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or on nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the Authority to have independent auditors perform test procedures related to investment practices as provided by the Act. The Authority is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provision governing investments for the Authority are specified below:

Credit Risk – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The Authority controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

Custodial Credit Risk – Investments: For an investment this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Authority's investment in TexPool and TexSTAR are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2024, the Authority's investments in TexPool and TexSTAR are rated AAAM.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of a government’s investment in a single issuer, the Authority limits investments to less than 5% of its total investments. The Authority further limits investments in a single issuer when they would cause investments risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government.

Interest Rate Risk – The risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Authority limits the weighted average maturity of its portfolio. Management considers interest rate risk to be minimal due to the diversity and liquidity requirements imposed on the external investment pools.

B. INTERFUND RECEIVABLE AND PAYABLE BALANCES

During the course of normal operations, the Authority has numerous transactions between individual funds, including expense reimbursement and payments for interfund services provided. All of the balances resulted from the time lag between the dates that reimbursable expenses occur and payments between funds are made.

Interfund receivable and payable balances of the various funds as of September 30, 2025, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Collin/Grayson Municipal Alliance	Nonmajor enterprise	\$ 31,439
Nonmajor enterprise	Lake Texoma Reallocation Project	25,569
Nonmajor enterprise	Princeton Projects	6,903
Sherman Projects	Nonmajor enterprise	373,759
Nonmajor enterprise	Nonmajor enterprise	<u>590,102</u>
		<u>\$ 1,027,772</u>

C. CAPITAL ASSETS

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

	<u>Balance 9/30/2024</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 9/30/25</u>
Capital assets, nondepreciable:				
Land	\$ 7,596,721	\$ 2,210,208	\$ -	\$ 9,806,929
Water Storage Rights	20,021,383	-	-	20,021,383
Construction in Progress	<u>292,971,399</u>	<u>270,939,700</u>	<u>(50,380,745)</u>	<u>513,530,354</u>
Total capital assets, nondepreciable	<u>320,589,503</u>	<u>273,149,908</u>	<u>(50,380,745)</u>	<u>543,358,666</u>
Capital assets, depreciable:				
Buildings	16,980	-	-	16,980
Machinery & Equipment	516,434	59,291	-	575,725
Projects in service	<u>184,418,563</u>	<u>1,001</u>	<u>50,380,745</u>	<u>234,800,309</u>
Total capital assets, depreciable	<u>184,951,977</u>	<u>60,292</u>	<u>50,380,745</u>	<u>235,393,014</u>
Less accumulated depreciation:				
Buildings	(16,980)	-	-	(16,980)
Machinery & Equipment	(402,916)	(47,468)	-	(450,384)
Projects in service	<u>(63,723,201)</u>	<u>(11,610,457)</u>	<u>-</u>	<u>(75,333,658)</u>
Total accumulated depreciation	<u>(64,143,097)</u>	<u>(11,657,925)</u>	<u>-</u>	<u>(75,801,022)</u>
Net capital assets being depreciated	<u>120,808,880</u>	<u>(11,597,633)</u>	<u>50,380,745</u>	<u>159,591,992</u>
Net capital assets	<u>\$ 441,398,383</u>	<u>\$ 261,552,275</u>	<u>\$ -</u>	<u>\$ 702,950,658</u>

Depreciation expense for the year ended September 30, 2025, was \$11,657,925.

D. COMMITMENTS AND CONTINGENT LIABILITIES

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. During fiscal year 2025, the Authority was covered under a general liability insurance policy plan with a combined single limit of \$1 million as a cost it considered to be economically justifiable.

The Authority has commercial insurance for all other risks of loss, including employee health benefits, workers' compensation and employee life and accident insurance. There have been no settlements in excess of insurance coverage during the past three fiscal years.

The Authority may be contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. Settlements, if any, of such contingencies under the budgetary process would require appropriation of revenues yet to be realized. Authority management and legal counsel believe any settlement would not materially affect the financial position of the Authority as of September 30, 2025.

Construction Commitments

The Authority has projects in the construction phase in various cities. Construction commitments, amounts incurred to date, and balances are as follows:

	<u>Construction Commitments</u>	<u>Costs Incurred To Date</u>	<u>Balance 9/30/2025</u>
City of Princeton	\$ 11,573,582	\$ 11,573,582	\$ -
City of Sherman	472,416,109	397,960,602	74,455,507
Bear Creek SUD	19,391,058	2,394,515	16,996,543
City of Dorchester	3,473,689	-	3,473,689
Northwest Grayson WCID	1,399,000	475,000	924,000
City of Whitewright	2,308,235	2,071,623	236,612
City of Pottsboro	11,767,306	11,298,322	468,984
City of Van Alstyne	5,017,642	4,285,588	732,054
CGMA	6,961,464	6,569,559	391,905
Bells	2,310,707	2,149,097	161,610
Gober MUD	363,338	7,600	355,738

E. RETIREMENT PLAN

The Greater Texoma Utility Authority Retirement Plan (the Plan) is a single employer 401(a) defined contribution plan that covers all full-time employees of the Authority. Greater Texoma Utility Authority administers the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). A copy of the pension plan financial statements may be obtained by contacting the Authority. The Authority is responsible for establishing or amending pension plan provisions and contribution requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Full-time employees are eligible to participate in the Plan after 90 days of continuous employment. The Plan requires that the Authority contribute an amount equal to twelve percent (12%) of the participant's regular annual salary and participants contribute six percent (6%) of the annual salaries. The Authority's contributions for each employee (and interest allocated to the employee's account) are vested at a variable rate with full vesting within seven years.

The Authority's total payroll in fiscal year 2025 was \$1,075,687; contributions made by the Authority were \$124,058. Total contributions made by employees were \$90,010. Total contributions for the year ended September 30, 2025, were \$214,068. The fair value of the Plan as of September 30, 2025, was \$2,823,639. The Authority had no liability to the Plan as of September 30, 2025.

F. INTERGOVERNMENTAL REVENUES AND CONTRACTS

The Authority has entered into contracts with its participating entities to provide certain water and sewer facilities. The participating entities are required to make the following payments to the Authority: (a) monthly amortization payments - amounts equal to the annual debt service requirements on the outstanding bond issues; (b) reserve fund payments - if not at the required levels; (c) administrative payments - amounts sufficient to pay the administrative and overhead costs of the Authority; (d) extraordinary expense payments - amounts necessary to pay or reimburse the Authority for any extraordinary or unexpected expense or costs reasonably and necessarily incurred by the Authority in connection with the bonds and the projects; and (e) the cost of maintenance and operation of the projects if the Authority is the operator.

G. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Authority conduct certain closure activities on the Dripping Springs landfill, when closed, and perform certain maintenance and monitoring functions at the landfill site for five years after closure or until all postclosure requirements are met. The landfill stopped accepting solid waste on October 8, 1993; however, the landfill was considered full as of September 30, 1993, for financial reporting purposes and a liability was recognized based on the future landfill closure and postclosure care costs that will be incurred. The actual postclosure care costs incurred in the current year were \$6,650 and \$1,653,470 to date.

The financial obligation for landfill closure and postclosure care costs not recorded by the Authority will be the responsibility of the cities of Sherman and Denison per contractual agreement. Additional postclosure care costs are expected to be incurred and shared equally by the cities during the monitoring phase of the landfill. A gas well monitoring system is in place and operating at the site of the landfill. Based on the best available engineering estimates, costs related to gas and ground water monitoring are not expected to exceed approximately \$100,000 per year and should continue to decline in the future. There is potential for changes in the estimated costs due to inflation or deflation, technology, or applicable laws or regulations.

H. LONG-TERM DEBT

The Authority facilitates the issuance of bonds for its participating entities to finance the acquisition and construction of water, sewer, and solid waste facilities. The bonds are generally issued by pledging contractual revenue from the participating entities that will be sufficient to cover the debt service.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 687,637,000	\$ 188,460,000	\$ 6,060,000	\$ 870,037,000	\$ 7,650,000
Revenue bonds - private placement	139,339,386	-	5,732,445	133,606,941	5,582,925
Premium on bonds	31,614,167	7,818,133	1,490,965	37,941,335	-
Compensated absences	70,089	-	6,830	63,259	63,259
Total	<u>\$ 858,660,642</u>	<u>\$ 196,278,133</u>	<u>\$ 13,290,240</u>	<u>\$ 1,041,648,535</u>	<u>\$ 13,296,184</u>

Increases and decreases to compensated absences are reported in the schedule above as a single, net increase or decrease.

Debt service requirements to maturity on bonds payable are as follows:

Fiscal Years Ending September 30,	Revenue Bonds			Revenue Bonds - Private Placement		
	Principal	Interest	Total Annual Requirements	Principal	Interest	Total Annual Requirements
2026	\$ 7,650,000	\$ 38,506,394	\$ 46,156,394	\$ 5,582,925	\$ 3,219,441	\$ 8,802,366
2027	8,067,000	39,629,406	47,696,406	5,668,418	3,132,415	8,800,833
2028	13,170,000	39,185,991	52,355,991	5,893,925	3,039,427	8,933,352
2029	18,370,000	38,478,657	56,848,657	5,979,445	2,939,383	8,918,828
2030	19,655,000	37,593,919	57,248,919	6,294,980	2,833,658	9,128,638
2031-2035	105,435,000	173,498,667	278,933,667	31,923,448	12,418,718	44,342,166
2036-2040	137,835,000	144,935,708	282,770,708	23,369,205	9,494,834	32,864,039
2041-2045	162,005,000	109,883,061	271,888,061	18,774,595	6,982,774	25,757,369
2046-2050	191,360,000	68,675,931	260,035,931	16,735,000	4,279,792	21,014,792
2051-2055	201,845,000	21,146,089	222,991,089	7,295,000	2,020,855	9,315,855
2056-2060	4,645,000	106,250	4,751,250	4,020,000	925,674	4,945,674
2061-2065	-	-	-	2,070,000	131,668	2,201,668
Total	<u>\$ 870,037,000</u>	<u>\$ 711,640,073</u>	<u>\$ 1,581,677,073</u>	<u>\$ 133,606,941</u>	<u>\$ 51,418,637</u>	<u>\$ 185,025,578</u>

Certain obligations have been marketed as private placements; however, the repayment terms on these bonds do not significantly differ from other bonds, and do not contain subjective acceleration provisions. In the event of default, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction ordering payment.

New Debt Issuances. During the current fiscal year, the Authority issued multiple bonds for various construction projects on behalf of participating entities. These issuances are detailed below. Each is secured by pledged contractual revenues from the participating entities.

Issuance	Original Issue Amount	Net Proceeds	Maturity Date	Interest Rates
<i>Revenue Bonds:</i>				
Contract Revenue Bonds, Series 2024 (Bearcreek SUD)	\$ 32,300,000	\$ 33,769,559	8/15/2044	4.00% - 5.00%
Contract Revenue Bonds, Series 2024A (City of Sherman)	91,880,000	96,001,993	10/1/2054	4.00% - 5.00%
Contract Revenue Bonds, Series 2025 (City of Sherman)	64,280,000	65,013,456	10/1/2055	5.00% - 5.25%

Pledged Revenues. Substantially all the Authority's revenue bonds have been issued by pledging contractual revenue from the related participating entity. Under the contract, the participating entity pledges to make payments to the Authority sufficient to cover all debt service and related costs of the bond. In this manner, each revenue bond issuance is supported by a new pledged revenue stream that will generally equal the debt service costs. In total, for the year ended September 30, 2025, pledged revenues net of expenses were \$46,722,164 compared to net debt service expenditures of \$20,389,441 for a coverage ratio of 229%.

Arbitrage. The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the Authority. The Authority has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

I. NEW ACCOUNTING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the Authority include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in

the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

J. SUBSEQUENT EVENTS

On November 18, 2025, the Authority issued its Contract Revenue Bonds, Series 2025, Becker Jiba SUD Project, in the amount of \$10,800,000. The bonds contain both serial and term bonds maturing from 2026 to 2055 and bear interest rates of 2.53%-4.55%.

On November 18, 2025, the Authority issued its Contract Revenue Bonds, Series 2025, College Mount SUD Project, in the amount of \$10,800,000. The bonds contain both serial and term bonds maturing from 2026 to 2055 and bear interest rates of 2.53%-4.55%.

On November 18, 2025, the Authority issued its Contract Revenue Bonds, Series 2025, Gastonia-Scurry SUD Project, in the amount of \$10,800,000. The bonds contain both serial and term bonds maturing from 2026 to 2055 and bear interest rates of 2.53%-4.55%.

On November 18, 2025, the Authority issued its Contract Revenue Bonds, Series 2025, North Kaufman WSC Project, in the amount of \$10,800,000. The bonds contain both serial and term bonds maturing from 2026 to 2055 and bear interest rates of 3.92%-5.45%.

APPENDIX C

EXCERPTS FROM THE LAKE KIOWA SPECIAL UTILITY DISTRICT'S
ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2025

The information contained in this APPENDIX consists of excerpts from the District's Annual Financial Report for the Year Ended June 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.

**Haynes and Associates, PC
Certified Public Accountant
405 North Oak Street
Roanoke, Texas 76262**

Independent Auditor's Report

Board of Directors
Lake Kiowa Special Utility District
Lake Kiowa, Texas

We have audited the accompanying financial statements of the business-type activities, the business-type activities of the Lake Kiowa Special Utility District (the District), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type of the District, as of June 30, 2025, and the respective changes in financial position and 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Kiowa Special Utility 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and the 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 Lake Kiowa Special Utility 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

Our responsibility is to express opinions on financial statements based on my audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Statements 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 the 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 does not include the basic financial statements and our auditors' 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.

Haynes & Associates, P.C.

Haynes and Associates, P.C.

Roanoke, Texas

January 14, 2026

LAKE KIOWA SPECIAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lake Kiowa Special Utility District (the District), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. Please read it in conjunction with the independent auditors' report on pages 1-2 and the District's Basic Financial Statements that begin on page 7.

DISTRICT PROFILE

The Lake Kiowa Special Utility District (the District) was formed March 6, 2012, as a special utility district under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapter 65 of the Texas Water Code. The Kiowa Homeowners Water Supply Corporation transferred all of its assets and liabilities to the special utility district and LKSUD was formed to supply the homeowners of Lake Kiowa with water services. The Lake Kiowa Special Utility District became operational July 1, 2012.

The Lake Kiowa Special Utility District is governed by a seven-member Board of Directors comprised of officials elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operation and primary accountability for fiscal matters.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded liabilities by \$6,715,210 at June 30, 2025.
- During the year, the District's charges for services and nonoperating revenues was more than the total operating and nonoperating expenses by \$822,753.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Since the District is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The Lake Kiowa Special Utility District presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private-sector business enterprises. The basic financial statements can be found on pages 7 through 9 of this report.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. All the District's assets are reported whether they serve the current year or future years.

The *Statement of Revenues, Expenses and Changes in Net Position* is a statement of activities and presents information showing how the District's net position changed during the most recent fiscal year. It provides the user information on the District's operating revenues and expenses, non-operating revenues and expenses and whether the District's financial position has improved or deteriorated as a result of the year's operations. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods. Liabilities are considered regardless of whether they must be paid in the current or future years.

The *Statement of Cash Flows* presents the District's cash and cash equivalents during the period reported on. This information can assist the user of the report in determining how the District financed its

activities and how it met its cash requirements.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the statements and can be found beginning on page 10 of this report.

FINANCIAL ANALYSIS

The District provides water services for the residents of Lake Kiowa, Texas. Revenues for the District are derived from charges for these services.

The District's assets and deferred outflows of resources exceeded liabilities by \$6,715,210 and represented an increase of 12.25% (\$822,753) over the prior year restated net position of \$5,892,457. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$2,209,952 at June 30, 2025, a decrease of \$23,153 from the prior year unrestricted net position of \$2,233,105.

The following table represents a summary of the District's net position for the fiscal year ended June 30, 2025 and 2024.

Table I
Lake Kiowa Special Utility District
Net Position

	2025	2024
Current and other assets	\$7,942,448	\$7,611,432
Net Pension Asset	15,023	
Capital assets	<u>7,775,682</u>	<u>7,730,120</u>
Total assets	<u>15,733,154</u>	<u>15,341,552</u>
Deferred outflows of resources	<u>0</u>	<u>15,231</u>
Long-term liabilities	8,298,273	8,771,429
Other liabilities	<u>719,671</u>	<u>692,897</u>
Total liabilities	<u>9,017,944</u>	<u>9,464,326</u>
Deferred inflows of resources	15,023	<u>0</u>
Net position		
Net investment in capital assets	3,905,258	3,010,280
Restricted	600,000	649,072
Unrestricted	<u>2,209,952</u>	<u>2,233,105</u>
Total net position	<u>\$6,715,210</u>	<u>\$5,892,457</u>

The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2025 and 2024.

Table II
Lake Kiowa Special Utility District
Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Program Revenues		
Charges for Services	\$2,321,873	\$1,912,222
Other Operating Revenues	53,036	44,632
Nonoperating Revenues		
Interest Income	42,980	39,046
Disposal of Assets	21,406	26,000
Total Revenue	<u>2,439,295</u>	<u>2,021,900</u>
Expenses		
Operating Expenses		
General & Administrative	625,136	446,656
Operating	429,455	511,281
Maintenance & Repairs	60,590	81,219
Depreciation	<u>325,212</u>	<u>319,314</u>
Non-Operating Expenses		
Interest Expense	175,294	187,348
Bond Issuance Costs	855	1,406
Total Expenses	<u>1,616,542</u>	<u>1,547,224</u>
Increase (Decrease) in Net Position	822,753	474,677
Net Position – Beginning of Year	5,892,457	5,417,780
Net Position – End of Year	<u>\$6,715,210</u>	<u>\$5,892,457</u>

A portion of the District's total net position, in the amount of \$3,905,258 (58.15%), reflects its investment in capital assets, (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's Net Position (approximately 8.90%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,209,952) may be used to meet the District's ongoing obligations to citizens and creditors. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

At the end of the current fiscal year, the District is able to report positive balances in its net position for business-type activities. The same situation held true for the prior fiscal year.

The District's total net position increased by \$822,753. The total cost of all services was \$1,616,542, which was completely financed through charges for services of \$2,439,295.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-Term Debt

The District had \$8,756,198 in debt outstanding as of June 30, 2025. More detailed information about the District's long-term liabilities is presented in Note F to the financial statements.

Capital Assets

The District's investment in capital assets as of June 30, 2025 amounts to \$7,775,682 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 29.73%. More detailed information about the District's capital assets is presented in Note D to the financial statements.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal year ended June 30, 2025 and June 30, 2024.

Table III
Lake Kiowa Special Utility District
Capital Assets

	<u>2025</u>	<u>2024</u>
Water System	\$ 10,260,4687	\$ 9,935,257
Machinery & Equipment	447,057	420,654
Buildings	582,099	582,099
Land	126,382	126,382
Intangibles	299,562	299,562
Construction in Progress	945,887	945,887
Accumulated Depreciation	<u>(4,885,774)</u>	<u>(4,579,722)</u>
Total Capital Assets	\$ 7,775,682	\$ 7,730,120

FUTURE PLANS AND ACTIVITIES TO BE UNDERTAKEN IN THE FISCAL YEAR ENDING JUNE 30, 2026, AND BEYOND

The District has a project to be undertaken in the next fiscal year and beyond including the following:

- Bn Phase 5 of the waterline replacement project which is represented by the Construction in Progress of \$945,887.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, rate payers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's business office, 133 Kiowa Drive South, Lake Kiowa, Texas 76240.

LAKE KIOWA SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,126,024
Accounts Receivable, Net	208,165
Inventory	82,549
Prepaid Expenses	-

Total Current Assets	2,416,737
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Noncurrent Assets

Restricted Deposits Held in Trust by GTUA	5,525,711
Net Pension Asset	15,023

Capital Assets

Land and Non-Depreciable Assets	126,382
Water Storage Rights	299,562
Depreciable Capital Assets, Net	6,403,851
Construction in Progress	945,887

Total Capital Assets	7,775,682
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Total Noncurrent Assets	13,316,416
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TOTAL ASSETS	15,733,154
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	-
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LIABILITIES

Current Liabilities

Accounts Payable	23,356
Payroll Liabilities	10,381
Compensated Absences	38,735
Customer Deposits	189,274
Current Portion of GTUA Contractual Obligation	457,925

Total Current Liabilities	719,671
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Noncurrent Liabilities

GTUA Contractual Obligation	8,298,273
Net Pension Liability	-

Total Noncurrent Liabilities	8,298,273
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TOTAL LIABILITIES	9,017,944
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	15,023
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NET POSITION

Net Investment in Capital Assets	3,905,258
Restricted	600,000
Unrestricted	2,209,952

TOTAL NET POSITION	\$ 6,715,210
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The notes to the financial statements are an integral part of this statement.

LAKE KIOWA SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

Operating Revenues	
Charges for Services	\$ 2,321,873
Other Operating Revenues	26,816
Miscellaneous Revenues	-
Lease Revenues	26,220
Total Operating Revenues	<u>2,374,909</u>
Operating Expenses	
Operating Expense	429,455
General and Administrative	625,136
Maintenance and Repairs	60,590
Depreciation	325,212
Total Operating Expenses	<u>1,440,394</u>
Operating Income (Loss)	<u>934,515</u>
Nonoperating Revenues (Expenses)	
Interest Income	42,980
Gain (Loss) on Disposal of Fixed Assets	21,406
Interest Expense	(175,294)
Bond Issuance Costs	(855)
Total Nonoperating Revenues (Expenses)	<u>(111,762)</u>
Increase (Decrease) in Net Position	822,753
Net Position-Beginning of Year	<u>5,892,457</u>
Net Position-End of Year	<u>\$ 6,715,210</u>

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

LAKE KIOWA SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

Cash Flows from Operating Activities	
Cash Inflows:	
Payments Received from Customers	\$ 2,374,909
Cash Outflows:	
Payments to Suppliers	(730,409)
Payments to Employees	(409,550)
Total Cash Used	<u>(1,139,959)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,234,950</u>
Cash Flows from Capital and Related Financing Activities	
Cash Deposits Held by GTUA	-
Purchase of Capital Assets	(370,614)
Principal Repayment on Debt	(443,723)
Interest Paid	(175,294)
Bond Proceeds	-
Payment of Bond Issuance Costs	(855)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(990,486)</u>
Cash Flows from Investing Activities	
Interest Received	42,980
Net Cash Provided (Used) by Investing Activities	<u>42,980</u>
Net Cash Inflow from All Activities	287,444
Cash and Cash Equivalents at Beginning of Year	1,838,579
Cash and Cash Equivalents at End of Year	<u>\$ 2,126,023</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ 934,515
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	325,212
Pension Expense	9,262
(Increase) Decrease	
Accounts Receivable	(52,228)
Inventory	-
Prepaid Expenses	5,617
Increase (Decrease)	
Accounts Payable	7,970
Payroll Liabilities	(1,553)
Compensated Absences	43
Customer Deposits	6,112
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,234,950</u>

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

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lake Kiowa Special Utility District (the District) was formed March 6, 2012, as a special utility district under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapter 65 of the Texas Water Code. The Kiowa Homeowners Water Supply Corporation transferred all of its assets and liabilities to the special utility district and LKSUD was formed to supply the homeowners of Lake Kiowa with water services. The Lake Kiowa Special Utility District became operational July 1, 2012.

The Lake Kiowa Special Utility District is governed by a seven-member Board of Directors comprised of officials elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operation and primary accountability for fiscal matters.

Basic Financial Statements

The accompanying financial statements are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments. The District is reported as a special-purpose government engaged in business-type activities.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expense for the enterprise funds include administrative expenses and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue Recognition

The District recognizes operating revenues as they are earned. The District's primary revenues are from water customer billings. All customers have a water meter. The meters are read on a monthly basis.

Late fees and reconnect charges are recognized as operating revenues as they are earned. The revenue from late fees are penalties collected on customer accounts when monthly billings are not paid by specified dates stated in District policy. The revenue from reconnect charges are penalties collected to reconnect a customer account after service has been discontinued for nonpayment.

Connection fees are revenues collected from customers requesting water service from the District. The fees collected are generally recognized as operating revenue. Portions of the fees collected are to provide funding for system maintenance, operations and systems development.

The District collected certain lease payments from a cellular company for placement of their tower on District land. The revenues collected for lease payments to the District are recognized as operating income.

Revenue and expense classification

The District distinguishes operating revenues and expenses from nonoperating income. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenues of the District are charges to customers for water usage. Operating expenses include the cost of service, administrative expenses and depreciation of capital items. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Budgets

The District's Board of Directors adopts an annual operating budget as a financial plan for the year. Budgetary basis financial statements are not presented as part of the basic financial statements because there is no legal requirement to do so.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash held in demand deposit accounts at financial institutions, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the District considers all highly liquid investments available for current uses with an initial maturity of three months or less to be cash equivalents. The District operates under a depository contract in accordance with State law.

Inventories

Water repair and maintenance supply inventories are stated at cost using the weighted average method.

Capital Assets

Capital assets are recorded at cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in income. The District's capitalization policy includes all real or personal property with a value of \$1,000 or more and an estimated life in excess of one year.

The District reports depreciation under a single-line item as a business-type unit. Depreciation is computed on the straight-line method. Estimated useful lives of the respective assets are as follows:

Land	N/A
Water Production & Distribution	5-50 years
Office Equipment & Furniture	5-7 years
Maintenance Equipment	5-7 years
Vehicles	5 years
Buildings	5-25 years

Pensions

The District participates in a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 798 nontraditional defined benefit pension plans. The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Unearned Revenue

Unearned income reflects the amount of revenue that has been billed on unsold lots and is expected to be collected when the lots are sold.

Deferred Inflows

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, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. The District's deferred inflows consist of inflows related to pensions.

Deferred Outflows

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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. The District's deferred outflows consist of deferred outflows related to pensions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a Business-Type Activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are charges for water services and related fees. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Net Position

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

NOTE B – DEPOSITS AND INVESTMENTS

The Board has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act. The investments of the District are in compliance with the adopted investment policies.

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than "A" by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The District's funds are required to be deposited and invested under the terms of a depository contract. The 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) assurance.

Cash and Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. On June 30, 2025, the carrying amounts of the District's bank deposits were \$2,126,024 of which \$250,000 was covered by FDIC coverage and the amount of pledged securities held in the District's name (valued at fair market value) as

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

of June 30, 2025 was \$2,108,013. The highest bank balance occurred on May 12, 2025, \$2,249,209 of which \$250,000 was covered by FDIC, and \$2,073,476 were covered by pledged securities held in the District's name as of May 12, 2025. The District has implemented monitoring procedures for pledged securities in order to ensure adequate pledged securities and FDIC coverages to cover amounts deposited in bank.

Cash, deposits, and cash equivalents consist of the following:

Cash on Hand	\$ 398
Cash in Banks	<u>2,125,626</u>
	<u>\$2,126,024</u>

NOTE C – ACCOUNTS RECEIVABLE AND UNEARNED INCOME

Accounts receivable shown on the statement of financial position consists of the following:

Water Billing Receivable	\$211,335
Allowance for Doubtful Accounts	<u>(3,170)</u>
Net Operating Receivables	<u>\$208,165</u>

NOTE D – CAPITAL ASSETS

A summary of activities in the capital asset accounts is as follows:

	Balance 7/1/2024	Additions	Disposals	Balance 6/30/2025
Land	126,381	-	-	126,381
Construction in Progress	945,887	-	-	945,887
Water Storage Rights	299,562	-	-	299,562
Water System	9,935,257	325,211	-	10,260,468
Office Equipment & Furn	33,679	-	-	33,679
Maintenance Equipment	263,532	-	-	263,532
Vehicles	125,849	45,403	21,406	149,846
Buildings	582,100	-	-	582,100
Total	\$12,312,247	\$370,614	\$21,406	\$12,661,455
Less Accumulated Depreciation	(4,581,968)	(325,212)	21,406	(4,885,774)
Net Fixed Assets	\$7,730,279	45,402	21,406	\$7,775,682

Depreciation expense for the year ended June 30, 2025, was \$325,212.

NOTE E – COMPENSATED ABSENCES

Full-time employees are eligible for paid personal leave after six months of employment. This includes vacation, sick time, emergencies, bereavement, inclement weather days, etc. Personal leave is accrued as follows: 10 hours per month for the first five years of employment; 14 hours per month during the sixth through fifteenth year of employment; and 18 hours per month after fifteen years of continuous employment. Leave earned during one calendar year may be carried forward to the next year. Accrued vacation as of June 30, 2025, is \$38,734.

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE F – LONG-TERM DEBT

The following schedule summarizes the changes in long-term debt for the year ended June 30, 2025:

	Beginning Balance	Additions/ Adjustments	Reductions	Ending Balance	Due Within One Year
2011 GTUA Contract	199,921	-	8,723	191,198	12,925
2014 GTUA Contract	2,260,000	-	185,000	2,075,000	190,000
2017 GTUA Contract	1,560,000	-	95,000	1,465,000	100,000
2021 GTUA Contract	5,180,000	-	155,000	5,025,000	155,000
Totals	\$9,199,921	-	\$443,723	\$8,756,198	\$457,925

Under the terms of long-term water supply contracts between the District and the Greater Texoma Utility Authority (GTUA), the District recognizes that GTUA has an undivided ownership interest in the District's water facilities equivalent to the percentage of the total cost of the facilities provided by GTUA through the issuance and sale of GTUA bonds. The District has a contractual obligation to make payments as specified in the contract with GTUA to pay the principal and interest on the bonds, maintain cash reserves for the security and payment of the bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds.

Under terms of the contracts, the District's obligation to make payments to GTUA and GTUA's ownership interest in the facilities will terminate when all GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired and are no longer outstanding. The District is obligated for the repayment of principal and interest on the debt through a pledging of revenues. The structure of the transaction has the qualities of a financing arrangement; therefore, the amounts are included in long-term liabilities and capital assets with the associated accumulated depreciation.

The original total principal obligation of the 2011 water contract was \$299,562, with interest rates varying between 0.75% and 2.48%. The proceeds were utilized for the Lake Texoma Water Storage Project. The District's obligation to GTUA under the 2011 long-term contract expires with the retirement of GTUA bonds in the fiscal year ending June 30, 2042. At that time, the undivided interest in the property transfers from GTUA to the District. As of June 30, 2025, the outstanding principal balance of the obligation was \$191,198.

The original total principal obligation of the 2014 water contract was \$3,695,000, with interest rates varying between 0.12% and 2.68%. The proceeds were utilized to build and improve water distribution facilities within the District's service area. The District's obligation to GTUA under the 2014 long-term contract expires with the retirement of GTUA bonds in the fiscal year ending June 30, 2035. At that time, the undivided interest in the property transfers from GTUA to the District. As of June 30, 2025, the outstanding principal balance of the obligation was \$2,075,000.

The original total principal obligation of the 2017 water contract was \$2,125,000, with interest rates varying between 0.08% and 2.81%. The proceeds were utilized to build and improve water distribution facilities within the District's service area. The District's obligation to GTUA under the 2017 long-term contract expires with the retirement of GTUA bonds in the fiscal year ending June 30, 2038. At that time, the undivided interest in the property transfers from GTUA to the District. As of June 30, 2025, the outstanding principal balance of the obligation was \$1,465,000.

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

The original total principal obligation of the 2021 water contract was \$5,470,000, with interest rates varying between 1.10% and 2.17%. The proceeds were utilized to build and improve water distribution facilities within the District's service area. The District's obligation to GTUA under the 2021 long-term contract expires with the retirement of GTUA bonds in the fiscal year ending June 30, 2052. At that time, the undivided interest in the property transfers from GTUA to the District. As of June 30, 2025, the outstanding principal balance of the obligation was \$5,025,000.

Total contractual obligations outstanding on June 30, 2025, was \$8,756,198.

The principal and interest requirements related to these business-type contractual obligations on June 30, 2025, are as follows:

Fiscal Year, June 30,	Principal	Interest	Total Requirements
2026	457,925	167,727	625,652
2027	468,418	159,702	628,120
2028	473,925	151,240	625,165
2029	484,446	142,341	626,787
2030	494,980	132,976	627,956
2031-2035	2,628,448	509,865	3,138,313
2036-2040	1,399,202	302,341	1,701,543
2041-2045	1,019,824	204,641	1,224,465
2046-2050	1,065,000	104,983	1,169,983
2051-2052	264,030	9,895	273,925
Total Requirements	8,756,198	1,885,711	10,641,909

NOTE G – NET POSITION

Net Position: Net Investment in Capital Assets represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction, or improvement of these capital assets.

Net investment in capital assets have been calculated as follows:

Capital Assets Net of Accumulated Depreciation	\$7,775,682
Less: Bonds Payable	(8,756,198)
Add Back Unspent Bond Funds	<u>3,190,468</u>
	\$2,209,952

Net Position: Restricted represents amounts that are restricted for a particular purpose. On June 30, 2025, the District had funds restricted of \$600,000 for capital projects, debt service and other programs.

Net Position: Unrestricted represents the difference between assets and liabilities that is not reported in net investment in capital assets or net position restricted for specific purposes.

It is the District's policy to spend funds available from restricted sources prior to unrestricted sources.

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE H – RETIREMENT

Plan Description

The District participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 798 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034. All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at ages 60 and above with 8 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. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contribution in a lump sum are not entitled to any amounts contributed by their employer.

Benefits amounts are determined by sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of those monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. By law, employee accounts earn 7% interest. 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.

Employees Covered by Benefit Terms

On June 30, 2025, the following employees were covered by the benefit terms:

Current Active Members	5
Current Inactive Members	1
Current Retirees and Beneficiaries	<u>2</u>
Total	8

Contributions

The District has elected the annually determined contributions rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the actuarially determined rate of 13.1% for the months of the accounting year in 2023 and 13.1% for the months of the accounting year in 2024. The contribution rate payable by the employee members for calendar years 2023 and 2024 is 7%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The District's

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

contributions to TCDRS for the year ended June 30, 2024, was \$50,411 and were equal to the required contributions.

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported
Actuarial Cost Method	Entry Age Normal (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation.
Salary Increases	Same as funding valuation.
Investment Rate of Return	7.6%, Gross of administrative expenses
Cost-of-Living Adjustments	Cost-of Living Adjustments for Lake Kiowa Special Utility District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustment is included in the funding valuation.
Mortality	Same as funding valuation.
Retirement Age	Same as funding valuation.
Turnover	Same as funding valuation.
Adjustment for Plans with the Partial-Lump Sum Payment Option (Liability and Normal Cost)	Same as funding valuation. For employers who have elected this options, a 0.75% increase is applied to the TPL related to the member deposit portion of the estimated monthly benefit for future retirees.

The long-term expected rate of return on TCDRS 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 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.

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
U S Equities	Dow Jones US Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities-Developed Markets	MSCI World Ex USA (net) Index	6.00%	4.75%
Int'l Equities – Emerging Markets	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 REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited 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	25.00%	8.15%
Hedge Funds	Hedge Fund Research Inc (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90 Day US Treasury	2.00%	1.10%

(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 2005-present of Quarter Pooled Horizon IRRs.

(5)Includes vintage years 2005-present of Quarter Pooled Horizon IRRS.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

Changes in Net Pension Liability/Asset	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2023	\$857,803	\$842,573	\$15,231
Changes for the Year:			
Service Cost	59,016		59,016
Interest on total pension liability	68,307		68,307
Effect of plan changes	0		0
Effect of economic/demographic Gains or losses	8,515		8,515

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Effect of assumptions changes or inputs	0		0
Refund of contributions	0		0
Benefit payments	(36,760)	(36,760)	0
Administrative expenses		(529)	529
Member contributions		26,978	(26,978)
Net investment income		86,747	(86,747)
Employer contributions		50,411	(50,411)
Other		2,486	(2,486)
Balances as of 12/31/2024	\$956,882	\$971,906	\$(15,023)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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 have been 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.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$1,058,239	\$956,882	\$868,359
Fiduciary net position	971,906	971,906	971,906
Net pension liability (asset)	\$86,333	(\$15,023)	(\$103,547)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows or Resources and Deferred inflows of Resources Related to Pensions

For the year ended June 30, 2025, the District recognized pension expense of \$51,759. As of June 30, 2024, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows Of Resources	Deferred Outflows Of Resources
Differences between expected and actual experience	\$25,659	\$20,688
Change of assumptions	1,775	14,799
Net difference between projected and actual earnings	6,307	0
Contributions made subsequent to measurement date	N/A	Employer determined

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

Year ended December 31:	
2025	\$(5,611)

**LAKE KIOWA SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

2026	14,627
2027	(5,977)
2028	(646)
2029	(254)
Thereafter	(395)

NOTE I – INCOME TAXES

The District is exempt from income taxes under Internal Revenue Service Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The District had no unrelated business income tax liability for the year ended June 30, 2025.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2025, the District purchased commercial insurance to cover general 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.

NOTE K - Commitments and Contingencies Liabilities

Litigation – The District may be contingently liable in respect of lawsuits and claims in the ordinary course of operations that, in the opinion of management, will not have material adverse effect on the combined financial statements.

Commitments – The District has normal commitments and contingency that they make while delivering cities services in the normal course of business. Any leases for the District are month to month operating leases, and none to be considered under the GASB 87 accounting standards to be capitalized in the financial statements.

NOTE L – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District does not have any Information Technology subscriptions as they would relate to the GASB 98 financial reporting requirements.

NOTE M – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 14, 2026, the date which the financial statements were available to be issued, and there were no activities or actions of significance which would require recording in the financial statements nor disclosing in the footnotes. Legal confirmations were sent out to District attorney confirming there is also no pending or threatening litigation.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION



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nortonrosefulbright.com

[CLOSING DATE]

IN REGARD to the authorization and issuance of the "Greater Texoma Utility Authority Contract Revenue Bonds, Series 2026 (Lake Kiowa Special Utility District Project)", dated June 18, 2026, in the principal amount of \$_____ (the "Bonds"), we have examined into their issuance by the Greater Texoma Utility Authority (the "Authority") which are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on August 15 in each of the years specified in the resolution adopted by the Board of Directors of the Authority authorizing the issuance of the Bonds (the "Resolution"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Authority solely to pass upon the legality and validity of the issuance of the Bonds under the Constitution and laws of the State of Texas and with respect to the exemption of the interest on the Bonds from federal income taxes under the Internal Revenue Code of 1986, as amended (the "Code") and none other. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the Authority or of the Lake Kiowa Special Utility District (the "District"). In rendering the opinions herein we have examined and rely upon (i) original or certified copies of the proceedings of the Authority in connection with the issuance of the Bonds, including the Resolution, and original or certified copies of the proceedings of the District in connection with the issuance of the Bonds, (ii) certifications and opinions of officers of the Authority relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Authority and to certain other facts within the knowledge and control of the Authority, and (iii) such other documentation, including an examination of the Bond executed and delivered initially by the Authority (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

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Re: "Greater Texoma Utility Authority Contract Revenue Bonds, Series 2026
(Lake Kiowa Special Utility District Project)", dated June 18, 2026

1. The Bonds have been duly authorized by the Authority in compliance with the Constitution and laws of the State of Texas now in force, and the Bonds issued in compliance with the provisions of the Resolution are valid and legally binding special obligations of the Authority, in accordance with the terms thereof, and, together with the Previously Issued Bonds (identified and defined in the Resolution), are payable solely from and equally and ratably secured by a first lien on and pledge of the "Pledged Revenue" (as identified and defined in the Resolution), which includes revenues to be received under and pursuant to a "Water Facilities Contract" between the Authority and the District, executed as of March 17, 2014, together with amendments and supplements thereto. The enforceability of the Bonds and the provisions made for payment thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity. The Resolution provides certain conditions under which the Authority may issue additional obligations payable from the same source and secured in the same manner as the Bonds.

2. Assuming continuing compliance after the date hereof by the Authority with the provisions of the Resolution and in reliance upon representations and certifications of the Authority made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (a) will be excludable from gross income, as defined in section 61 of the Code, of the owners thereof pursuant to section 103 of the Code, existing regulations, published rulings, and court decisions thereunder, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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

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

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that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.