**SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

**(Denton County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT**

**DATED: NOVEMBER 10, 2026**

**$12,325,000**

**UNLIMITED TAX UTILITY BONDS**

**SERIES 2026**

**BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME**

**18th DAY, NOVEMBER, 2026**

**SPECIALIZED PUBLIC FINANCE INC.**

**Financial Advisor**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any offer, solicitation or 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 NOVEMBER 10, 2026**

*This Preliminary Official Statement is subject to completion and amendment, as provided in the Official Notice of Sale, and is intended for the solicitation of initial bids to purchase the Bonds (hereinafter defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (hereinafter defined).*

*In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the District (herein defined) after the date of initial delivery of the Bonds described below (the "Bonds") with certain covenants contained in the Bond Order (herein defined) authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), and (2) will not be an item of tax preference for purposes of the alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. See "TAX MATTERS" herein.*

NEW ISSUE – Book Entry

Moody's Rating: "Baa3"

See: "SALE AND DISTRIBUTION OF THE BONDS – MUNICIPAL BOND INSURANCE AND RATING" herein

**THE BONDS WILL NOT BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.**

# $12,325,000
# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## (A Political Subdivision of the State of Texas located within Denton County)
## UNLIMITED TAX UTILITY BONDS, SERIES 2026

Dated: November 15, 2026; Interest Accrues from Date of Delivery

Due: August 15, as shown on inside cover page

The $12,325,000 Unlimited Tax Utility Bonds, Series 2026 (the "Bonds"), are obligations of Smiley Road Water Control and Improvement District No. 1 (the "District") and are not obligations of the State of Texas; Denton County, Texas; the City of Celina, Texas, or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Denton County, Texas; the City of Celina, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by BOKF, NA in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the date of delivery (expected on or about December 15, 2026), and is payable on August 15, 2027, and each February 15 and August 15 hereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

**See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.**

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment" herein.

INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL RISK FACTORS AS DESCRIBED HEREIN. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION. SEE "RISK FACTORS."

The Bonds are offered when, as, and if issued by the District and are also offered subject, among other things, to the approval of the Attorney General of Texas and of the opinion of Winstead PC, Dallas, Texas, Bond Counsel to the District. Delivery of the Bonds through the facilities of DTC is expected on or about December 15, 2026.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS***

| Maturity August 15 | Principal Amount | Interest Rate | Initial Yield[(1)] | CUSIP[(2)] |
|---|---|---|---|---|
| 2027 | $ 385,000 | | | |
| 2028 | 160,000 | | | |
| 2029 | 170,000 | | | |
| 2030 | 185,000 | | | |
| 2031 | 195,000 | | | |
| 2032 | 205,000 | | | |
| 2033 | 215,000 | | | |
| 2034 | 230,000 | | | |
| 2035 | 245,000 | | | |
| 2036 | 260,000 | | | |
| 2037 | 275,000 | | | |
| 2038 | 290,000 | | | |
| 2039 | 310,000 | | | |
| 2040 | 325,000 | | | |
| 2041 | 345,000 | | | |
| 2042 | 365,000 | | | |
| 2043 | 390,000 | | | |
| 2044 | 410,000 | | | |
| 2045 | 435,000 | | | |
| 2046 | 465,000 | | | |
| 2047 | 490,000 | | | |
| 2048 | 520,000 | | | |
| 2049 | 550,000 | | | |
| 2050 | 585,000 | | | |
| 2051 | 620,000 | | | |
| 2052 | 655,000 | | | |
| 2053 | 695,000 | | | |
| 2054 | 740,000 | | | |
| 2055 | 780,000 | | | |
| 2056 | 830,000 | | | |

**(Interest Accrues from the date of Initial Delivery)**

*Preliminary, subject to change.

(1) The initial reoffering yield has been provided by the Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(2) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined), or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.

**REDEMPTION PROVISIONS** . . . The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, in whole or from time to time in part, those Bonds maturing on August 15, 2032, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds may also be subject to mandatory sinking fund redemption if certain maturities of the Bonds are designated as term Bonds by the Initial Purchaser of the Bonds. See "THE BONDS – Redemption."

## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than information permitted by SEC Rule 15c2-12.*

*This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in SEC Rule 15c2-12.*

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Winstead PC, 500 Winstead Building, 2728 N. Harwood Street, Dallas, Texas 75201, upon payment of the costs for duplication thereof.

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

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

NEITHER THE DISTRICT, THE FINANCIAL ADVISOR (DEFINED HEREIN) NOR THE INITIAL PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE INFORMATION REGARDING ANY BOND INSURER OR BOND INSURANCE POLICY.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES AND SCHEDULES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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APPENDIX A Audited Financial Statement of the District

APPENDIX B Form of Bond Counsel Opinion

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of _____% of par resulting in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### Prices and Marketability

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

Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser. The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### Securities Laws

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

*[Remainder of this page intentionally left blank.]*

## MUNICIPAL BOND INSURANCE AND RATING

The Bonds are rated "Baa3" by Moody's Investors Service ("Moody's"). There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District has made applications to certain municipal bond insurance companies to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings. If the Initial Purchaser chooses to purchase municipal bond insurance on the Bonds, separate rating(s) may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. As is stated herein under the caption "NO MATERIAL ADVERSE CHANGE," if the Initial Purchaser elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Initial Purchaser of its obligations to take up and pay for the Bonds.

## BOND INSURANCE RISK FACTORS

As is stated above under the caption "MUNICIPAL BOND INSURANCE AND RATING," applications have been made to insurers to issue a commitment for municipal bond guaranty insurance on the Bonds. If the Initial Purchaser purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the "Policy") for such payments.

In the event that an insurer is unable to make payment of principal and interest on the Bonds as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event that an insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event would 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 any such insurer and its claims paying ability. An 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 an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

Neither the District, nor to the knowledge of the District, the Initial Purchaser, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Initial Purchaser. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE AND RATING" above for further information regarding the District's application for municipal bond guaranty insurance on the Bonds.

## OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

## THE BONDS

| | |
|---|---|
| The Issuer | Smiley Road Water Control and Improvement District No. 1 (the "District"), a political subdivision of the State of Texas, is located in Denton County, Texas. See "THE DISTRICT." |
| The Issue | The District's $12,325,000 Unlimited Tax Utility Bonds, Series 2026 (the "Bonds"), are dated November 15, 2026, and mature on August 15 in the years and in the amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from the date of delivery (expected to on or about December 15, 2026), at the rates shown on the inside cover hereof and is payable on August 15, 2027, and on each February 15 and August 15 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one maturity. See "THE BONDS – General." |
| Redemption | The Bonds are subject to redemption prior to maturity at the option of the District, in whole or in part, on August 15, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS – Optional Redemption." |
| Source of Payment | Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the City of Celina, Texas; or any entity other than the District. See "THE BONDS – Source of Payment." |
| Payment Record | The Bonds represent the District's first issuance of bonds, for the Utility System and the third issuance of bonds for the District. The District has never defaulted in payment of its bonds. |
| Authority for Issuance | The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49, 51, and, for limited purposes, 53, Texas Water Code, as amended; Chapter 9001, Texas Special District Local Laws Code; the approving order of the TCEQ; and an order authorizing issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors of the District (the "Board"); and an election held within the District, as referenced below.<br><br>At the election held within the boundaries of the District on November 5, 2019, voters of the District also authorized the District's issuance of a total of $92,500,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending a water and sanitary sewer system to serve the District (the "Utility System") and $115,625,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System. The Bonds are the first issuance of bonds from such voted authorization. After issuance of the Bonds, $80,175,000 in principal amount for the Utility System, and all of the refunding bond authorization, will remain authorized but unissued. See "THE BONDS – Authority for Issuance." |

| | |
|---|---|
| | At an election held within the boundaries of the District on November 5, 2019, voters of the District authorized the District's issuance of $215,000,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, operating, and maintaining roads, and improvements in aid thereof, serving the District (the "Road System") and $269,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Road System. The Road System has two issuances of bonds from such voted authorization. $187,415,000 in principal amount for the Road System remains authorized but unissued. |
| Outstanding Bonds | The Bonds are the first issuance of the unlimited tax utility bonds. The District has previously issued Unlimited Tax Road Bonds, Series 2023 and Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds"), of which $26,680,000 remains outstanding. |
| Use of Bond Proceeds | Proceeds from the sale of the Bonds will be used to reimburse the Developer (defined herein) for funds advanced to or on behalf of the District for construction and engineering costs associated with the 15-inch to 30-inch interceptor sanitary sewer; and water, wastewater, and drainage facilities serving single-family residential development within Green Meadows Phases 1 and 2A. In addition, proceeds from the Bonds will be used to pay developer interest, land acquisition costs, and to pay other costs related to the issuance of the Bonds. See "THE BONDS – Estimated Use and Distribution of Bond Proceeds." |
| Municipal Bond Insurance and Rating | The Bonds are rated "Baa3" by Moody's Investors Service ("Moody's). Applications have been made to certain municipal bond insurance companies to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings. If the Initial Purchaser chooses to purchase municipal bond insurance on the Bonds, separate rating(s), may at the election of the Initial Purchaser be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. As is stated herein under the caption "NO MATERIAL ADVERSE CHANGE," if the Initial Purchaser elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Initial Purchaser of its obligations to take up and pay for the Bonds. |
| Non-Qualified Tax-Exempt Obligations | The District will not designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. |
| Bond Counsel | Winstead PC, Dallas, Texas. See "THE DISTRICT – Management of the District – Bond Counsel," "LEGAL MATTERS – Legal Opinions," and "TAX MATTERS." |

| | |
|---|---|
| General Counsel | Winstead PC, Dallas, Texas. |
| Disclosure Counsel | McCall, Parkhurst & Horton L.L.P., Dallas, Texas. |
| Financial Advisor | Specialized Public Finance Inc., Dallas, Texas. |
| Paying Agent/Registrar | BOKF, NA, Dallas, Texas. |

## THE DISTRICT

| | |
|---|---|
| Description | The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, Chapters 49 and 51, of the Texas Water Code, as amended, with certain rights, powers, privileges, authority, and functions derived from Chapter 53, Texas Water Code, as amended; and Chapter 9001, Texas Special District Local Laws Code.<br><br>The District was initially created by Senate Bill 1828 by the 79th Texas Legislature, Regular Session. As created, the District encompassed approximately 517.25 acres. Thereafter, in 2006, the District annexed approximately 466.328 acres of land, resulting in a total District acreage of approximately 938.578 acres. In 2009, the District annexed an additional approximate 418 acres and performed an on-the-ground survey of the District's boundaries, resulting in an approximate District acreage of 1,407.8287 acres. In 2017, the District divided into two Districts: the District and the Smiley Road Water Control and Improvement District No. 2. The resulting District acreage was 507.585 acres. In 2022, the District added an additional 4.226 acres.<br><br>The District currently encompasses approximately 511.811 total acres of land. See "THE DISTRICT." |
| Location | See "THE DISTRICT" and "LOCATION MAP." |
| Status of Development | Green Meadows Phase 1 has a total of 395 completed lots and Phase 2A has 251 completed lots that are being marketed to buyers. Phase 2B has 207 lots available for construction on approximately 47 acres. New homes in the District range in price from $500,000 to $1,000,000 and have an average square footage of approximately 2,700 to 4,550. |
| The Developer | Green Meadows Community, Inc. ("GMCI" or the "Developer"). |
| The Homebuilders | There are three homebuilders active within the District: Brightland Homes, CastleRock Communities, and Sandlin Homes. |

## RISK FACTORS

INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

## SELECTED FINANCIAL INFORMATION

| | | |
|---|---|---|
| 2025 Certified Taxable Assessed Valuation | $ 262,131,464 | (1) |
| 2026 Certified Taxable Assessed Valuation | $ 278,511,599 | (1) |
| Estimated Taxable Assessed Valuation as of October 1, 2026 | $ 298,807,560 | |
| | | |
| Gross Direct Debt Outstanding following the issuance of the Bonds | $ 39,910,000 | (2) |
| Estimated Overlapping Debt | 35,423,002 | (3) |
| Gross Direct Debt and Estimated Overlapping Debt | $ 75,333,002 | (2) |
| | | |
| Ratio of Gross Direct Debt to: | | |
| 2026 Certified Taxable Assessed Valuation | 14.33% | |
| Ratio of Gross Direct Debt and Estimated Overlapping Debt to: | | |
| 2026 Certified Taxable Assessed Valuation | 27.05% | |
| | | |
| Debt Service Fund Balance as of August 31, 2026 | $ 882,324 | (4) |
| | | |
| General Fund Balance as of August 31, 2026 | $ 2,804,645 | |
| | | |
| 2026 Total Debt Service Tax Rate | $ 0.8900 | |
| 2026 Maintenance Tax Rate | 0.1100 | |
| Total 2026 District Tax Rate | $ 1.0000 | |
| | | |
| Average Annual Debt Service Requirement (2026-2056) | $ 2,398,307 | (5) |
| Maximum Annual Debt Service Requirement (2053) | $ 2,682,488 | (5) |
| | | |
| Tax Rate Required to Pay Average Annual Debt Service (2026-2056) at a 95% Collection Rate Based on 2026 Certified Taxable Assessed Valuation | $ 0.9065 | |
| | | |
| Tax Rate Required to Pay Maximum Annual Debt Service (2053) at a 95% Collection Rate Based on 2026 Certified Taxable Assessed Valuation | $ 1.0139 | |
| | | |
| Status of Development as of August 31, 2026 (6): | | |
| Total Completed Homes (occupied) | 646 | |
| Homes Completed (unoccupied) | - | |
| Homes Under Construction or Owned by Builder | 183 | |
| Developed Lots Available for Construction | 207 | |
| Undeveloped but Developable Acreage | 766 | |
| Estimated Population | 2,261 | (7) |

(1) As certified by the Denton Central Appraisal District (the "Appraisal District"), as of January 1st of each year.
(2) Includes the Bonds. Preliminary, subject to change.
(3) See "DISTRICT FINANCIAL DATA - Estimated Overlapping Debt."
(4) Neither Texas Law nor the Bond Order requires that the District maintain any particular balance in such fund. The funds in the Utility Debt Service Fund are pledged only to pay debt service on District bonds issued to construct utility facilities and bonds issued to refund such bonds ("Utility Bonds"), including the Bonds, and are not pledged to payment of the bonds issued for the Road System. The District levied its first debt service tax in 2024 for payment of debt service on Road Bonds.
(5) See "DISTRICT FINANCIAL DATA - Debt Service Requirements." Includes the Bonds.
(6) See "THE DISTRICT - Status of Development."
(7) Based upon 3.5 persons per occupied single-family residence. See "THE DISTRICT – Status of Development."

**PRELIMINARY OFFICIAL STATEMENT**
**$12,325,000**

**SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**
**(A Political Subdivision of the State of Texas located within Denton County)**

**UNLIMITED TAX UTILITY BONDS**
**SERIES 2026**

This Official Statement provides certain information with respect to the issuance by Smiley Road Water Control and Improvement District No. 1 (the "District") of its $12,325,000 Unlimited Tax Utility Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49, 51, and, for limited purposes, 53, Texas Water Code; Chapter 9001, Texas Special District Local Laws Code; the approving order of the TCEQ; and an order authorizing issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on November 5, 2019.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument. Copies of such documents may be obtained from the District's Bond Counsel (as defined herein), or during the offering period, from the District's Financial Advisor (as defined herein), upon payment of reasonable copying, mailing, and handling charges.

## RISK FACTORS

### General

The Bonds are obligations of the District and are not obligations of the State of Texas; Denton County, Texas; the City of Celina, Texas, or any political subdivision other than the District. The Bonds are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon on all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

### Economic Factors Affecting Taxable Values and Tax Payment

The majority of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developer for sale to homebuilders and homebuyers for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Dallas-Fort Worth ("DFW") region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets"), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

The District cannot predict the pace or magnitude of any future development in the District. The development of land within the District is subject to a number of contingencies which could slow or prevent future development of the undeveloped land. Consequently, no assurance can be given that such development will be fully completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate such risks. In addition to potentially reducing the ability and willingness of the landowners to pay taxes, a slowdown of the economic

development in the region could adversely affect land values and reduce the proceeds received at a foreclosure sale in the event taxes are not paid when due. See "THE DISTRICT."

**Increase in Costs of Building Materials**

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

**Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 40 miles from the central downtown business district of Dallas Fort-Worth, in the City of Celina, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the DFW metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of DFW and the nation could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

***Dependence on Major Taxpayers and the Developer:*** The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Table 7 – Principal Taxpayers," for the 2026 tax year the District's top ten principal taxpayers owned property located within the District the aggregate assessed valuation of which was $41,117,105, and which comprised approximately 14.76% of the District's total taxable assessed valuation. Brightland Homes LTD, a homebuilder in the District, is the District's top taxpayer for the 2026 tax year and owned taxable property representing approximately 3.38% of the District's total taxable assessed valuation, Castlerock Communities LLC, a homebuilder in the District, is the District's top taxpayer for the 2026 tax year and owned taxable property representing approximately 5.69% of the District's total taxable assessed valuation, and Sandlin Homes LLC, a homebuilder in the District, is the District's top taxpayer for the 2026 tax year and owned taxable property representing approximately 0.75% of the District's total taxable assessed valuation. No other taxpayer owned property consisting of more than 2% of the District's taxable assessed valuation. If these principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collections and Foreclosure Remedies" in this section, "TAX DATA – Table 7 – Principal Taxpayers," and "- Table 4 – Historical Tax Collection."

The Developer has informed the District that its current plans are to continue developing its property in the District and/or marketing lots. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developer or any other landowners.

***Developer and Principal Landowner's Obligations to the District:*** There is no commitment by or legal requirement of the Developer (herein defined), or any other landowner, to the District to proceed at any particular rate or with the additional development of land in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the profitability of future development, if any. Failure to construct additional taxable improvements would restrict the rate of growth of taxable values in the District and could result in higher tax rates. See "THE DISTRICT," "THE DEVELOPER," and "HOMEBUILDERS IN THE DISTRICT."

***Competition:*** The value, demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition from new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Fort Worth and Dallas, Texas that are for sale. In the Dallas/Fort Worth area in the general vicinity of the District, there is currently one directly comparable master planned community in operation, and three developments in the construction or early sales phase whose focus is on residential properties. The closest comparable planned development is Cambridge Crossing, consisting of approximately 380 acres, in which homebuilding has commenced. The next closest master planned community is an approximate 950 acre development called Light Farms lying east of the District. Other master planned communities include Mustang Lakes, an approximate 1,100 acre planned community, and Star Trail, an approximate 750 acre planned community, and Windsong, an approximate 2,700 acre planned community.

***Location and Access:*** The District is located in an outlying area of the Dallas-Fort Worth metropolitan area, approximately 40 miles north from the central business district of the City of Dallas, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower total overlapping tax rates. As a result, particularly during times of increased competition, resale values of homes within the District may be at a competitive disadvantage to other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT."

***Maximum Impact on District Tax Rate:*** Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2026 Taxable Assessed Valuation of property within the District, is $278,511,599. See "DISTRICT FINANCIAL DATA." After issuance of the Bonds, the estimated maximum annual requirement of the Bonds will be $2,682,488 (2053), and the estimated average annual debt service requirement of the Bonds will be $2,398,307 (2026–2056). See "DISTRICT FINANCIAL DATA – Table 2 – Debt Service Requirements." Assuming no increase to or decrease from the 2026 Taxable Assessed Valuation, tax rates of $1.00 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no increase to or decrease from 2026 Taxable Assessed Valuation, tax rates of $1.0139 and $0.9065 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively.

**Vacant Developed Lots**

As of August 31, 2026, approximately 236.7 developed acres within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

**Tax Collections and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure.

The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. See "TAXING PROCEDURES – Collection of Delinquent Taxes."

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA –Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against the collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

**Potential Impact of Natural Disaster**

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

**Registered Owners' Remedies**

Remedies available to registered owners of Bonds (the "Registered Owners") in the event of a default by the District under the Bond Order are limited. Although the Bond Order provides that the Registered Owners may obtain a writ of mandamus requiring performance by the District, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. The Bond Order does not provide for acceleration of maturity of the Bonds, appointment of a trustee to protect the interests of the Registered Owners or any other additional remedy in the event of a default by the District. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. The Bonds are not secured by an interest in the improvements financed with the Bonds, or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property. Further, the Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights of the Registered Owners and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by a State of Texas statute reasonably required to allow an important public purpose or by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors' rights generally.

**Future Debt**

At the election held within the boundaries of the District on November 5, 2019, voters of the District authorized the District's issuance of a total of $92,500,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending a water and sanitary sewer system to serve the District (the "Utility System") and $115,625,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System. The Bonds are the first issuance of bonds from such voted authorization. After issuance of the Bonds, $80,175,000 in principal amount for the Utility System will remain authorized but unissued.

At an election held within the boundaries of the District on November 5, 2019, voters of the District authorized the District's issuance of a total of $215,000,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, maintaining, and operating roads, and improvements in aid thereof, serving the District (the "Road System") as well as a total of $269,000,000 principal amount of unlimited tax bonds for the purpose of

refunding bonds issued by the District for the Road System. The Road System has two issuances of bonds from such voted authorization. $187,415,000 in principal amount for the Road System remains authorized but unissued.

The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. The District could issue bonds from time to time depending on growth in the assessed valuation and continued development within the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

To date, the Developer has advanced certain funds for engineering and construction of water, wastewater and drainage facilities, and roads and related facilities for which they have not been reimbursed. After the reimbursements are made with Bond proceeds, the District will owe approximately $8,751,880 plus interest to the Developer. The District intends to issue additional bonds in order to reimburse the Developer and other landowners for existing development and to develop the remainder of undeveloped but developable land (approximately 236.7 acres).

All bonds issued by the District must be approved by the Attorney General of Texas. Bonds issued to finance the acquisition and construction of the Utility System must also be approved by the TCEQ.

**Environmental Regulations**

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

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

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

**Marketability of the Bonds**

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

**Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the

debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

The District may not be placed into bankruptcy involuntary.

**Continuing Compliance with Certain Covenants**

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

**Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

**Future and Proposed Legislation**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability, or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

**Cybersecurity**

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

## THE BONDS

**General**

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon request to Winstead PC, Dallas, Texas. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated as of November 15, 2026, and will mature on August 15 of the years and in principal amounts, and will bear interest from the date of initial delivery (expected on or about December 15, 2026), at the rates per annum, as set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on August 15, 2027, and on each February 15 and August 15 thereafter until maturity or redemption. Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year.

The Bonds will be issued only in fully registered form in any integral multiples of $5,000 of principal for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical

delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the initial paying agent/registrar, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., as registered owner. DTC 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."

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the Registered Owners (hereinafter defined) as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by 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 District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond 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 rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase 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.

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

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

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

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

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

*Use of Certain Terms in Other Sections of this Official Statement*

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the DTC Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

**Registration and Transfer**

The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS – Book-Entry-Only System." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

**Replacement of Paying Agent/Registrar**

Provision is made in the Bond Order for the replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a bank, including a commercial bank, or trust company organized under a law of the State of Texas duly qualified to act as a paying agent/registrar for the Bonds.

**Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

**Authority for Issuance**

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including Chapters 49, 51, and, for limited purposes, 53, Texas Water Code, as amended; Chapter 9001, Texas Special District Local Laws Code; the approving order of the TCEQ; and an order authorizing issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors of the District (the "Board"); and an election held within the District, as referenced below.

At the election held within the boundaries of the District on November 5, 2019, voters of the District also authorized the District's issuance of a total of $92,500,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, repairing, improving, or extending a water and sanitary sewer system to serve the District (the "Utility System") and $115,625,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System. The Bonds are the first issuance from such voted authorization. After issuance of the Bonds, $80,175,000 in principal amount for the Utility System, and all of the refunding bond authorization, will remain authorized but unissued.

At an election held within the boundaries of the District on November 5, 2019, voters of the District authorized the District's issuance of $215,000,000 principal amount of unlimited tax bonds for the purpose of constructing, acquiring, improving, operating, and maintaining roads, and improvements in aid thereof, serving the District (the "Road System") and $269,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Road System. The Road System has two issuances of bonds from such voted authorization. $187,415,000 in principal amount for the Road System remains authorized but unissued.

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

| Election Date | Purpose | Amount Authorized | Amount Issued | Authorized But Unissued |
|---|---|---|---|---|
| 11/5/2019 | Road Facilities | $ 215,000,000 | $ 27,585,000 | $ 187,415,000 |
| 11/5/2019 | Road Facilities Refunding | 269,000,000 | - | 269,000,000 |
| 11/5/2019 | Utility Systems | 92,500,000 | 12,325,000 * | 80,175,000 |
| 11/5/2019 | Utility Systems Refunding | 115,625,000 | - | 115,625,000 |
| | | $ 692,125,000 | $ 39,910,000 | $ 652,215,000 |

* Includes the Bonds.

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

**Source of Payment**

The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. See "TAXING PROCEDURES." The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Denton County, Texas; the City; or any political subdivision or entity other than the District.

**Funds**

***Debt Service Fund***. The Bond Order creates a Series 2026 Utility Debt Service Fund (the "Debt Service Fund") and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited as collected in such fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the Registered Owners of the Bonds, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds.

***Construction Fund***. The Bond Order creates a Series 2026 Utility Capital Project Fund (the "Construction Fund"). Proceeds of the Bonds not deposited to the Debt Service Fund will be deposited into the Construction Fund and used for the purposes shown below under "Estimated Use and Distribution of Bond Proceeds."

**Optional Redemption**

The Bonds are subject to redemption prior to maturity at the option of the District, in whole or in part, on August 15, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds of either series are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity of either series are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such method of random selection as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

**Annexation**

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any municipality comprises that municipality's extraterritorial jurisdiction ("ETJ"). The size of an ETJ depends in part on the municipality's population. With certain exceptions, a municipality may annex territory only within the confines of its ETJ. When a municipality annexes additional territory, the municipality's ETJ expands in conformity with such annexation.

The District lies wholly within the ETJ of the City of Celina, Texas (the "City"), a general law municipality. The District may not be annexed for full purposes by the City except as may be specifically authorized by Chapter 43, Local Government Code, as amended. Any authorized annexation is subject to compliance by the City with various requirements of Chapter 43, Local Government Code. Such requirements include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. Further, if the voters in the area to be annexed do not own more than 50% of the land in the area, a petition signed by more than 50% of the landowners consenting to the annexation is also required. However, the described election and petition process may not apply during the term of an applicable agreement under Chapter 43 and Section 212.172(b)(7), Local Government Code, as amended. See “Pre-Annexation Agreement” immediately below. If the District is annexed, the City must assume the District's assets and obligations (e.g., the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should the annexation occur.

**Pre-Annexation Agreement**

On June 30, 2009, the Developer's predecessor in interest and the City entered into a Development Agreement regarding the development of the District and financing of certain infrastructure (as amended, the "Development Agreement"). The Development Agreement also serves as a pre-annexation agreement that allows the City (1) to annex commercial properties within the District for the limited purpose of collecting sales and use tax within such properties and (2) to annex the District for full purposes on the earlier to occur of (a) the completion of the infrastructure required to serve 90% of the District has been constructed and bonds have been sold for the reimbursement of the costs of such facilities or (b) all facilities required to serve 100% of the developable land in the District are constructed and operational. The Development Agreement serves as the written services agreement required by Chapter 43, Local Government Code, and provides that in lieu of the procedures required under that Chapter, the City must provide notice and hold a public hearing prior to annexing the District. Should the City take action under the Development Agreement to annex the District, it must assume the District's assets and obligations, including the Bonds, as set forth above. See "Annexation" immediately above.

**Outstanding Bonds**

The Bonds are the first issuance of the unlimited tax utility bonds. The District has previously issued Unlimited Tax Road Bonds, Series 2023 and Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds"), of which $26,680,000 remains outstanding.

**Issuance of Additional Debt**

The Bonds are the first series of bonds to be issued out of an aggregate $92,500,000 principal amount of unlimited tax utility bonds authorized by the District's voters for the purpose of constructing, acquiring, improving, maintaining, and operating the Utility System. After the issuance of the Bonds, $80,175,000 in principal amount for the Utility System remains authorized but unissued.

All of the authorized but unissued amount of $115,625,000 utility refunding bonds remain authorized but unissued.

The Road System has two issuances of bonds issued out of an aggregate $215,000,000 principal amount of unlimited tax road bonds authorized by the District's voters for the purpose of constructing, acquiring, improving, maintaining, and operating the Road System. $187,415,000 in principal amount for the Road System remains authorized but unissued.

All of the authorized but unissued amount of $269,000,000 road refunding bonds remain authorized but unissued.

All bonds issued by the District must be approved by the Attorney General of Texas. Bonds issued by the District to finance the acquisition and construction of the Utility System must also be approved by the TCEQ.

In the Bond Order, the District reserves the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount of bonds ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the certified assessed valuation of the real property in the District. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

**Remedies in the Event of Default**

Texas law and the Bond Order provide that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Further, certain traditional legal, remedies also may not be available. Even if a Registered Owner could obtain a judgment against the District for a default in the payment of principal or interest such judgment could not be satisfied by execution against any property of the District. See "RISK FACTORS – Registered Owners' Remedies" and "– Bankruptcy Limitation to Registered Owners' Rights."

**Legal Investment and Eligibility to Secure Public Funds in Texas**

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

> (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

**Defeasance**

The Bond Order provides for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities (hereinafter defined), maturing as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Bond Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for funding of an escrow to defease the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for funding of an escrow to defease the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally

deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the defeasance securities. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limits such investments, owners of the Bonds 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 Texas law.

*[Remainder of this page intentionally left blank.]*

**Estimated Use and Distribution of Bond Proceeds**

Proceeds from the sale of the Bonds will be used to reimburse the Developer for funds advanced to or on behalf of the District for construction and engineering costs associated with the 15-inch to 30-inch interceptor sanitary sewer; and water, wastewater, and drainage facilities serving single-family residential development within Green Meadows Phases 1 and 2A. In addition, proceeds from the Bonds will be used to pay developer interest, land acquisition costs, and to pay other costs related to the issuance of the Bonds.

| SOURCES OF FUNDS | | |
|---|---|---|
| Principal Amount of Bonds | $ 12,325,000 | (1) |
| TOTAL SOURCES OF FUNDS | $ 12,325,000 | |
| **USES OF FUNDS** | | |
| CONSTRUCTION COSTS | | |
| Interceptor Sanitary Sewer | $ - | (1) |
| Green Meadows, Phase 1 Utilities | - | (1) |
| Green Meadows, Phase 2A Utilities | - | (1) |
| Engineering | - | (2) |
| Geotechnical/Materials Testing | - | (3) |
| Total Construction Costs | $ - | |
| NON-CONSTRUCTION COSTS | | |
| Developer Interest | $ - | |
| Underwriter's Discount | - | |
| Costs of Issuance | - | |
| TCEQ Bond Issuance Fee | - | |
| Total Non-Construction Costs | $ - | |
| TOTAL USES OF FUNDS | $ - | |

(1) The District has requested a waiver of the 30% developer contribution requirement of 30 TAC Section 293.47.
(2) Includes $128,032 for the interceptor sanitary sewer, plus $826,744 for Green Meadows, Phase 1 Utilities, plus $177,335 for the Green Meadows, Phase 2A Utilities.
(3) Includes $8,460 for the interceptor sanitary sewer plus $20,955 for Green Meadows, Phase 2A Utilities.

In the instance that amounts exceed the actual costs, the difference comprises a surplus which may be expended for utility or improvements in aid thereof. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued and with approval from the TCEQ.

The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described utility improvements. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## DISTRICT FINANCIAL DATA

### Table 1 – General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

| | |
|---|---|
| 2025 Certified Taxable Assessed Valuation | $ 262,131,464 (1) |
| 2026 Certified Taxable Assessed Valuation | $ 278,511,599 (1) |
| Estimated Taxable Assessed Valuation as of October 1, 2026 | $ 298,807,560 |
| | |
| Gross Direct Debt Outstanding | $ 39,910,000 (2) |
| Estimated Overlapping Debt | 35,423,002 (3) |
| Gross Direct Debt and Estimated Overlapping Debt | $ 75,333,002 (2) |
| | |
| Ratio of Gross Direct Debt to: | |
| 2026 Taxable Assessed Valuation | 14.33% |
| | |
| Ratio of Gross Direct Debt and Estimated Overlapping Debt to: | |
| 2026 Certified Taxable Assessed Valuation | 27.05% |
| | |
| Debt Service Fund Balance as of August 31, 2026 | $ 882,324 |
| | |
| General Fund Balance as of August 31, 2026 | $ 2,804,645 |

(1) As certified by the Denton Central Appraisal District (the "Appraisal District"), as of January 1st of each year.
(2) Includes the Bonds. Preliminary, subject to change.
(3) See "DISTRICT FINANCIAL DATA - Estimated Overlapping Debt Statement."

### Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

| Taxing Jurisdiction | Outstanding Bonds | As of | Overlapping Percent | Amount |
|---|---|---|---|---|
| Denton County | $ 700,610,000 | 9/30/2026 | 0.11% | $ 770,671 |
| Celina ISD | 811,530,000 | 9/30/2026 | 4.27% | 34,652,331 |
| Total Estimated Overlapping Debt | | | | $ 35,423,002 |
| The District's Total Direct Debt (1) | | | | 39,910,000 |
| Total Direct and Estimated Overlapping Debt | | | | $ 75,333,002 |
| | | | | |
| Direct and Estimated Overlapping Debt as a Percentage of: | | | | |
| 2026 Certified Taxable Assessed Valuation | | | | 27.05% |

(1) Includes the Bonds.

**Table 2 – Debt Service Requirements**

The following schedule sets forth the debt service requirements on the Outstanding Bonds and the estimated annual debt service requirements of the Bonds, assuming an estimated interest rate of 6.00%.

| Year Ending | Outstanding Debt | | | The Bonds[1] | | | Total Debt Service |
|---|---|---|---|---|---|---|---|
| 12/31 | Principal | Interest | Total | Principal | Interest | Total | Requirements |
| 2026 | $ 445,000 | $ 1,203,644 | $ 1,648,644 | $ - | $ - | $ - | $ 1,648,644 |
| 2027 | 470,000 | 1,176,744 | 1,646,744 | 385,000 | 493,000 | 878,000 | 2,524,744 |
| 2028 | 495,000 | 1,146,831 | 1,641,831 | 160,000 | 716,400 | 876,400 | 2,518,231 |
| 2029 | 525,000 | 1,115,331 | 1,640,331 | 170,000 | 706,800 | 876,800 | 2,517,131 |
| 2030 | 555,000 | 1,081,937 | 1,636,937 | 185,000 | 696,600 | 881,600 | 2,518,537 |
| 2031 | 585,000 | 1,051,881 | 1,636,881 | 195,000 | 685,500 | 880,500 | 2,517,381 |
| 2032 | 615,000 | 1,020,156 | 1,635,156 | 205,000 | 673,800 | 878,800 | 2,513,956 |
| 2033 | 650,000 | 993,256 | 1,643,256 | 215,000 | 661,500 | 876,500 | 2,519,756 |
| 2034 | 680,000 | 966,950 | 1,646,950 | 230,000 | 648,600 | 878,600 | 2,525,550 |
| 2035 | 710,000 | 939,431 | 1,649,431 | 245,000 | 634,800 | 879,800 | 2,529,231 |
| 2036 | 740,000 | 910,700 | 1,650,700 | 260,000 | 620,100 | 880,100 | 2,530,800 |
| 2037 | 775,000 | 880,756 | 1,655,756 | 275,000 | 604,500 | 879,500 | 2,535,256 |
| 2038 | 820,000 | 849,400 | 1,669,400 | 290,000 | 588,000 | 878,000 | 2,547,400 |
| 2039 | 855,000 | 816,225 | 1,671,225 | 310,000 | 570,600 | 880,600 | 2,551,825 |
| 2040 | 900,000 | 781,638 | 1,681,638 | 325,000 | 552,000 | 877,000 | 2,558,638 |
| 2041 | 940,000 | 744,513 | 1,684,513 | 345,000 | 532,500 | 877,500 | 2,562,013 |
| 2042 | 985,000 | 705,738 | 1,690,738 | 365,000 | 511,800 | 876,800 | 2,567,538 |
| 2043 | 1,035,000 | 664,313 | 1,699,313 | 390,000 | 489,900 | 879,900 | 2,579,213 |
| 2044 | 1,090,000 | 620,325 | 1,710,325 | 410,000 | 466,500 | 876,500 | 2,586,825 |
| 2045 | 1,145,000 | 574,000 | 1,719,000 | 435,000 | 441,900 | 876,900 | 2,595,900 |
| 2046 | 1,205,000 | 525,338 | 1,730,338 | 465,000 | 415,800 | 880,800 | 2,611,138 |
| 2047 | 1,265,000 | 474,125 | 1,739,125 | 490,000 | 387,900 | 877,900 | 2,617,025 |
| 2048 | 1,330,000 | 420,363 | 1,750,363 | 520,000 | 358,500 | 878,500 | 2,628,863 |
| 2049 | 1,395,000 | 363,838 | 1,758,838 | 550,000 | 327,300 | 877,300 | 2,636,138 |
| 2050 | 1,465,000 | 304,550 | 1,769,550 | 585,000 | 294,300 | 879,300 | 2,648,850 |
| 2051 | 1,545,000 | 239,838 | 1,784,838 | 620,000 | 259,200 | 879,200 | 2,664,038 |
| 2052 | 1,625,000 | 171,588 | 1,796,588 | 655,000 | 222,000 | 877,000 | 2,673,588 |
| 2053 | 1,705,000 | 99,788 | 1,804,788 | 695,000 | 182,700 | 877,700 | 2,682,488 |
| 2054 | 575,000 | 24,438 | 599,438 | 740,000 | 141,000 | 881,000 | 1,480,438 |
| 2055 | - | - | - | 780,000 | 96,600 | 876,600 | 876,600 |
| 2056 | - | - | - | 830,000 | 49,800 | 879,800 | 879,800 |
| | $ 27,125,000 | $ 20,867,631 | $ 47,992,631 | $ 12,325,000 | $ 14,029,900 | $ 26,354,900 | $ 74,347,531 |

(1) Preliminary, subject to change.

| | | |
|---|---|---|
| Estimated Average Annual Debt Service Requirements (2026-2056) | $ 2,398,307 | (1) |
| Estimated Maximum Annual Debt Service Requirements (2053) | $ 2,682,488 | (1) |

(1) Preliminary, subject to change.

## TAXING PROCEDURES

### Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Denton Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Denton County, including the District. Such appraisal values are subject to review and change by the Denton County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Denton County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

### Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind powered energy devices; inventory and warehouse goods in transit; and most individually-owned automobiles and travel trailers. In addition, the District, either by action of its Board or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. To date, the District has not granted any such exemptions.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between $5,000 and $12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

The Board may also exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exemption value of the homesteads until the debt is discharged. To date, the Board has not voted to exempt any percentage of the market value of residential homesteads from ad valorem taxation, but no representation can be made that the Board will not determine to grant such exemption in the future.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option.

A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory, The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before 2012, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken no official action to allow taxation of such goods-in-transit personal property.

Denton County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Denton County, the District, or the City of Celina (if it were to annex the District) at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdiction. To date, none of the area within the District has been designated as a reinvestment zone, and the District has not approved any such tax abatement agreements.

**Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year, except for certain categories of land designated for agricultural use, open space, or timberland as described below. See "Agricultural, Open Space, Timberland and Inventory Deferment." Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements on the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the appraisal district at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

**District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the

exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

**Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the Appraisal District, as of January 1, 2026, no land within the District was designated for agricultural use, inventory, open space, or timberland.

**Notice and Hearing Procedures**

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year.

**Rollback of Operation and Maintenance Tax Rate**

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

*Special Taxing Units*

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

*Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus

any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

*Developing Districts*

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

*The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis. The District is currently classified as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

**Collection of Delinquent Taxes**

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to certain restrictions. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a tax lien of the United States. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property within six (6) months of foreclosure (2 years in the case of residential or agricultural property), or by bankruptcy proceedings which restrain the collection of a taxpayer's debts or modify such debts. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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## TAX DATA

### General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and its available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. For the 2026 tax year, the District levied a total tax rate of $1.00 per $100 assessed taxable value consisting of $0.89 for debt service and $0.11 for operation and maintenance. See "TAX DATA - Table 8 – Tax Rate Calculations" below.

### Table 3 – Tax Rate Limitation

Maintenance Tax – Maximum tax rate of $1.20 per $100 of assessed valuation approved by voters on November 5, 2019. The District has levied its debt service tax in the amount of $.89 per $100 of assessed value in 2026. The debt service tax for the utility bonds is separate from the tax for the road bonds. Each debt service tax is unlimited as to rate or amount.

### Table 4 – Historical Tax Collections

The following table illustrates the collection history of the District for the 2022-2026 tax years:

| Tax Year | Net Certified Taxable Assessed Valuation [1] | Tax Rate [2] | Total Tax Levy | Current Collections Amount | Current Collections Percent | As of |
|---|---|---|---|---|---|---|
| 2022 | $ 82,945,869 | $ 1.0000 | $ 828,588 | $ 827,003 | 99.81% | 4/30/2023 |
| 2023 | 182,799,689 | 1.0000 | 1,827,997 | 1,804,366 | 98.71% | 4/30/2024 |
| 2024 | 229,646,381 | 1.0000 | 2,296,465 | 2,287,810 | 100.00% | 4/30/2025 |
| 2025 | 262,131,464 | 1.0000 | 2,621,315 | 2,533,684 | 98.92% | 4/30/2026 |
| 2026 | 278,511,599 | 1.0000 | 2,785,116 | N/A | N/A | 4/30/2027 |

(1) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemption granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.
(2) Tax rate per $100 of assessed taxable value. See "Table 5 – Tax Rate Distribution" below.

### Table 5 – Tax Rate Distribution

| Tax Year | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Debt Service | $ - | $ - | $ 0.4900 | $ 0.6400 | $ 0.8900 |
| Maintenance | 1.0000 | 1.0000 | 0.5100 | 0.3600 | 0.1100 |
| Total | $1.0000 | $1.0000 | $ 1.0000 | $ 1.0000 | $ 1.0000 |

**Table 6 – Analysis of Tax Base**

The following table illustrates the District's total taxable assessed value for the last five years by types of property.

| | 2026 Certified Taxable Appraised Valuation | 2025 Certified Taxable Appraised Valuation | 2024 Certified Taxable Appraised Valuation | 2023 Certified Taxable Appraised Valuation | 2022 Certified Taxable Appraised Valuation |
|---|---|---|---|---|---|
| Total Appraised Valuation | $ 288,515,186 | $ 271,320,540 | $ 237,317,366 | $ 188,428,109 | $ 83,408,469 |
| Exemptions | (10,003,587) | (9,189,076) | (7,670,985) | (5,628,420) | (462,600) |
| Total Taxable Appraised Valuation | $ 278,511,599 | $ 262,131,464 | $ 229,646,381 | $ 182,799,689 | $ 82,945,869 |

**Exemptions and Special Valuations**

To date, the District has not granted a general residential homestead exemption or exemptions to persons 65 years of age or older and to certain disabled persons. According to the Appraisal District, as of January 1, 2026, no land within the District was designated for agricultural use, inventory, open space, or timberland.

**Table 7 – Principal Taxpayers**

The following represents the principal taxpayers, type of property, and their assessed values as of the Appraisal District's original certification of the 2026 tax rolls:

| Name of Taxpayer | 2026 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|---|---|---|
| Castlerock Communities LLC | $ 15,857,166 | 5.69% |
| Brightland Homes LTD | 9,399,927 | 3.38% |
| Stryker Celina LLC | 5,149,504 | 1.85% |
| Magnolia Realty Group LLC | 4,931,017 | 1.77% |
| Sandlin Homes LLC | 2,096,975 | 0.75% |
| Movva, Phanendar | 743,706 | 0.27% |
| Lytle, Courtney Jevon & Carla | 740,660 | 0.27% |
| Morgan, Bill & Eden | 737,353 | 0.26% |
| Avula, Naresh & Lysaith, Lisandra | 732,934 | 0.26% |
| Brown, Montaric | 727,863 | 0.26% |
| | $ 41,117,105 | 14.76% |

**Table 8 – Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District occurs beyond the District's 2026 Taxable Assessed Valuation $278,511,599. The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

| | |
|---|---|
| Average Annual Debt Service Requirement (2026-2056) | $ 2,398,307 (1) |
| $ 0.9065 Tax Rate on 2026 Certified Taxable Assessed Valuation at 95% collection | $ 2,398,472 |
| Maximum Annual Debt Service Requirements (2053) | $ 2,682,488 (1) |
| $ 1.0139 Tax Rate on 2026 Certified Taxable Assessed Valuation at 95% collection | $ 2,682,638 |

(1) Preliminary, subject to change.

**Table 9 – Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2026 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

| 2026 Tax Rate Per $100 Assessed Valuation | | |
|---|---|---|
| Denton County | $ | 0.1912 |
| Celina ISD | | 1.2088 |
| Total Overlapping Tax Rate | $ | 1.4000 |
| The District | | 1.0000 |
| Total Tax Rate | $ | 2.4000 |

*[Remainder of this page intentionally left blank.]*

## THE DISTRICT

### General

The District is a conservation and reclamation district and political subdivision of the State of Texas and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, Chapters 49 and 51, of the Texas Water Code, as amended, with certain rights, powers, privileges, authority, and functions derived from Chapter 53, Texas Water Code, as amended; and Chapter 9001, Texas Special District Local Laws Code.

The District was initially created by Senate Bill 1828 by the 79th Texas Legislature, Regular Session. As created, the District encompassed approximately 517.25 acres. Thereafter, in 2006, the District annexed approximately 466.328 acres of land, resulting in a total District acreage of approximately 938.578 acres. In 2009, the District annexed an additional approximate 418 acres and performed an on-the-ground survey of the District's boundaries, resulting in an approximate District acreage of 1,407.8287 acres. In 2017, the District divided into two Districts: the District and the Smiley Road Water Control and Improvement District No. 2. The resulting District acreage was 507.585 acres. In 2022, the District added an additional 4.226 acres.

The District currently encompasses approximately 511.81 total acres of land.

Accordingly, the District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and, the construction, operation and maintenance of macadamized, graveled or paved roads and turnpikes and improvements in aid thereof. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, subject to the approval of the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, utilize non-tax revenues to develop and finance parks and recreational facilities.

Other than with respect to the construction and financing of roads and improvements in aid thereof, the TCEQ exercises continuing supervisory jurisdiction over the District. Construction of the District's water and sanitary sewer system is subject to the regulatory jurisdiction of additional governmental agencies.

### Description

The District is being developed as the residential community of Green Meadows. In addition, there are five commercial areas within the District and one multi-family property. The total commercial property is 88 acres including two major corners. The multi-family property is in the permitting phase and contains 25 acres with estimated 700 apartment units.

### Homebuilders

According to Green Meadows Community, Inc. and Smiley Road Ltd., the Original Developers, there are three homebuilders active within the District: Brightland Homes, CastleRock Communities, and Sandlin Homes. Homes range in price from $500,000 to $1,000,000, with square footage ranging from approximately 2,700 to 4,550 square feet.

In addition to single-family, multi-family and commercial development, the District includes a community center with a swimming pool, an adjacent Montessori School, and several small parks.

### Location

Green Meadows is located on Punk Carter Parkway, just west of the Dallas North Tollway. Residents enjoy convenient and quick access to Frisco, Prosper, Plano and all northern employment centers, as well as shopping, dining, and strolling at Legacy & Highway 121.

### Litigation

The District is not a party to any lawsuits as of the date of this Official Statement.

**Land Use**

The table below reflects the status of development as of August 31, 2026:

| | Net Acreage | Platted Single-Family Lots | Equivalent Connections | | |
|---|---|---|---|---|---|
| | | | Completed | Under Construction | Vacant/ Projected |
| Single-Family Acreage Developed or Being Developed with Utility Facilities: | | | | | |
| Completed Sections: | 128 | 646 | 646 | - | - |
| Sections Under Construction: | 178 | - | - | - | - |
| Developed with Utilities or Under Construction: | 307 | 646 | 646 | - | - |
| Other Acreage Developed with Utility Facilities: | | | | | |
| Commercial, Multi-Family, & Amenity: | 105 | - | - | - | - |
| Total Developed or Being Developed: | 412 | 646 | 646 | - | - |
| Total Remaining Undeveloped/Developable Acreage: | 236.7 ac | | | | |
| Total Developable Acreage: | 412 ac | | | | |
| Undevelopable Acreage: | 95 ac | | | | |
| Total | 507 ac | | | | |

**Status of Development**

The three land developers for the District are Brightland Homes, CastleRock Communities, and Sandlin Homes.

Single-family residential development in the District consists of Green Meadows Phase 1, Phase 2A and 2B (853 single-family lots on approximately 175 acres). As of August 31, 2026, 646 completed homes, 183 homes were under construction, and 0 vacant developed lots were available for home construction. There are approximately 236.7 remaining acres of developable but undeveloped acreage and approximately 95 undevelopable acres consisting of rights-of-way, detention ponds, lake amenities, easements, parks, recreational and open space. See "RISK FACTORS - Vacant Developed Lots," "THE DEVELOPER" and "HOMEBUILDERS IN THE DISTRICT."

Development status as of August 31, 2026 is further outlined below:

| | |
|---|---|
| Total Completed Homes (occupied) | 646 |
| Homes Completed (unoccupied) | - |
| Homes Under Construction or Owned by Builder | 183 |
| Developed Lots Available for Construction | 766 |
| Undeveloped but Developable Acreage | 236.7 |

*[Remainder of this page intentionally left blank.]*

**Community Facilities**

Community facilities available to the District and its general geographic area are set forth below:

Fire and Police Protection and Emergency Medical Services: Fire and police protection and emergency medical services are provided by the City of Celina and a City fire station is located within the District.

Medical Facilities: Baylor Medical Center is located approximately one mile from the District in the City of Carrollton.

Other Utilities: Electric and gas service are being provided by COSERV and its subsidiaries and telephone and cable service are provided by AT&T, Grande Communications and Verizon.

Schools: Residents of the District attend Celina Independent School District, which currently has four elementary schools located in or near the District, Celina Primary School, Lykins Elementary School, O'Dell Elementary School, and Martin Elementary School; one middle school, Moore Middle School; and one high school, Celina High School.

**Future Development**

The District is being developed primarily as a single-family residential community, although approximately 105.3 acres is planned to be developed for retail and commercial use. While the Developer anticipates future development of the remaining undeveloped acreage in the District as business conditions permit, there can be no assurances if and when such development will occur or when any previously developed lots will be used for home construction.

Approximately 236.7 developable acres of land currently within the District are not yet served with water distribution and supply, sewage collection and treatment or drainage facilities (excluding approximately 47 acres where construction is underway). While the District anticipates future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District and to pay outstanding amounts owed to the Developer. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds, after issuance of the Bonds $80,175,000 will be sufficient to finance the construction of water, sewer, and drainage facilities, and roads to complete development of the District. See "RISK FACTORS – Economic Factors Affecting Taxable Values and Tax Payment," and "THE BONDS – Issuance of Additional Debt".

**Management of the District**

The District is governed by the Board, which consists of five (5) directors and has control over and management supervision of all affairs of the District. All of the present members of the Board are registered voters of the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

| Name | Title | Term Expires |
|---|---|---|
| Shane Jordan | President | May, 2030 |
| Michael Cummings | Vice President | May, 2028 |
| James Robert Douglas, III | Secretary | May, 2030 |
| Michelle Crossland Meeks | Treasurer/Assistant Secretary | May, 2030 |
| Hal Watson | Assistant Secretary | May, 2028 |

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

Tax Assessor/Collector - Land and improvements within the District are appraised for ad valorem taxation purposes by the Denton County Appraisal District. The District contracts with the Denton County Tax Assessor-Collector to perform tax collection services for the District.

Bookkeeper - The District has contracted with Tovery Accounting Consultants, LLC, Plano, Texas for bookkeeping services.

Auditor - The District's financial statements for the fiscal year ended April 30, 2026 are provided by McCall Gibson Swedlund Barfoot Ellis PLLC, Houston, Texas. See APPENDIX A for a copy of the District's April 30, 2026 audited financial statements.

Consulting Engineer - The District has contracted the firm of Wier & Associates, Inc., Plano, Texas as Consulting Engineer (the "Engineer") in connection with the design of the System.

District Engineer – The District has contracted BGE, Inc., Frisco, Texas as the District Engineer, including providing Field Representation for the District to monitor and provide oversight of construction within the District.

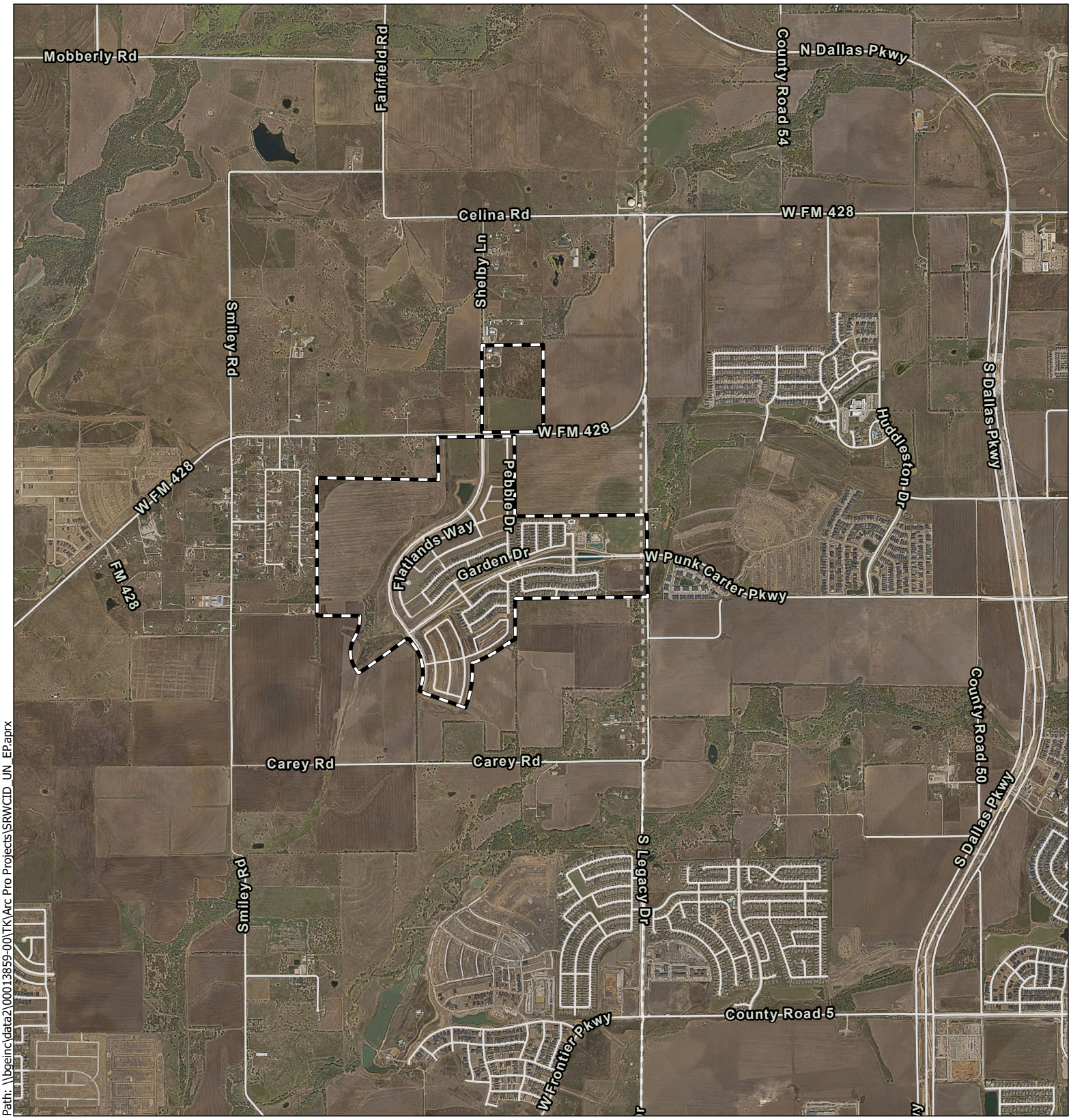
Legal Counsel - The District has engaged Winstead PC, Dallas, Texas, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. Payment to Bond Counsel by the Issuer of legal fees for services rendered in connection with the issuance of the Bonds is based upon a percentage of the Bonds actually issued and sold and therefore such fees are contingent on the issuance, sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor – Specialized Public Finance Inc., Dallas Texas provides services as Financial Advisor to the District. The fee to be paid to the Financial Advisor is contingent on the issuance, sale, and delivery of the Bonds.

Disclosure Counsel – McCall, Parkhurst & Horton L.L.P., Dallas Texas, services as Disclosure Counsel to the District. The fee to be paid to Disclosure Counsel is contingent on the issuance, sale, and delivery of the Bonds.

*[Remainder of page intentionally left blank.]*

**AERIAL PHOTOGRAPH AND**
**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**




Path: \\bgeinc\data2\00013859-00\TK\Arc Pro Projects\SRWCID_UN_EP.aprx




N

Smiley Rd WCID No. 1

Datum: NAD 1983
Projection: Texas State Plane
Zone: North Central
Units: Feet
Basemap: Nearmap 2024

0 2,500 5,000 Feet

0 500 1,000 Meters

LOCATION MAP
Smiley Road WCID No. 1
Denton County, Texas

| Job No.: 13859-00 | 1 IN = 0.5 MI | November 2024 |
|---|---|---|

BGE
2595 Dallas Pkwy., Suite 101, Frisco, Texas 75034
Tel: 972-464-4800 Fax: 972-464-4899

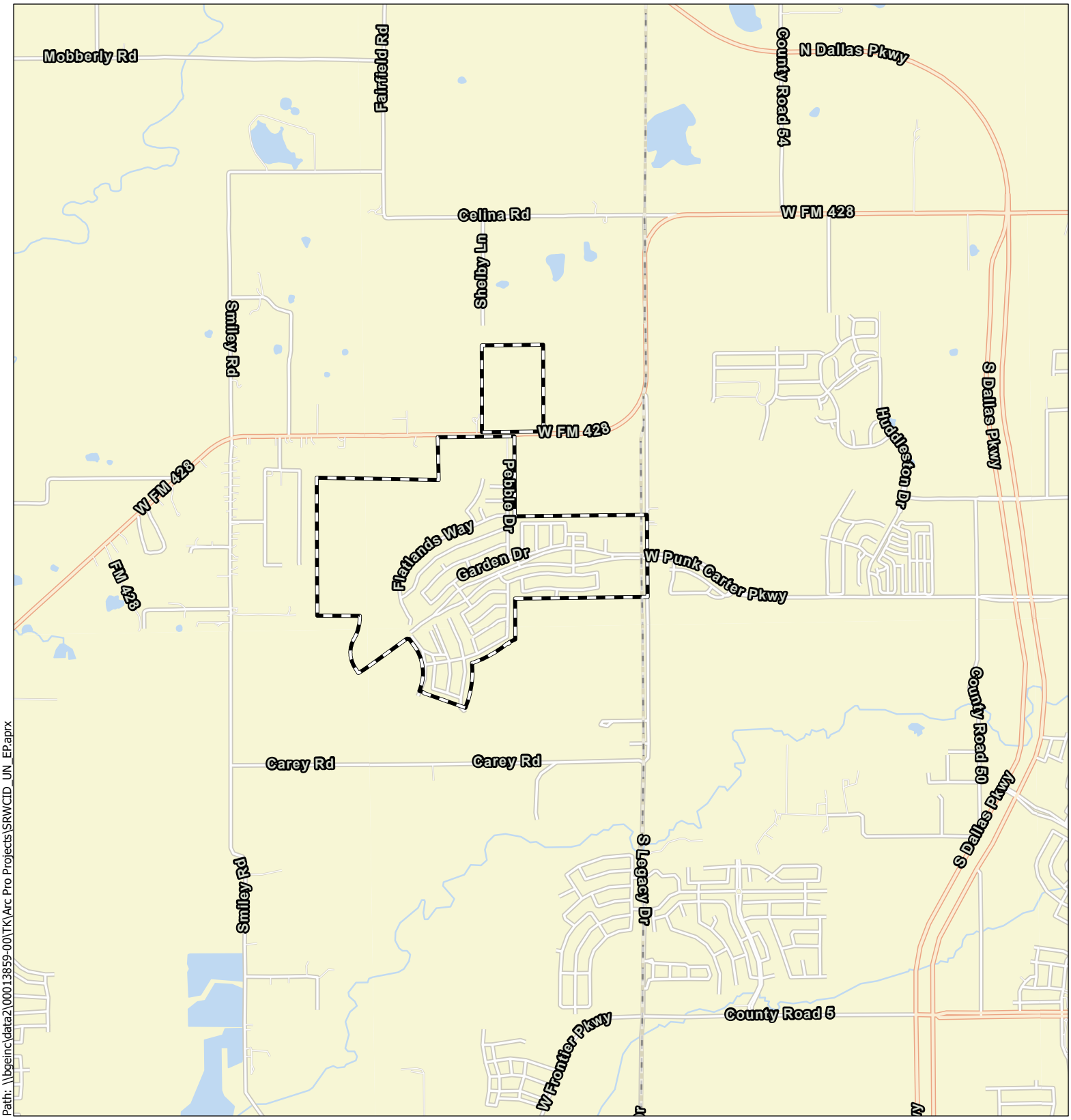



FIRE LANE NO PARKING


17200

**LOCATION MAP**

**(As of August 2026)**




Path: \\bgeinc\data2\00013859-00\TK\Arc Pro Projects\SRWCID_UN_EP.aprx




N

Smiley Rd WCID No. 1

Datum: NAD 1983
Projection: Texas State Plane
Zone: North Central
Units: Feet
Basemap: ESRI Street Map v2

0 2,500 5,000 Feet

0 500 1,000 Meters

LOCATION MAP
Smiley Road WCID No. 1
Denton County, Texas

| Job No.: 13859-00 | 1 IN = 0.5 MI | November 2024 |
|---|---|---|

BGE
2595 Dallas Pkwy., Suite 101, Frisco, Texas 75034
Tel: 972-464-4800 Fax: 972-464-4899

## THE DEVELOPER

### The Role of a Developer

In general, the activities of a developer in a district such as the District include purchasing the land within the District, designing subdivisions, designing utilities and streets to be placed in the subdivisions, designing any community facilities to be built, designing the project, defining a marketing program and building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities in the development of property may have a profound effect on the security for the bonds issued for such development. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development.

None of the Developer, or any affiliate entities, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

### The Developer/Principal Landowner

Green Meadows Community, Inc. ("GMCI" or the "Developer") is a Texas corporation and an affiliate of Smiley Road, Ltd. GMCI's principals are Dan O. Tomlin III and Dan Tomlin Jr. In 2016, GMCI engaged Land Advisors, Ltd. ("LAL") to manage and execute all entitlement and development of the subject property. LAL is one of many affiliated entities encompassed under the Tomlin Investments group name.

Tomlin Investments' predecessor entities first began as a real estate brokerage company in 1972 and soon evolved into a land development company focused on creating new master planned communities across North Texas. Since that time, the organization has transacted over 35,000 acres in the Dallas-Fort Worth metro area alone. By way of example, one of the group's most well-known developments is the Lone Star Ranch in Frisco, a 4,300+ acre property that includes a Del Webb retirement community.

The remaining residential property is now owned by Brightland Homes. The builder that has built and sold the most homes in the District to date.

### Development Financing

The Developer is currently financing its development activity with cash-on-hand.

## HOMEBUILDERS IN THE DISTRICT

There are three homebuilders active within the District: Brightland Homes, CastleRock Communities, and Sandlin Homes. Homes range in price from $500,000 to $1,000,000, with square footage ranging from approximately 2,700 to 4,550 square feet.

Currently there are 395 individual homeowners or owned by homebuilders. The Developer of Phase 2A has 251 completed lots that are being marketed to buyers. Phase 2B has 207 lots available for construction on approximately 47 acres.

## THE ROAD SYSTEM

Construction of the District's roads is subject to certain regulations by the City of Celina and Denton County. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade. Remaining streets provide local interior service within the District. The Road System also includes streetlights, right-of-way landscaping, and franchise utilities (power, phone, and cable). Public utilities such as water, wastewater, storm drainage, and non-builder sidewalks are typically located within street rights-of-way. Unlike the Utility System, the Road System is owned and maintained by the District.

## THE UTILITY SYSTEM

### Regulation

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and is being funded with proceeds of the Bonds.

### Water and Sanitary Sewer System

The District receives retail water and wastewater treatment services from Mustang Special Utility District ("Mustang SUD"), through a Non-Standard Service Contract dated September 28, 2015 (the "NSSC"). Pursuant to the NSSC, all water and wastewater facilities constructed by the District are accepted by, and thereafter owned, maintained, and operated by, Mustang SUD. Accordingly, all such facilities are built to the specifications of Mustang SUD and, for water, the Upper Trinity Regional Water District, a provider of water capacity to Mustang SUD.

The District has constructed a 30" wastewater main and lift station prior to and concurrently with the construction of Green Meadows Phase 1, and will provide wastewater flow capacity for the currently planned ultimate buildout of the District. Both the pipeline and lift station have been conveyed to Mustang SUD for ownership, operation and maintenance. Currently, the wastewater is conveyed via the aforementioned pipeline, and existing downstream pipelines, southward to the Doe Branch Water Reclamation Plant (WRP) owned and operated by the Upper Trinity Regional Water District for treatment by agreement between Mustang SUD and UTRWD. Per the Agreement between the District and Mustang SUD, there is 200,000 gallons per day of capacity.

The Doe Branch WRP was originally constructed and placed in service in 2016, is currently rated at 4.0 MGD and provides wastewater treatment for the City of Celina, Town of Prosper, Mustang SUD, and Denton County Fresh Water Supply District No. 10 (Savannah, Artesia, Arrowbrooke). Construction has begun to increase the capacity of the Doe Branch WRP to 12.0 MGD. To reduce future treatment costs, Mustang SUD is currently designing their own facilities, including a lift station and force main to convey wastewater flows to the Sandbrock Wastewater Treatment Plant, which is planned for expansion to 2.4 MGD to serve flow from the District. It is the responsibility of Mustang SUD to expand facilities as required to accommodate the wastewater flows per the Agreement between the District and Mustang SUD.

Regarding water service, Mustang SUD, Public Water System ID is TX0610036, currently serves approximately 20,600 water customers and approximately 5,300 fresh water supply district customers over an area of 120 square miles (source: Mustang SUD FY 2023 Budget). Mustang Water is rated a "Superior Water Company" by the Texas Commission on Environmental Quality (TCEQ). TCEQ administers the Public Drinking Water program under the authority of the U.S. Environmental Protection Agency (EPA). A superior water company has met standards that prove the company consistently provides quality drinking water.

### Drainage Facilities

Approximately 15% of the District drains to the southeast to FEMA Tributary 12 of Doe Branch FIRM Panel No. 48121C0290G thence drains ¾ miles to the intersection of the main steam of Doe Branch. Approximately 85% of the District drains south to Tributary 10 of Doe Branch FIRM Panel No. 48121C0290G thence drains ¾ miles to the main stream of Doe Branch. Doe Branch drains about 8 miles to Lake Lewisville.

### 100-Year Flood Plain

According to the Engineer, the Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map effective April 18, 2011, which covers land located within the District, indicates that there is 1.52% of undevelopable land in the District that is within the 100-year floodplain designation.

*[Remainder of page intentionally left blank.]*

## LEGAL MATTERS

### Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Winstead PC, Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to sovereign immunity and to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District.

The District will also furnish the legal opinion of Bond Counsel to the District to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, subject to the matters discussed below under “TAX MATTERS.”

The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

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

### Legal Review

In its capacity as Bond Counsel and General Counsel, Winstead PC has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS (except for information under the subheadings "Book-Entry-Only System," and "Use and Distribution of Bond Proceeds")," "THE DISTRICT – Management of the District – Legal Counsel," "TAXING PROCEDURES," "LEGAL MATTERS – Legal Opinions," "TAX EXEMPTIONS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subheading "Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes the documents, laws and procedures referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Winstead PC, Dallas, Texas, serves as Bond Counsel to the District and provides certain legal services in connection with the issuance of the Bonds in conjunction with Bond Counsel. McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel for the District. The legal fees paid to Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

*[Remainder of page intentionally left blank.]*

## TAX MATTERS

### Opinion

Winstead PC, Dallas, Texas, Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The Issuer has covenanted to comply with certain procedures, and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the Issuer relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the Issuer.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the "Service"). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service's view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the Issuer as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the Issuer might have different or conflicting interests from those of the owners of the Bonds.

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

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Initial Purchasers 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 with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel's knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

**Tax Accounting Treatment of Discount Bonds**

The initial public offering price of certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount 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 Discount 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 original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of 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.

**Tax Accounting Treatment of Premium Bonds**

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

Owners of 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.

**Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECEIPT OR ACCRUAL OF INTEREST ON OR THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be included in the "adjusted profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

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

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

**Law Changes**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent owners of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability, or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

**State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

## NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the authorized members of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature has been filed or is pending against the District, to restrain or enjoin the issuance 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 of the Bonds; affecting, the corporate existence or boundaries of the District or the authority of the officers of the District to execute, sign, and deliver the Bonds.

## NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchaser to take and pay for the Bonds, and the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

*[Remainder of page intentionally left blank.]*

## CONTINUING DISCLOSURE OF INFORMATION

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

**Annual Reports**

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "DISTRICT FINANCIAL DATA," (excluding Estimated Overlapping Debt Statement) "TAX DATA," (Excluding Estimated Overlapping Taxes) and in APPENDIX A (Financial Statements of the District including supplemental schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2027.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"). The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial information by the audit of such financial statements when and if such audited financial statements become available. Any such financial statements provided by the District will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulations.

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

**Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule" or "SEC Rule 15c2-12"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for debt service reserve or a trustee.

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

subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of events (15) and (16), the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in Securities and Exchange Commission Rule 15c2-12 (the "Rule")) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

**Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at www.emma.msrb.org.

**Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if by only (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

**Compliance with Prior Undertakings**

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "DISTRICT FINANCIAL DATA," (excluding Estimated Overlapping Debt Statement) "TAX DATA," (Excluding Estimated Overlapping Taxes) and in APPENDIX A (Financial Statements of the District including supplemental schedules). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2027.

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## FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Specialized Public Finance Inc. (the "Financial Advisor"), which firm was employed in 2016 as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

## OFFICIAL STATEMENT

### General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Developer, the Tax Assessor/Collector, the Auditor, the Denton Central Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's audited financial statements for the year ended April 30, 2026, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Houston, Texas, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot Ellis PLLC has consented to the publication of such financial statements in this Official Statement.

### Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPER" (with exception of the information under the subheading "General") has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of each such party concerning the matters described therein.

The information contained in this Official Statement relating to the District's financial statements, in particular, the information in "APPENDIX A," has been provided by the Auditor and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Denton Central Appraisal District and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

### Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the authorized members of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its financial affairs are concerned, this 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 herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

**Updating the Official Statement**

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to SEC Rule 15c2-12 (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in SEC Rule 15c2-12.

## CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever 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 summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Smiley Road Water Control and Improvement District No. 1 as of the date specified on the first page hereof.

/s/_____
President, Board of Directors
Smiley Road Water Control and Improvement District No. 1

ATTEST:

/s/_____
Secretary, Board of Directors
Smiley Road Water Control and Improvement District No. 1

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

# *McCall Gibson Swedlund Barfoot Ellis PLLC*

*Certified Public Accountants*

*Chris Swedlund*
*Noel W. Barfoot*
*Joseph Ellis*
*Ashlee Martin*

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


INDEPENDENT AUDITOR'S REPORT

Board of Directors
Smiley Road Water Control
and Improvement District No. 1
Denton County, Texas

**Opinions**

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

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

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

**Required Supplementary Information**

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

Board of Directors
Smiley Road Water Control and
Improvement District No. 1

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

August 26, 2026

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE YEAR ENDED APRIL 30, 2026

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

### USING THIS ANNUAL REPORT

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows 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 District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

### FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Project Fund accounts for financial resources restricted, committed, or assigned for acquisition or construction of facilities and related costs.

**FUND FINANCIAL STATEMENTS** (Continued)

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceed assets by $7,126,038 as of April 30, 2026.

A portion of the District's net position reflects its net investment in capital assets (land, drainage, and paving, as well as the water and wastewater systems conveyed to Mustang Special Utility District ("Mustang SUD"), less any debt used to acquire these assets that is still outstanding). The following is a comparative analysis of the government-wide changes in net position:

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|---|---|---|---|
| | 2026 | 2025 | Change Positive (Negative) |
| Current and Other Assets | $ 4,980,659 | $ 5,033,396 | $ (52,737) |
| Capital Assets (Net of Accumulated Depreciation) | 32,205,918 | 32,251,937 | (46,019) |
| Total Assets | $ 37,186,577 | $ 37,285,333 | $ (98,756) |
| Due to Developer | $ 17,018,800 | $ 17,018,800 | $ |
| Bonds Payable | 27,031,218 | 27,487,788 | 456,570 |
| Other Liabilities | 262,597 | 357,052 | 94,455 |
| Total Liabilities | $ 44,312,615 | $ 44,863,640 | $ 551,025 |
| Net Position: | | | |
| Net Investment in Capital Assets | $ (11,746,055) | $ (11,441,556) | $ (304,499) |
| Restricted | 1,755,673 | $ 1,698,550 | 57,123 |
| Unrestricted | 2,864,344 | 2,164,699 | 699,645 |
| Total Net Position | $ (7,126,038) | $ (7,578,307) | $ 452,269 |

The following table provides a comparative analysis of the District's operations for the years ended April 30, 2026, and April 30, 2025.

| | Summary of Changes in the Statement of Activities | | |
|---|---|---|---|
| | 2026 | 2025 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | $ 2,583,649 | $ 2,288,883 | $ 294,766 |
| Other Revenues | 184,919 | 157,559 | 27,360 |
| Total Revenues | $ 2,768,568 | $ 2,446,442 | $ 322,126 |
| Expenses for Services | $ 2,316,299 | $ 3,473,920 | $ 1,157,621 |
| Change in Net Position | $ 452,269 | $ (1,027,478) | $ 1,479,747 |
| Net Position, Beginning | (7,578,307) | (6,550,829) | (1,027,478) |
| Net Position, Ending | $ (7,126,038) | $ (7,578,307) | $ 452,269 |

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE YEAR ENDED APRIL 30, 2026

### FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's combined fund balances as of April 30, 2026, was $4,851,010, a decrease of $98,896 from the prior year.

The General Fund fund balance increased by $687,887, primarily due to property tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by $71,733, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by $715,050, primarily due to developer reimbursements.

### CAPITAL ASSETS

Capital assets as of April 30, 2026, total $32,205,918 and include land, paving and drainage infrastructure which the District will be responsible for maintaining, as well as the water and wastewater systems maintained by Mustang SUD. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation

| | 2026 | 2025 | Change Positive (Negative) |
|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | $ 2,218,393 | $ 2,218,393 | $ |
| Capital Assets, Net of Accumulated | | | |
| Water - Conveyed to Mustang SUD | 4,930,271 | 5,048,167 | (117,896) |
| Sanitary Sewer - Conveyed to Mustang SUD | 4,808,727 | 4,929,147 | (120,420) |
| Drainage | 5,819,558 | 5,957,293 | (137,735) |
| Paving | 14,428,969 | 14,098,937 | 330,032 |
| Total Net Capital Assets | $ 32,205,918 | $ 32,251,937 | $ (46,019) |

The District conveys completed water and wastewater facilities to Mustang SUD in accordance with the service agreement (see Note 9). In exchange for conveyance of these assets, Mustang SUD agrees to provide services to residence of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

## LONG-TERM DEBT

At the end of the current fiscal year, the District had total long-term debt payable of $27,125,000. The changes in the debt position of the District during the fiscal year ended April 30, 2026, are summarized as follows:

| | |
|---|---|
| Bond Debt Payable, May 1, 2025 | $ 27,585,000 |
| Less: Bond Principal Paid | 460,000 |
| Bond Debt Payable, April 30, 2026 | $ 27,125,000 |

The District's Series 2023 road bonds carry an underlying rating "Baa3" from Moody's and an insured rating of "AA" from S&P by virtue of bond insurance issued by Build America Mutual Assurance Company.

The District's Series 2024 road bonds carry an underlying rating "Baa3" from Moody's and an insured rating of "AA/A-1" from S&P by virtue of bond insurance issued by Assured Guaranty.

As of April 30, 2026, the District has also recorded an amount due to Developer of $17,018,800 which consists of costs associated with water, wastewater, drainage and road facilities and operating advances.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the year. Actual revenues were $193,710 less than budgeted revenues and actual expenditures were $24,078 less than budgeted expenditures. This resulted in a negative variance of $169,632. See the budget to actual comparison for more information.

## CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Smiley Road Water Control and Improvement District No. 1, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
## APRIL 30, 2026

| | General Fund | Debt Service Fund |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 1,452 | $ 1,827 |
| Investments | 2,997,738 | 1,910,440 |
| Receivables: | | |
| Property Taxes | 24,357 | 43,302 |
| Due from Other Funds | | 711 |
| Land | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| **TOTAL ASSETS** | $ 3,023,547 | $ 1,956,280 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|
| $ 17 | $ 3,296 | $ | $ 3,296 |
| 1,526 | 4,909,704 | | 4,909,704 |
| | 67,659 | | 67,659 |
| | 711 | (711) | |
| | | 2,218,393 | 2,218,393 |
| | | 29,987,525 | 29,987,525 |
| $ 1,543 | $ 4,981,370 | $ 32,205,207 | $ 37,186,577 |

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

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
## APRIL 30, 2026

| | General Fund | Debt Service Fund |
|---|---|---|
| **LIABILITIES** | | |
| Accounts Payable | $ 61,990 | $ |
| Accrued Interest Payable | | |
| Due to Other Funds | 711 | |
| Due to Developers | | |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| **TOTAL LIABILITIES** | $ 62,701 | $ -0- |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Property Taxes | $ 24,357 | $ 43,302 |
| **FUND BALANCES** | | |
| Restricted for Debt Service | $ | $ 1,912,978 |
| Restricted for Authorized Construction | | |
| Unassigned | 2,936,489 | |
| **TOTAL FUND BALANCES** | $ 2,936,489 | $ 1,912,978 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 3,023,547 | $ 1,956,280 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | | |
| Restricted for Debt Service | | |
| Unrestricted | | |
| **TOTAL NET POSITION** | | |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|
| $ | $ 61,990 | $ | $ 61,990 |
| | | 200,607 | 200,607 |
| | 711 | (711) | |
| | | 17,018,800 | 17,018,800 |
| | | 445,000 | 445,000 |
| | | 26,586,218 | 26,586,218 |
| $ -0- | $ 62,701 | $ 44,249,914 | $ 44,312,615 |
| $ -0- | $ 67,659 | $ (67,659) | $ -0- |
| $ | $ 1,912,978 | $ (1,912,978) | $ |
| 1,543 | 1,543 | (1,543) | |
| | 2,936,489 | $ (2,936,489) | |
| $ 1,543 | $ 4,851,010 | $ (4,851,010) | $ -0- |
| $ 1,543 | $ 4,981,370 | | |
| | | $ (11,746,055) | $ (11,746,055) |
| | | 1,755,673 | 1,755,673 |
| | | 2,864,344 | 2,864,344 |
| | | $ (7,126,038) | $ (7,126,038) |

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

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
## APRIL 30, 2026

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds | | $ 4,851,010 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 32,205,918 |
| Deferred inflows of resources related to property tax revenues for the 2025 and prior tax levies became part of recognized revenue in the governmental activities of the District. | | 67,659 |
| Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of: | | |
| Due to Developer | (17,018,800) | |
| Accrued Interest Payable | (200,607) | |
| Bonds Payable Within One Year | (445,000) | |
| Bonds Payable After One Year | (26,586,218) | |
| | | (44,250,625) |
| Total Net Position - Governmental Activities | | $ (7,126,038) |

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

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED APRIL 30, 2026

| | General Fund | Debt Service Fund |
|---|---|---|
| **REVENUES** | | |
| Property Taxes | $ 915,701 | $ 1,624,993 |
| Investment Revenues | 97,166 | 53,829 |
| Miscellaneous Revenues | 1,844 | 18,282 |
| **TOTAL REVENUES** | $ 1,014,711 | $ 1,697,104 |
| **EXPENDITURES/EXPENSES** | | |
| Service Operations: | | |
| Professional Fees | $ 260,515 | $ |
| Contracted Services | 26,732 | 18,882 |
| Utilities | 18,774 | |
| Repairs and Maintenance | 1,884 | |
| Depreciation | | |
| Other | 18,919 | 20 |
| Capital Outlay | | |
| Debt Service: | | |
| Bond Principal | | 460,000 |
| Bond Interest | | 1,289,935 |
| Developer Interest | | |
| **TOTAL EXPENDITURES/EXPENSES** | $ 326,824 | $ 1,768,837 |
| **NET CHANGE IN FUND BALANCES** | $ 687,887 | $ (71,733) |
| **CHANGE IN NET POSITION** | | |
| **FUND BALANCES/NET POSITION - MAY 1, 2025** | 2,248,602 | 1,984,711 |
| **FUND BALANCES/NET POSITION - APRIL 30, 2026** | $ 2,936,489 | $ 1,912,978 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|---|---|---|---|
| $ | $ 2,540,694 | $ 42,955 | $ 2,583,649 |
| 12,336 | 163,331 | | 163,331 |
| 1,462 | 21,588 | | 21,588 |
| $ 13,798 | $ 2,725,613 | $ 42,955 | $ 2,768,568 |
| | | | |
| $ | $ 260,515 | $ | $ 260,515 |
| | 45,614 | | 45,614 |
| | 18,774 | | 18,774 |
| | 1,884 | | 1,884 |
| | | 733,269 | 733,269 |
| | 18,939 | | 18,939 |
| 687,250 | 687,250 | (687,250) | |
| | 460,000 | (460,000) | |
| | 1,289,935 | (94,229) | 1,195,706 |
| 41,598 | 41,598 | | 41,598 |
| $ 728,848 | $ 2,824,509 | $ (508,210) | $ 2,316,299 |
| $ (715,050) | $ (98,896) | $ 98,896 | $ |
| | | 452,269 | 452,269 |
| 716,593 | 4,949,906 | (12,528,213) | (7,578,307) |
| $ 1,543 | $ 4,851,010 | $ (11,977,048) | $ (7,126,038) |

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

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2026

| | | |
|---|---|---|
| Net Change in Fund Balances - Governmental Funds | $ | (98,896) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. | | 42,955 |
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and the depreciation expense is recorded in the Statement of Activities. | | (733,269) |
| Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. | | 687,250 |
| Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. | | 460,000 |
| Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. | | 94,229 |
| Change in Net Position - Governmental Activities | $ | 452,269 |

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

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## NOTES TO THE FINANCIAL STATEMENTS
## APRIL 30, 2026

### NOTE 1. CREATION OF DISTRICT

Smiley Road Water Control and Improvement District of Denton County, Texas was created on June 17, 2005 by Senate Bill 1828, 79th Legislature, Regular Session. At an election held on November 7, 2017, Smiley Road Water Control and Improvement District was divided into two Districts, resulting in the creation of Smiley Road Water Control and Improvement District No. 1 (the "District") and Smiley Road Water Control and Improvement District No. 2. The properties and liabilities of Smiley Road Water Control and Improvement District were declared to be retained by the District. Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage and road services, for the residents of the District.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, and intangible assets net of accumulated depreciation and amortization reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current period revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Financial Statements

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

Governmental Fund

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

General Fund - To account for property tax revenues, operating costs and general expenditures.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of April 30, 2026, the General Fund owed the Debt Service Fund $711 for debt service tax collections.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital Assets

Capital assets, which includes certain drainage and road infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost greater than $5,000 and a useful life over 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over 30-45 years.

The District conveys completed water and wastewater facilities to Mustang Special Utility District ("Mustang SUD") in accordance with the service agreement (see Note 9). In exchange for conveyance of these assets, Mustang SUD agrees to provide services to residence of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

Budgeting

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

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered "employees" for federal payroll tax purposes only.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

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

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

*Unassigned*: all other spendable amounts in the General Fund.

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

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

## NOTE 3. LONG-TERM DEBT

| | Road Series 2023 | Road Series 2024 |
|---|---|---|
| Amount Outstanding – April 30, 2026 | $17,265,000 | $9,860,000 |
| Interest Rates | 4.00% - 6.50% | 4.125% - 6.125% |
| Maturity Dates – Serially Beginning/Ending | August 15, 2026/2053 | August 15, 2026/2054 |
| Interest Payment Dates | August 15/ February 15 | August 15/ February 15 |
| Callable Dates | August 15, 2029* | August 15, 2030* |

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Series 2023 road bond issue, the bonds maturing August 15, 2033, 2035, 2037, 2039, 2041, 2043, 2045, 2047, 2049, 2051 and 2053 are term bonds and are subject to mandatory redemption beginning August 15, 2032, 2034, 2036, 2038, 2040, 2042, 2044, 2046, 2048, 2050 and 2052, respectively. For the Series 2024 road bond issue, the bonds maturing August 15, 2052 and 2054 are term bonds and are subject to mandatory redemption beginning August 15, 2051 and 2053, respectively.

Bonds payable for the current fiscal year is summarized in the following table:

| | May 1, 2025 | Additions | Retirements | April 30, 2026 |
|---|---|---|---|---|
| Bonds Payable | $ 27,585,000 | $ | $ 460,000 | $ 27,125,000 |
| Unamortized Discounts | (245,216) | | (8,415) | (236,801) |
| Unamortized Premiums | 148,004 | | 4,985 | 143,019 |
| Bonds Payable, Net | $ 27,487,788 | $ -0- | $ 456,570 | $ 27,031,218 |

| | |
|---|---|
| Amount Due Within One Year | $ 445,000 |
| Amount Due After One Year | 26,586,218 |
| Bonds Payable, Net | $ 27,031,218 |

**NOTE 3. LONG-TERM DEBT** (Continued)

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

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2027 | $ 445,000 | $ 1,190,194 | $ 1,635,194 |
| 2028 | 470,000 | 1,161,787 | 1,631,787 |
| 2029 | 495,000 | 1,131,081 | 1,626,081 |
| 2030 | 525,000 | 1,098,634 | 1,623,634 |
| 2031 | 555,000 | 1,066,910 | 1,621,910 |
| 2032-2036 | 3,240,000 | 4,901,084 | 8,141,084 |
| 2037-2041 | 4,090,000 | 4,155,626 | 8,245,626 |
| 2042-2046 | 5,195,000 | 3,199,299 | 8,394,299 |
| 2047-2051 | 6,660,000 | 1,945,464 | 8,605,464 |
| 2052-2055 | 5,450,000 | 415,732 | 5,865,732 |
| | $ 27,125,000 | $ 20,265,811 | $ 47,390,811 |

The bonds are payable from the proceeds of an ad valorem tax to be levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended April 30, 2026, the District levied an ad valorem debt service tax rate of $0.64 per $100 of assessed valuation, which resulted in a tax levy of $1,664,859 on the adjusted taxable valuation of $260,134,323 for the 2025 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attached thereafter.

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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

## NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $3,296 and the bank balance was $4,182. The District was not exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position as of April 30, 2026, as listed below:

| | Total |
|---|---|
| GENERAL FUND | $ 1,452 |
| DEBT SERVICE FUND | 1,827 |
| CAPITAL PROJECTS FUND | 17 |
| TOTAL DEPOSITS | $ 3,296 |

Investments

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

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

**NOTE 5. DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures all of its portfolio assets at amortized cost for financial reporting purposes. The District measures its investments in LOGIC at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC.

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

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|---|---|---|
| GENERAL FUND | | |
| LOGIC | $2,997,738 | $2,997,738 |
| DEBT SERVICE FUND | | |
| LOGIC | 1,910,440 | 1,910,440 |
| CAPITAL PROJECTS FUND | | |
| LOGIC | 1,526 | 1,526 |
| TOTAL INVESTMENTS | $4,909,704 | $4,909,704 |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of April 30, 2026, the District's investments in LOGIC was rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in LOGIC to have maturities of less than one year due to the fact that the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in values.

Restrictions

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

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2026, is as follows:

| | May 1, 2025 | Increases | Decreases | April 30, 2026 |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | |
| Land and Land Improvements | $ 2,218,393 | $ | $ | $ 2,218,393 |
| Construction in Progress | | 687,250 | 687,250 | |
| **Total Capital Assets Not Being Depreciated** | $ 2,218,393 | $ 687,250 | $ 687,250 | $ 2,218,393 |
| **Capital Assets Subject to Depreciation** | | | | |
| Water - Conveyed to Mustang SUD | $ 5,305,323 | $ | $ | $ 5,305,323 |
| Sanitary Sewer - Conveyed to Mustang SUD | 5,418,914 | | | 5,418,914 |
| Drainage | 6,198,062 | | | 6,198,062 |
| Paving | 14,931,890 | 687,250 | | 15,619,140 |
| **Total Capital Assets Subject to Depreciation** | $ 31,854,189 | $ 687,250 | $ | $ 32,541,439 |
| **Accumulated Depreciation** | | | | |
| Water - Conveyed to Mustang SUD | $ 257,156 | $ 117,896 | $ | $ 375,052 |
| Sanitary Sewer - Conveyed to Mustang SUD | 489,767 | 120,420 | | 610,187 |
| Drainage | 240,769 | 137,735 | | 378,504 |
| Paving | 832,953 | 357,218 | | 1,190,171 |
| **Total Accumulated Depreciation** | $ 1,820,645 | $ 733,269 | $ | $ 2,553,914 |
| **Total Depreciable Capital Assets, Net of Accumulated Depreciation** | $ 30,033,544 | $ (46,019) | $ | $ 29,987,525 |
| **Total Capital Assets, Net of Accumulated Depreciation** | $ 32,251,937 | $ 641,231 | $ 687,250 | $ 32,205,918 |

The District conveys completed water and wastewater facilities to Mustang SUD in accordance with the service agreement (see Note 9). In exchange for conveyance of these assets, Mustang SUD agrees to provide services to residence of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

## NOTE 7. MAINTENANCE TAX

On November 5, 2019, the voters of the District approved the levy and collection of a maintenance tax of not more than $1.20 per $100 of assessed valuation of taxable property within the District. During the year ended April 30, 2026, the District levied an ad valorem maintenance tax rate of $0.36 per $100 of assessed valuation, which resulted in a tax levy of $936,484 on the adjusted taxable valuation of $260,134,323 for the 2025 tax year.

## NOTE 8. UNREIMBURSED COSTS

The District has entered into financing agreements with the Developer which calls for the Developer to fund operating advances as well as costs associated with the construction of roads, water, wastewater, and drainage infrastructure. The District has an obligation to reimburse the Developer for these costs from future bond issues or other lawfully available funds. The following table summarizes the current activity related to unreimbursed costs

| | | |
|---|---|---|
| Due to Developers, May 1, 2025 | $ | 17,018,800 |
| Less: Current Year Payments | | |
| Due to Developers, April 30, 2025 | $ | 17,018,800 |

## NOTE 9. AGREEMENT WATER AND WASTEWATER SERVICES

Water Supply

The District lies within the service area of certificate of convenience and necessity number 11856 held by Mustang SUD. Mustang SUD is the provider of retail water service to the users within the District.

On August 27, 2008 the District entered into a Development Agreement with the City of Celina (the "City") and Mustang SUD stating Mustang SUD shall provide potable water and wastewater treatment services to the District.

Under the terms of the Agreements, the District will construct the internal water supply facilities necessary to service customers within the District's boundaries. Upon completion of such system, the system will be conveyed to Mustang SUD. In consideration of the District's construction and conveying such system, Mustang SUD shall assume all operation and maintenance responsibilities for the water system.

Wastewater Treatment

The area within the District lies wholly within the sewer certificate of convenience and necessity number 20930 held by Mustang SUD. Mustang SUD is the provider of retail wastewater service to the users within the District.

Under the terms of the Agreement, the District will construct, or have constructed, a wastewater collection system. Upon completion of such system, the system will be conveyed to Mustang SUD. In consideration of the District's construction and conveying such system, Mustang SUD shall assume all operation and maintenance responsibilities for the wastewater system.

## NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 9, 2010, the District entered into a Strategic Partnership Agreement ("SPA") with the City of Celina, Texas (the "City") for the limited purpose annexation by the City of the Non-Residential Tract of land. During the current year, the District did not receive SPA revenue from the City.

## NOTE 11. RISK MANAGEMENT

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

## NOTE 12. USE OF SURPLUS FUNDS

On September 17, 2025, the Board of Directors approved the use of surplus Series 2023 Road and Series 2024 Road bond proceeds in the amount of $728,848 to reimburse the Developer for a portion of the construction of paving improvements serving Green Meadows Phase 2A and Developer interest.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## REQUIRED SUPPLEMENTARY INFORMATION

## APRIL 30, 2026

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
## FOR THE YEAR ENDED APRIL 30, 2026

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **REVENUES** | | | |
| Property Taxes | $ 1,148,421 | $ 915,701 | $ (232,720) |
| Investment and Miscellaneous Revenues | 60,000 | 99,010 | 39,010 |
| **TOTAL REVENUES** | $ 1,208,421 | $ 1,014,711 | $ (193,710) |
| **EXPENDITURES** | | | |
| Service Operations: | | | |
| Professional Fees | $ 198,400 | $ 260,515 | $ (62,115) |
| Contracted Services | 24,000 | 26,732 | (2,732) |
| Utilities | 10,800 | 18,774 | (7,974) |
| Repairs and Maintenance/Capital Outlay | 100,000 | 1,884 | 98,116 |
| Other | 17,702 | 18,919 | (1,217) |
| **TOTAL EXPENDITURES** | $ 350,902 | $ 326,824 | $ 24,078 |
| **NET CHANGE IN FUND BALANCE** | $ 857,519 | $ 687,887 | $ (169,632) |
| **FUND BALANCE - MAY 1, 2025** | 2,248,602 | 2,248,602 | |
| **FUND BALANCE - APRIL 30, 2026** | $ 3,106,121 | $ 2,936,489 | $ (169,632) |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SUPPLEMENTARY INFORMATION – REQUIRED BY THE

## WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

## APRIL 30, 2026

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## SERVICES AND RATES
## FOR THE YEAR ENDED APRIL 30, 2026

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

| | | | | | |
|---|---|---|---|---|---|
| N/A | Retail Water | N/A | Wholesale Water | X | Drainage |
| N/A | Retail Wastewater | N/A | Wholesale Wastewater | N/A | Irrigation |
| N/A | Parks/Recreation | N/A | Fire Protection | N/A | Security |
| N/A | Solid Waste/Garbage | N/A | Flood Control | X | Roads |

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

X Other (specify): Storm Water Detention

The District is located within Mustang Special Utility District's water and wastewater service area (see Note 9).

**2. RETAIL SERVICE PROVIDERS: (Not Applicable)**

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Not Applicable)**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes __ No X

Does the District have Operation and Maintenance standby fees? Yes __ No X

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## SERVICES AND RATES
## FOR THE YEAR ENDED APRIL 30, 2026

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely X Partly _____ Not at all _____

City of Cities in which District is located:

City of Celina, Texas.

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## GENERAL FUND EXPENDITURES
## FOR THE YEAR ENDED APRIL 30, 2026

| | | |
|---|---|---|
| PROFESSIONAL FEES: | | |
| Auditing | $ | 15,750 |
| Engineering | | 161,141 |
| Legal | | 83,624 |
| TOTAL PROFESSIONAL FEES | $ | 260,515 |
| CONTRACTED SERVICES: | | |
| Bookkeeping | $ | 26,732 |
| UTILITIES | $ | 18,774 |
| REPAIRS AND MAINTENANCE | $ | 1,884 |
| ADMINISTRATIVE EXPENDITURES: | | |
| Director Fees, Including Payroll Taxes | $ | 12,133 |
| Insurance | | 4,097 |
| Office Supplies and Postage | | 18 |
| Travel and Meetings | | 2,590 |
| Other | | 81 |
| TOTAL ADMINISTRATIVE EXPENDITURES | $ | 18,919 |
| TOTAL EXPENDITURES | $ | 326,824 |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## INVESTMENTS
## APRIL 30, 2026

| Fund | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at End of Year | Accrued Interest Receivable at End of Year |
|---|---|---|---|---|---|
| GENERAL FUND | | | | | |
| LOGIC | XXXX6001 | Varies | Daily | $ 2,997,738 | $ - 0 - |
| DEBT SERVICE FUND | | | | | |
| LOGIC | XXXX6002 | Varies | Daily | $ 1,910,440 | $ - 0 - |
| CAPITAL PROJECTS FUND | | | | | |
| LOGIC | XXXX6003 | Varies | Daily | $ 1,526 | $ - 0 - |
| TOTAL - ALL FUNDS | | | | $ 4,909,704 | $ - 0 - |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED APRIL 30, 2026

| | Maintenance Taxes | | Debt Service Taxes | |
|---|---|---|---|---|
| TAXES RECEIVABLE - MAY 1, 2025 | $ 12,599 | | $ 12,105 | |
| Adjustments to Beginning Balance | (9,025) | $ 3,574 | (8,669) | $ 3,436 |
| Original 2025 Tax Levy | $ 943,673 | | $ 1,677,641 | |
| Adjustment to 2025 Tax Levy | (7,189) | 936,484 | (12,782) | 1,664,859 |
| TOTAL TO BE ACCOUNTED FOR | | $ 940,058 | | $ 1,668,295 |
| TAX COLLECTIONS: | | | | |
| Prior Years | $ 3,574 | | $ 3,436 | |
| Current Year | 912,127 | 915,701 | 1,621,557 | 1,624,993 |
| TAXES RECEIVABLE - APRIL 30, 2026 | | $ 24,357 | | $ 43,302 |
| TAXES RECEIVABLE BY YEAR: | | | | |
| 2025 | | $ 24,357 | | $ 43,302 |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED APRIL 30, 2026

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| PROPERTY VALUATIONS: | | | | |
| Land | $ 103,457,086 | $ 87,331,427 | $ 76,861,836 | $ 59,520,110 |
| Improvements | 180,100,307 | 170,410,045 | 125,007,158 | 37,001,545 |
| Personal Property | 304,412 | 136,490 | 261,646 | 244,295 |
| Exemptions | (23,727,482) | (28,231,581) | (19,330,951) | (13,820,081) |
| TOTAL PROPERTY VALUATIONS | $ 260,134,323 | $ 229,646,381 | $ 182,799,689 | $ 82,945,869 |
| TAX RATES PER $100 VALUATION: | | | | |
| Debt Service | $ 0.64 | $ 0.49 | $ 0.00 | $ 0.00 |
| Maintenance | 0.36 | 0.51 | 1.00 | 1.00 |
| TOTAL TAX RATES PER $100 VALUATION | $ 1.00 | $ 1.00 | $ 1.00 | $ 1.00 |
| ADJUSTED TAX LEVY* | $ 2,601,343 | $ 2,296,465 | $ 1,827,997 | $ 828,558 |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | 97.40 % | 100.00 % | 100.00 % | 100.00 % |

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

** Maintenance Tax – Maximum tax rate of $1.20 per $100 of assessed valuation approved by voters on November 5, 2019.

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## LONG-TERM DEBT SERVICE REQUIREMENTS
## FOR THE YEAR ENDED APRIL 30, 2026

| Due During Fiscal Years Ending April 30 | ROAD SERIES-2023 Principal Due August 15 | Interest Due August 15/ February 15 | Total |
|---|---|---|---|
| 2027 | $ 285,000 | $ 756,813 | $ 1,041,813 |
| 2028 | 300,000 | 738,512 | 1,038,512 |
| 2029 | 315,000 | 718,525 | 1,033,525 |
| 2030 | 330,000 | 697,562 | 1,027,562 |
| 2031 | 350,000 | 678,088 | 1,028,088 |
| 2032 | 365,000 | 660,212 | 1,025,212 |
| 2033 | 385,000 | 643,388 | 1,028,388 |
| 2034 | 405,000 | 627,587 | 1,032,587 |
| 2035 | 425,000 | 610,988 | 1,035,988 |
| 2036 | 445,000 | 593,587 | 1,038,587 |
| 2037 | 465,000 | 575,388 | 1,040,388 |
| 2038 | 490,000 | 556,287 | 1,046,287 |
| 2039 | 520,000 | 536,088 | 1,056,088 |
| 2040 | 545,000 | 514,787 | 1,059,787 |
| 2041 | 575,000 | 492,028 | 1,067,028 |
| 2042 | 605,000 | 467,691 | 1,072,691 |
| 2043 | 635,000 | 441,719 | 1,076,719 |
| 2044 | 670,000 | 413,987 | 1,083,987 |
| 2045 | 710,000 | 384,663 | 1,094,663 |
| 2046 | 750,000 | 353,637 | 1,103,637 |
| 2047 | 790,000 | 320,913 | 1,110,913 |
| 2048 | 835,000 | 286,381 | 1,121,381 |
| 2049 | 880,000 | 249,937 | 1,129,937 |
| 2050 | 925,000 | 211,581 | 1,136,581 |
| 2051 | 980,000 | 169,875 | 1,149,875 |
| 2052 | 1,035,000 | 124,538 | 1,159,538 |
| 2053 | 1,095,000 | 76,612 | 1,171,612 |
| 2054 | 1,155,000 | 25,988 | 1,180,988 |
| 2055 | | | |
| | $ 17,265,000 | $ 12,927,362 | $ 30,192,362 |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## LONG-TERM DEBT SERVICE REQUIREMENTS
## FOR THE YEAR ENDED APRIL 30, 2026

| Due During Fiscal Years Ending April 30 | ROAD SERIES-2024 Principal Due August 15 | Interest Due August 15/ February 15 | Total |
|---|---|---|---|
| 2027 | $ 160,000 | $ 433,381 | $ 593,381 |
| 2028 | 170,000 | 423,275 | 593,275 |
| 2029 | 180,000 | 412,556 | 592,556 |
| 2030 | 195,000 | 401,072 | 596,072 |
| 2031 | 205,000 | 388,822 | 593,822 |
| 2032 | 220,000 | 375,806 | 595,806 |
| 2033 | 230,000 | 363,319 | 593,319 |
| 2034 | 245,000 | 352,516 | 597,516 |
| 2035 | 255,000 | 342,203 | 597,203 |
| 2036 | 265,000 | 331,478 | 596,478 |
| 2037 | 275,000 | 320,341 | 595,341 |
| 2038 | 285,000 | 308,791 | 593,791 |
| 2039 | 300,000 | 296,725 | 596,725 |
| 2040 | 310,000 | 284,144 | 594,144 |
| 2041 | 325,000 | 271,047 | 596,047 |
| 2042 | 335,000 | 257,434 | 592,434 |
| 2043 | 350,000 | 243,306 | 593,306 |
| 2044 | 365,000 | 228,331 | 593,331 |
| 2045 | 380,000 | 212,500 | 592,500 |
| 2046 | 395,000 | 196,031 | 591,031 |
| 2047 | 415,000 | 178,819 | 593,819 |
| 2048 | 430,000 | 160,863 | 590,863 |
| 2049 | 450,000 | 142,163 | 592,163 |
| 2050 | 470,000 | 122,613 | 592,613 |
| 2051 | 485,000 | 102,319 | 587,319 |
| 2052 | 510,000 | 81,175 | 591,175 |
| 2053 | 530,000 | 59,075 | 589,075 |
| 2054 | 550,000 | 36,125 | 586,125 |
| 2055 | 575,000 | 12,219 | 587,219 |
| | $ 9,860,000 | $ 7,338,449 | $ 17,198,449 |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## LONG-TERM DEBT SERVICE REQUIREMENTS
## FOR THE YEAR ENDED APRIL 30, 2026

| Due During Fiscal Years Ending April 30 | ANNUAL REQUIREMENTS FOR ALL SERIES | | |
|---|---|---|---|
| | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2027 | $ 445,000 | $ 1,190,194 | $ 1,635,194 |
| 2028 | 470,000 | 1,161,787 | 1,631,787 |
| 2029 | 495,000 | 1,131,081 | 1,626,081 |
| 2030 | 525,000 | 1,098,634 | 1,623,634 |
| 2031 | 555,000 | 1,066,910 | 1,621,910 |
| 2032 | 585,000 | 1,036,018 | 1,621,018 |
| 2033 | 615,000 | 1,006,707 | 1,621,707 |
| 2034 | 650,000 | 980,103 | 1,630,103 |
| 2035 | 680,000 | 953,191 | 1,633,191 |
| 2036 | 710,000 | 925,065 | 1,635,065 |
| 2037 | 740,000 | 895,729 | 1,635,729 |
| 2038 | 775,000 | 865,078 | 1,640,078 |
| 2039 | 820,000 | 832,813 | 1,652,813 |
| 2040 | 855,000 | 798,931 | 1,653,931 |
| 2041 | 900,000 | 763,075 | 1,663,075 |
| 2042 | 940,000 | 725,125 | 1,665,125 |
| 2043 | 985,000 | 685,025 | 1,670,025 |
| 2044 | 1,035,000 | 642,318 | 1,677,318 |
| 2045 | 1,090,000 | 597,163 | 1,687,163 |
| 2046 | 1,145,000 | 549,668 | 1,694,668 |
| 2047 | 1,205,000 | 499,732 | 1,704,732 |
| 2048 | 1,265,000 | 447,244 | 1,712,244 |
| 2049 | 1,330,000 | 392,100 | 1,722,100 |
| 2050 | 1,395,000 | 334,194 | 1,729,194 |
| 2051 | 1,465,000 | 272,194 | 1,737,194 |
| 2052 | 1,545,000 | 205,713 | 1,750,713 |
| 2053 | 1,625,000 | 135,687 | 1,760,687 |
| 2054 | 1,705,000 | 62,113 | 1,767,113 |
| 2055 | 575,000 | 12,219 | 587,219 |
| | $ 27,125,000 | $ 20,265,811 | $ 47,390,811 |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## CHANGES IN LONG-TERM BOND DEBT
## FOR THE YEAR ENDED APRIL 30, 2026

| Description | Original Bonds Issued | Bonds Outstanding May 1, 2025 |
|---|---|---|
| Smiley Road Water Control Improvement District No. 1 Unlimited Tax Road Bonds - Series 2023 | $ 17,425,000 | $ 17,425,000 |
| Smiley Road Water Control Improvement District No. 1 Unlimited Tax Road Bonds - Series 2024 | 10,160,000 | 10,160,000 |
| TOTAL | $ 27,585,000 | $ 27,585,000 |

| Bond Authority: | Tax Bonds | Refunding Bonds | Tax Road Bonds |
|---|---|---|---|
| Amount Authorized by Voters | $ 92,500,000 | $ 115,625,000 | $ 215,000,000 |
| Amount Issued | | | 27,585,000 |
| Remaining to be Issued | $ 92,500,000 | $ 115,625,000 | $ 187,415,000 |

| | |
|---|---|
| Debt Service Fund cash, investments and cash with paying agent balances as of April 30, 2026: | $ 1,912,267 |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | $ 1,634,166 |

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

See accompanying independent auditor's report.

| Current Year Transactions | | | | |
|---|---|---|---|---|
| | Retirements | | Bonds Outstanding | |
| Bonds Sold | Principal | Interest | April 30, 2026 | Paying Agent |
| $ | $ 160,000 | $ 770,163 | $ 17,265,000 | BOK Financial, NA Dallas, TX |
| | 300,000 | 519,772 | 9,860,000 | BOK Financial, NA Dallas, TX |
| $ - 0 - | $ 460,000 | $ 1,289,935 | $ 27,125,000 | |

| Refunding Road Bonds |
|---|
| $ 269,000,000 |
| $ 269,000,000 |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
## GENERAL FUND – FIVE YEARS

| | Amounts | | |
|---|---|---|---|
| | 2026 | 2025 | 2024 |
| **REVENUES** | | | |
| Property Taxes | $ 915,701 | $ 1,174,647 | $ 1,896,795 |
| Investment and Miscellaneous Revenues | 99,010 | 116,988 | 89,459 |
| **TOTAL REVENUES** | $ 1,014,711 | $ 1,291,635 | $ 1,986,254 |
| **EXPENDITURES** | | | |
| Professional Fees | $ 260,515 | $ 204,395 | $ 104,562 |
| Contracted Services | 26,732 | 21,680 | 26,583 |
| Utilities | 18,774 | 11,725 | |
| Repairs and Maintenance | 1,884 | 8,099 | |
| Other | 18,919 | 18,436 | 15,395 |
| Capital Outlay | | 53,536 | |
| **TOTAL EXPENDITURES** | $ 326,824 | $ 317,871 | $ 146,540 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | $ 687,887 | $ 973,764 | $ 1,839,714 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers In (Out) | $ | $ (1,750,000) | $ |
| Developer Advances | | | |
| **TOTAL OTHER FINANCING SOURCES (USES)** | $ - 0 - | $ (1,750,000) | $ - 0 - |
| **NET CHANGE IN FUND BALANCE** | $ 687,887 | $ (776,236) | $ 1,839,714 |
| **BEGINNING FUND BALANCE** | 2,248,602 | 3,024,838 | 1,185,124 |
| **ENDING FUND BALANCE** | $ 2,936,489 | $ 2,248,602 | $ 3,024,838 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---|---|---|---|---|---|---|
| 2023 | 2022 | 2026 | 2025 | 2024 | 2023 | 2022 |
| $ 833,294 | $ 396,627 | 90.2 % | 90.9 % | 95.5 % | 97.5 % | 100.0 % |
| 21,249 | 70 | 9.8 | 9.1 | 4.5 | 2.5 | |
| $ 854,543 | $ 396,697 | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $ 31,442 | $ | 25.7 % | 15.8 % | 5.3 % | 3.7 % | % |
| 17,662 | 5,759 | 2.6 | 1.7 | 1.3 | 2.1 | 1.5 |
| | | 1.9 | 0.9 | | | |
| | | 0.2 | 0.6 | | | |
| 11,033 | 5,122 | 1.9 | 1.4 | 0.8 | 1.3 | 1.3 |
| | | | 4.1 | | | |
| $ 60,137 | $ 10,881 | 32.3 % | 24.5 % | 7.4 % | 7.1 % | 2.8 % |
| $ 794,406 | $ 385,816 | 67.7 % | 75.5 % | 92.6 % | 92.9 % | 97.2 % |
| $ | $ 5,744 | | | | | |
| $ - 0 - | $ 5,744 | | | | | |
| $ 794,406 | $ 391,560 | | | | | |
| 390,718 | (842) | | | | | |
| $ 1,185,124 | $ 390,718 | | | | | |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
## DEBT SERVICE FUND – FIVE YEARS

| | Amounts | | |
|---|---|---|---|
| | 2026 | 2025 | 2024 |
| **REVENUES** | | | |
| Property Taxes | $ 1,624,993 | $ 1,113,163 | |
| Investment and Miscellaneous Revenues | 53,829 | 31,467 | |
| Miscellaneous Revenues | 18,282 | | |
| **TOTAL REVENUES** | $ 1,697,104 | $ 1,144,630 | N/A |
| **EXPENDITURES** | | | |
| Tax Collection Expenditures | $ 18,302 | $ 16,090 | |
| Debt Service Principal | 460,000 | | |
| Debt Service Interest and Fees | 1,290,535 | 893,829 | |
| **TOTAL EXPENDITURES** | $ 1,768,837 | $ 909,919 | N/A |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | $ (71,733) | $ 234,711 | N/A |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers In | $ - 0 - | $ 1,750,000 | N/A |
| **NET CHANGE IN FUND BALANCE** | $ (71,733) | $ 1,984,711 | N/A |
| **BEGINNING FUND BALANCE** | 1,984,711 | | N/A |
| **ENDING FUND BALANCE** | $ 1,912,978 | $ 1,984,711 | N/A |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---|---|---|---|---|---|---|
| 2023 | 2022 | 2026 | 2025 | 2024 | 2023 | 2022 |
| | | 95.7 % | 97.3 % | % | % | % |
| | | 3.2 | 2.7 | | | |
| | | 1.1 | | | | |
| N/A | N/A | 100.0 % | 100.0 % | N/A % | N/A % | N/A % |
| | | 1.1 % | 1.4 % | % | % | % |
| | | 27.1 | | | | |
| | | 76.0 | 78.1 | | | |
| N/A | N/A | 104.2 % | 79.5 % | N/A % | N/A % | N/A % |
| N/A | N/A | (4.2) % | 20.5 % | N/A % | N/A % | N/A % |
| N/A | N/A | | | | | |
| N/A | N/A | | | | | |
| N/A | N/A | | | | | |
| N/A | N/A | | | | | |

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
## APRIL 30, 2026

District Mailing Address - Smiley Road Water Control and Improvement District No. 1
c/o Winstead PC
2728 N. Harwood Street, Suite 500
Dallas, TX 75201

District Telephone Number - (214) 745-5400

| Board Members | Term of Office (Elected or Appointed) | Fees of Office for the year ended April 30, 2026 | Expense Reimbursements for the year ended April 30, 2026 | Title |
|---|---|---|---|---|
| Shane Jordan | 05/2022 - 05/2026 (Elected) | $ 2,652 | $ 217 | President |
| Michael Cummings | 05/2024 - 05/2028 (Elected) | $ 2,431 | $ 2,044 | Vice President |
| James Robert Douglas, III | 05/2022 - 05/2026 (Elected) | $ 1,768 | $ 73 | Secretary |
| Michelle Crossland Meeks | 05/2022 - 05/2026 (Elected) | $ 1,989 | $ 153 | Treasurer/ Assistant Secretary |
| Hal Watson | 05/2024 - 05/2028 (Appointed) | $ 2,431 | $ 104 | Assistant Secretary |

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

Submission date of most recent District Registration Form: July 13, 2026

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

See accompanying independent auditor's report.

# SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
## APRIL 30, 2026

| **Consultants:** | Date Hired | Fees for the year ended April 30, 2026 | Title |
|---|---|---|---|
| Winstead PC | 02/10/16 | $ 81,124 | General Counsel |
| McCall Gibson Swedlund Barfoot Ellis PLLC | 04/20/22 | $ 15,750<br>$ 2,750 | Auditor<br>Bond Related |
| Dye & Tovery, LLC | 02/13/18 | $ 26,732 | Bookkeeper |
| McCreary, Veselka, Bragg & Allen, PC | 08/24/22 | $ -0- | Delinquent Tax Attorney |
| BGE Incorporated | 04/10/17 | $ 131,513 | Engineer |
| Specialized Public Finance Inc. | 12/07/16 | $ -0- | Financial Advisor |
| Kathi Dye | 02/13/18 | $ -0- | Investment Officer |
| Denton County Tax Office | 07/17/19 | $ 606 | Tax Assessor/ Collector |

See accompanying independent auditor's report.

**APPENDIX B**

**FORM OF OPINION OF BOND COUNSEL**

*An opinion in substantially the following form will be delivered by Winstead PC, Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*

*The opinion will be issued on firm letterhead.*

December 15, 2026

**SMILEY ROAD WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**
**UNLIMITED TAX UTILITY BONDS, SERIES 2026**
**IN THE ORIGINAL PRINCIPAL AMOUNT OF $12,325,000**

Ladies and Gentlemen:

We have acted as "Bond Counsel" to Smiley Road Water Control and Improvement District No. 1 (the "District") in connection with the issuance of the bonds described above (the "Bonds") for the sole purpose of providing legal advice and traditional legal services to the District including rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds or with respect to the sufficiency of security or marketability of the Bonds. We have relied solely on information and certifications furnished to us by the District with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Board of Directors of the District (the "Board"); an order of the Board authorizing the Bonds adopted on November 18, 2026 (the "Order"); the Official Notice of Sale; the awarded bid; the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the District (including a "Federal Tax Certificate"), and other public officials; and other documents relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have examined executed Bond No. T-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The District is a validly existing political subdivision of the State of Texas with power to adopt the Order, perform its agreements therein, and issue the Bonds.

2. The Bonds have been authorized, sold, and delivered in accordance with law.

3. The Bonds constitute valid and legally binding obligations of the District enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign

immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. Ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District, necessary to pay the interest on and principal of the Bonds, have been pledged irrevocably for such purpose.

5. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in Section 56(k) of the Code) for the purpose of computing alternative minimum tax imposed on corporations.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, 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, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

In rendering these opinions, we have relied upon representations and certifications of the District, the District's financial advisor, and the initial purchaser of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the District with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the District fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as 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, ownership, or disposition of the Bonds.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent

our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds, the sufficiency of the security for, or the marketability of the Bonds.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,