

**TEN MILE CREEK
PUBLIC IMPROVEMENT DISTRICT
CITY OF CELINA, TEXAS**

**AUDITED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2024 AND 2023**

CUSIP NUMBERS:

Improvement Area #1

**15114CFS8
15114CFT6
15114CFU3**

Major Improvement Area

**15114CFV1
15114CFW9
15114CFX7**

TEN MILE CREEK PUBLIC IMPROVEMENT DISTRICT

ANNUAL FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
Ten Mile Creek Public Improvement District
Celina, Texas

Opinion

We have audited the financial statements of the Ten Mile Creek Public Improvement District (PID) as of and for the years ended September 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise the PID's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the PID, as of September 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PID's ability to continue as a going concern for 12 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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.

The Honorable Mayor and Members of the City Council
Ten Mile Creek Public Improvement District

In performing an audit in accordance with GAAS, 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 PID'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 PID's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information 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.

Forvis Mazars, LLP

Dallas, Texas
November 4, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the financial performance of the Ten Mile Creek Public Improvement District (the "PID") provides an overall review of the PID's financial activities for the years ended September 30, 2024 and 2023. The intent of this discussion and analysis is to look at the PID's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the PID's financial performance.

Highlights

1. The PID was formed on March 15, 2022, pursuant to Resolution No. 2022-14R adopted by the City Council of the City of Celina, Texas (the "City") for the purpose of financing the costs of certain public improvements for the benefit of the property in the PID.
2. The City issued long-term debt of \$12,010,000 in Series 2023 Special Assessment Revenues Bonds, Improvement Area #1 (the "Improvement Area #1 Bonds") on April 6, 2023, bearing term interest rates with a final maturity of September 1, 2052. The PID's debt will be paid through the collection of annual assessments on the benefitted properties allocated to the PID by the City.
3. The City issued long-term debt of \$7,021,000 in Series 2023 Special Assessment Revenue Bonds, Major Improvement Area Project (the "MIA Bonds") on April 6, 2023, bearing term interest rates with a final maturity of September 1, 2052. The PID's debt will be paid through the collection of annual assessments on the benefitted properties allocated to the PID by the City.
4. On March 14, 2023, the City entered into a reimbursement agreement with CCD Ten Mile Creek, LLC (the "Developer") to finance a portion of the costs of the Improvement Area #1 improvements not paid with the proceeds of the Improvement Area #1 Bonds to a maximum of \$2,940,000 Reimbursement Agreement Note (the "RA Note"). In addition, the Developer deposited \$3,454,114 with the trustee at the issuance of the Bonds to fund costs of any improvements not funded with the proceeds of the Bonds and RA Note. As of September 30, 2024, \$2,802,156 was drawn on the developer's escrow deposit and \$2,940,000 charged to the RA Note. The remaining funds were recorded as "developer contribution" for \$70,837 in the financial statements.
5. Net position at September 30, 2024, and 2023 totaled (\$12,068,258) and (\$1,711,721), respectively, due mainly to the costs of issuing the Bonds, debt service on the Bonds, the construction of authorized improvements, and donation of Phase #1 authorized improvements.

6. Capital assets totaling \$10,241,694 representing road, water, sewer, and storm drainage improvements in the PID were completed and accepted by the City during fiscal year 2024. The remaining balance of \$2,727,204 represents road, water, sewer, and storm drainage for the Major Improvements.
7. No annual installments were billed to property owners in fiscal year 2023. Annual installments totaling \$460,293 were assessed for collection in fiscal year 2024. All annual installments were collected by the tax collector and remitted to the PID in fiscal year 2024.
8. Annual installments totaling \$1,800,220 were assessed for collection in fiscal year 2025. As of March 31, 2025, all annual installments were collected by the tax collector and remitted to the PID.

Overview of the Financial Statements

This annual report consists of two parts – (i) Management’s Discussion and Analysis and (ii) the basic financial statements consisting of a *Statement of Net Position*, *Statement of Revenues, Expenses, and Changes in Net Position*, *Statement of Cash Flows*, and related footnotes. The Statement of Net Position represents the financial position of the PID and provides information about the activities of the PID, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total financial position. The Statement of Cash Flows reflects how the PID finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Summary Statements of Net Position:

	<u>2024</u>	<u>2023</u>
Assets:		
Current and other assets	\$ 9,224,760	\$ 16,031,818
Capital assets	<u>2,727,204</u>	<u>6,174,991</u>
Total assets	<u>11,951,964</u>	<u>22,206,809</u>
Liabilities:		
Current liabilities	1,987,944	1,473,415
Long-term debt	<u>22,032,278</u>	<u>22,445,115</u>
Total Liabilities	<u>24,020,222</u>	<u>23,918,530</u>
Net Position		
Net investment in capital assets	(2,272,903)	(1,665,261)
Restricted	5,792,870	-
Unrestricted	<u>(15,588,225)</u>	<u>(46,460)</u>
Total Net Position	<u>\$ (12,068,258)</u>	<u>\$ (1,711,721)</u>

The negative net position is the result of the completion of the Phase #1 improvements and respective donation of capital assets along with the debt service costs.

Summary Statements of Revenues, Expenses, and Changes in Net Position:

	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 460,293	\$ -
Operating Expenses	<u>80,346</u>	<u>26,520</u>
Operating Income (Loss)	379,947	(26,520)
Non-operating Revenues/(Expenses)	(565,627)	(1,685,201)
Donated Capital Assets	(10,241,694)	-
Developer Contribution	<u>70,837</u>	<u>-</u>
Change in Net Position	<u><u>\$ (10,356,537)</u></u>	<u><u>\$ (1,711,721)</u></u>

The negative change in net position in fiscal year 2024 is the result of the donation of Phase #1 improvements. The change in net position in fiscal year 2023 is primarily due to the costs of issuing the Bonds.

Capital Assets

The PID's capital assets as of September 30, 2024, consisted of construction in progress of road improvements, water and sewer improvements, and storm drainage improvements of \$2,727,204 for the Major Improvement Area to be owned by the City upon completion. The Phase #1 improvements totaling \$10,241,694 were completed and donated by September 30, 2024. A portion of the Major Improvement Area improvements were completed and accepted by the City on February 5, 2025.

Long-Term Debt

The PID issued the Improvement Area #1 and MIA Bonds (collectively, the "Series 2023 Bonds") totaling \$19,031,000 on April 6, 2023, bearing term interest rates as listed below with a final maturity of September 1, 2052. The Series 2023 Bonds are subject to optional redemption, extraordinary optional redemption, and mandatory sinking fund redemption requirements as specified in the Indenture of Trust.

<u>Improvement Area #1 Bonds</u>	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2030	\$ 1,308,000	4.750%	September 1, 2030
Term 2042	\$ 4,213,000	5.500%	September 1, 2042
Term 2052	\$ 6,489,000	5.750%	September 1, 2052
<u>MIA Bonds</u>	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2030	\$ 719,000	5.500%	September 1, 2030
Term 2042	\$ 2,402,000	6.250%	September 1, 2042
Term 2052	\$ 3,900,000	6.500%	September 1, 2052

The proceeds from the Series 2023 Bonds are being used to finance improvements within the PID consisting primarily of road, water, sewer and storm drainage improvements, to fund a debt service reserve fund, to fund the payment of interest on the Series 2023 Bonds during the construction period, and to pay costs of issuing the Series 2023 Bonds.

Mandatory sinking fund payments will begin on September 1, 2025, from assessments received by the PID.

On March 14, 2023, the City entered into a reimbursement agreement with the Developer to finance a portion of the costs of the improvements not paid with the proceeds of the Bonds. The Developer agreed to contribute approximately \$6.4 million to the project, \$3,454,114 of which was a cash contribution at the issuance of the Bonds (the “Developer’s Escrow Deposit”). Costs up to \$2,940,000 will be paid from the Developer’s Escrow Deposit and charged against the RA Note bearing interest at 6.03% until maturity on September 1, 2052. Principal and interest on the RA Note will be paid from the pledged revenues each year in a pre-determined amount. The balance on the Developer’s Escrow Deposit at September 30, 2024, was \$443,278, which represents approximately 2% of the PID’s long-term debt balance. Any funds remaining in the Developer’s Escrow Deposit upon completion of the public improvements will be returned to the Developer. During fiscal year 2024, \$2,802,156 was drawn on the Developer’s Escrow Deposit and \$2,731,319 was charged to the RA Note, which represents approximately 13% of the PID’s long-term debt balance and the remaining \$70,837 was recorded as a “developer contribution” in the financial statements.

Pledged Revenues

Pledged revenues consist of annual assessments paid by the benefitted property owners deposited by the Collin County Tax Assessor Collector (CCTAC) with U.S. Bank National Association (the “Trustee”). No annual installments were billed for the 2023 fiscal year. Annual assessments of \$460,293, were billed to property owners for collection as of September 30, 2024. All assessments have been collected. For fiscal year 2025, annual assessments of \$1,800,220 were billed to property owners for collection. All assessments have been collected as of March 31, 2025.

Economic Factors and Future Outlook

Presently, the PID is not aware of any significant changes in conditions that would have a significant effect on the administrative expenses in the near future.

Contacting District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the PID’s finances and to reflect the PID’s accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the PID’s administrator, MuniCap, Inc., at 600 E. John Carpenter Freeway Suite 150, Irving TX 75062.

III. FINANCIAL STATEMENTS

**TEN MILE CREEK PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
As of September 30,**

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 9,186,457	\$ 15,963,265
Accrued interest receivable	38,303	68,553
Total Current Assets	<u>9,224,760</u>	<u>16,031,818</u>
Noncurrent Assets		
Capital assets	<u>2,727,204</u>	<u>6,174,991</u>
Total Noncurrent Assets	<u>2,727,204</u>	<u>6,174,991</u>
Total Assets	<u>11,951,964</u>	<u>22,206,809</u>
Liabilities		
Current Liabilities		
Accounts payable	28,456	21,020
Accrued liabilities	1,372,694	1,318,402
Accrued interest payable	204,794	93,993
Current portion of long-term debt	382,000	40,000
Total Current Liabilities	<u>1,987,944</u>	<u>1,473,415</u>
Noncurrent Liabilities		
Long-term debt	<u>22,032,278</u>	<u>22,445,115</u>
Total Noncurrent Liabilities	<u>22,032,278</u>	<u>22,445,115</u>
Total Liabilities	<u>24,020,222</u>	<u>23,918,530</u>
Net Position		
Net investment in capital assets	(2,272,903)	(1,665,261)
Restricted	5,792,870	-
Unrestricted	<u>(15,588,225)</u>	<u>(46,460)</u>
Net Position	<u>\$ (12,068,258)</u>	<u>\$ (1,711,721)</u>

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

**TEN MILE CREEK PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending September 30,**

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Annual assessment revenues	\$ 460,293	\$ -
Total Operating Revenues	<u>460,293</u>	<u>-</u>
Operating Expenses		
Administrative fees	75,971	26,520
Accounting and audit fees	4,375	-
Total Operating Expenses	<u>80,346</u>	<u>26,520</u>
Operating Income (Loss)	<u>379,947</u>	<u>(26,520)</u>
Non-Operating Revenues/(Expenses)		
Interest and dividend income	655,306	429,275
Bond issuance costs	-	(1,573,346)
Interest expense	(1,220,933)	(541,130)
Total Non-Operating Revenues/(Expenses)	<u>(565,627)</u>	<u>(1,685,201)</u>
Donated Capital Assets	(10,241,694)	-
Developer Contribution	<u>70,837</u>	<u>-</u>
Change in Net Position	(10,356,537)	(1,711,721)
Net Position, Beginning of Year	<u>(1,711,721)</u>	<u>-</u>
Net Position, End of Year	<u>\$ (12,068,258)</u>	<u>\$ (1,711,721)</u>

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

**TEN MILE CREEK PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending September 30,**

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 460,293	\$ -
Cash payments for administrative fees	(68,535)	(5,500)
Cash payments for accounting and audit fees	(4,375)	-
Net Cash Provided by (Used in) Operating Activities	<u>387,383</u>	<u>(5,500)</u>
Cash Flows from Investing Activities		
Interest and dividends received on investments	685,557	360,723
Net Cash Provided by Investing Activities	<u>685,557</u>	<u>360,723</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from bond issuance	-	19,031,000
Acquisition and construction of capital assets	(6,739,615)	(4,856,589)
Developer escrow deposit	-	3,454,114
Interest paid on debt	(1,110,133)	(447,137)
Bond issuance costs paid	-	(1,573,346)
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(7,849,748)</u>	<u>15,608,042</u>
Change in Cash and Cash Equivalents	(6,776,808)	15,963,265
Cash and Cash Equivalents, Beginning of Year	<u>15,963,265</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,186,457</u>	<u>\$ 15,963,265</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ 379,947	\$ (26,520)
Adjustments		
Increase in accounts payable	7,436	21,020
Net Cash Provided by (Used in) Operating Activities	<u>\$ 387,383</u>	<u>\$ (5,500)</u>
Supplemental Information		
Construction in progress in accrued liabilities	\$ 1,372,694	\$ 1,318,402
Donated capital assets	\$ 10,241,694	-
Developer contribution	\$ 70,837	-

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—FINANCIAL REPORTING ENTITY

On March 15, 2022, the City Council (the "City Council") of the City of Celina, Texas (the "City") passed and approved Resolution No. 2022-14R approving and authorizing the creation of the Ten Mile Creek Public Improvement District (the "PID") to finance the costs of certain public improvements (the "Authorized Improvements") for the benefit of property in the PID, all of which is located within the City.

The \$12,010,000 Series 2023 Special Assessment Revenue Bonds, Improvement Area #1 ("Improvement Area #1 Bonds") and the \$7,021,000 Series 2023 Special Assessment Revenue Bonds, Major Improvement Area Project (the "MIA Bonds", collectively the "Series 2023 Bonds") were issued on April 6, 2023 pursuant to Chapter 372 of the Texas Local Government Code, the "Public Improvement District Assessment Act" (as amended the "PID Act") and an ordinance adopted by the City Council on March 14, 2023 and Indentures of Trust (the "Indentures"), dated as of April 1, 2023, between the City and U.S. Bank, National Association (the "Trustee"). The Series 2023 Bonds were issued to finance a portion of the authorized improvements for an approximately 209-acre development, a portion of the interest on the Bonds during and after the period of acquisition and construction of the authorized improvements, to fund a reserve fund, to pay a portion of the costs incidental to the organization of the PID, and to pay costs of issuing the Bonds.

The City is located in north central Collin and Denton Counties, 40 miles north of Dallas and 15 miles northwest of the City of McKinney. The land in the PID is being developed by CCD Ten Mile Creek, LLC, a Texas limited liability company (the "Developer"). The PID consists of approximately 209 acres and is projected to consist of 490 residential units and town homes and 861 multifamily units at completion, including landscaping and the infrastructure necessary to provide roadways, drainage, and utilities to the PID. The estimated number of lots and the classification of each lot are based upon the proposed development plan.

The PID's management believes these financial statements present all activities for which the PID is financially accountable.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. The policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The PID's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The PID uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, financial position and changes in net position, and cash flows.

B. Measurement Focus and Basis of Accounting

The PID's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the PID are included within the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the PID finances and meets its cash flow needs.

Net Position is segregated into Net Investment in Capital Assets, Restricted, and Unrestricted components, if applicable.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and measurement focus relates to the timing of the measurements made. The PID uses the accrual basis of accounting and the flow of economic resources measurement focus for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash and Cash Equivalents

Cash received by the PID is deposited with a financial institution or invested. Deposits and investments having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets will be recorded at their acquisition value on the date that they will be donated. All infrastructure assets are capitalized. The PID does not depreciate capital assets as all assets will be donated to the City upon completion/acquisition.

E. Net Position

Net position represents the difference between assets and liabilities. Net Position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the PID or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The PID first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the PID. For the PID, these revenues are special assessments levied by the City annually. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the PID. All revenues and expenses not meeting this definition are reported as non-operating.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Income Taxes

The PID is a governmental entity and is exempt from all federal and state income taxes.

I. New Accounting Standards

GASB Statement No. 100, *Accounting Changes and Error Corrections*, became effective in fiscal year 2024 and had no impact on the PID.

J. Future Accounting Standards

GASB has issued new standards that will become effective in future fiscal years. The PID will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 3—CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of September 30, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Money market funds	9,186,457	15,963,265
Total cash and cash equivalents	<u>\$ 9,186,457</u>	<u>\$ 15,963,265</u>

A. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the PID's deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance is required to be invested in accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "Investment Act") and as authorized by the City's official investment policy.

B. Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. As a means of limiting exposure to fair value losses arising from rising interest rates, the Indenture requires the investment of moneys in all funds in accordance with the Investment Act and the City's official investment policy.

C. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Indentures specify that investment in time deposits or certificates of deposit must be secured in the manner required by law for public funds, or be invested in direct obligations of the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Investment Act, provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time. For purposes of maximizing investment returns, to the extent permitted by law, money in such funds may be invested in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository bank. Investments at September 30, 2024, and 2023, were in compliance with the Indentures.

All funds held in the accounts created by the Indentures which are on deposit with any bank will be continuously secured in the manner required by the Indentures and the Investment Act.

D. Concentration of Credit Risk

Concentration of credit risk can arise by failing to adequately diversify investments. The Investment Act establishes limitations on portfolio composition to control concentration of credit risk.

E. Recurring Measurements

The PID's investments in money market accounts are measured at the net asset value per share (or its equivalent) practical expedient. Accordingly, these investments have not been classified in the fair value hierarchy.

NOTE 4—CAPITAL ASSETS

The PID's capital asset activity for the years ended September 30, 2024, and 2023 was as follows:

		Balance		
<u>2024</u>		October 1, 2023	Additions	Donations
				September 30, 2024
Construction in progress		\$ 4,931,050	\$ 4,877,665	\$ (7,081,511)
Developer improvements		1,243,941	1,916,242	(3,160,183)
Total Capital Assets		\$ 6,174,991	\$ 6,793,907	\$ (10,241,694)
				Balance
<u>2023</u>		October 1, 2022	Additions	Donations
				September 30, 2023
Construction in progress		\$ -	\$ 4,931,050	\$ -
Developer improvements		-	1,243,941	-
Total Capital Assets		\$ -	\$ 6,174,990	\$ -
				Balance

Construction in progress consists of roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that will benefit the PID. The proceeds of the Series 2023 Bonds are being used to fund a portion of the costs of these public improvements. The Developer completed Phase #1 improvements by September 30, 2024. These are recorded as “donated capital assets” in the financial statements. The construction in progress as of September 30, 2023, consisted of Phase #1 and Major Improvement Area improvements.

NOTE 5—LONG-TERM OBLIGATIONS

The PID's long-term debt activity for the years ended September 30, 2024, and 2023 was as follows:

		Balance			Balance		Due in
<u>2024</u>		October 1, 2023	Increase	Decrease	September 30, 2024		one year
Phase #1 Bonds		\$ 12,010,000	\$ -	\$ -	\$ 12,010,000		\$ 194,000
MIA Bonds		7,021,000	-	-	7,021,000		106,000
Developer's Escrow Deposit		3,245,434	-	(2,802,156)	443,278		-
RA Note		208,681	2,731,319	-	2,940,000		82,000
Total Long-term Debt		\$ 22,485,115	\$ 2,731,319	\$ (2,802,156)	\$ 22,414,278		\$ 382,000
<u>2023</u>		October 1, 2022	Increase	Decrease	September 30, 2023		one year
Phase #1 Bonds		\$ -	\$ 12,010,000	\$ -	\$ 12,010,000		\$ -
MIA Bonds		-	7,021,000	-	7,021,000		-
Developer's Escrow Deposit		-	3,454,114	(208,681)	3,245,434		-
RA Note		-	208,681	-	208,681		40,000
Total Long-term Debt		\$ -	\$ 22,693,795	\$ (208,681)	\$ 22,485,115		\$ 40,000

A. Special Assessment Revenue Bonds, Series 2023

On April 6, 2023, the City issued \$12,010,000 in Special Assessment Revenue Bonds, Series 2023 Improvement Area #1, to pay a portion of the actual costs of the Improvement Area #1 Projects, paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #1 Projects, funding a reserve fund for payment of principal and interest on the Bonds, paying a portion of the costs incidental to the organization and administration of the district, and paying costs of issuing the bonds. The Collin County Tax Assessor Collector (the “CCTAC”), on behalf of the PID, will impose and collect the annual assessments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the annual assessment of penalties and interest, and tax foreclosure proceedings. In addition, when special assessments are imposed, a lien is made on the applicable parcels.

On April 6, 2023, the City issued \$7,021,000 in Special Assessment Revenue Bonds, Series 2023 MIA Bonds to pay certain public infrastructure improvements in connection with the proposed development within the PID, paying a portion of the interest on the MIA Bonds during and after the period of acquisition and construction of the projects, funding a reserve fund for payment of principal and interest on the MIA Bonds, paying a portion of the costs incidental to the organization and administration of the District, and paying costs of issuance of the MIA Bonds. The CCTAC, on behalf of the PID, will impose and collect the annual installments of assessments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the annual assessment of penalties and interest, and tax foreclosure proceedings. In addition, when assessments are imposed, a lien is made on the applicable parcels.

The Series 2023 Bonds are limited obligations of the City payable solely from and secured by a pledge of assessments and certain funds held by the Trustee.

Interest on the Series 2023 Bonds is payable according to the terms specified by the Indenture semiannually on March 1 and September 1 of each year beginning on September 1, 2023. Interest on the Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest payments on the Improvement Area #1 Bonds totaled \$666,963 and \$268,638 for the years ended September 30, 2024, and 2023, respectively. Interest payments on the MIA Bonds totaled \$443,170 and \$178,499 for the years ended September 30, 2024, and 2023, respectively.

The Series 2023 bonds were issued as follows:

<u>Improvement Area #1 Bonds</u>	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2030	\$ 1,308,000	4.750%	September 1, 2030
Term 2042	\$ 4,213,000	5.500%	September 1, 2042
Term 2052	\$ 6,489,000	5.750%	September 1, 2052

<u>MIA Bonds</u>	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2030	\$ 719,000	5.500%	September 1, 2030
Term 2042	\$ 2,402,000	6.250%	September 1, 2042
Term 2052	\$ 3,900,000	6.500%	September 1, 2052

The Series 2023 Bonds represent 85% of the PID's long-term debt balance as of September 30, 2024, and are subject to optional redemption, extraordinary optional redemption, and mandatory sinking fund redemption. Principal payments on the Series 2023 Bonds are due each September 1 beginning September 1, 2025, according to the mandatory sinking fund redemption schedule.

1. Optional Redemption

The Series 2023 Bonds maturing on or after September 1, 2042, may be redeemed at the option of the City, before their respective scheduled maturity dates, in whole or in part, on any date on or September 1, 2033, such redemption date or dates to be fixed by the City at the Redemption Price.

2. Extraordinary Optional Redemption

The Series 2023 Bonds are subject to extraordinary optional redemption by the City prior to their scheduled maturity on the first day of any month after the required notice of redemption, at a redemption price equal to 100% of the principal amount of the bonds, plus accrued interest to the redemption date from amounts on deposit in the Redemption Fund as a result of assessment prepayments, (including related transfers to the Redemption Fund made pursuant to the terms of this Indenture, any other transfers to the Redemption Fund under the terms of this indenture or as a result of unexpended amounts transferred from the Project Fund pursuant to the terms of this indenture). There were no extraordinary optional redemptions made in the fiscal years ending September 30, 2024, and 2023.

3. Mandatory Sinking Fund Redemption

The Bonds are required to be redeemed prior to maturity in part at a price of 100% of the principal amount thereof plus accrued interest to the redemption date, on each September 1, beginning on September 1, 2025. Mandatory debt service requirements consist of the following:

For the period ending September 30:	<u>MIA Bonds</u>		<u>Improvement Area #1 Bonds</u>	
	Principal	Interest	Principal	Interest
2025	\$ 106,000	\$ 443,170	\$ 194,000	\$ 666,963
2026	111,000	437,340	203,000	657,748
2027	116,000	431,235	212,000	648,105
2028	122,000	424,855	222,000	638,035
2029	129,000	418,145	233,000	627,490
2030-2034	756,000	1,970,113	1,356,000	2,948,140
2035-2039	1,012,000	1,705,063	1,776,000	2,533,620
2040-2044	1,364,000	1,346,843	2,340,000	1,985,632
2045-2049	1,865,000	847,080	3,117,000	1,236,194
2050-2052	1,440,000	191,165	2,357,000	276,346
Total	\$ 7,021,000	\$ 8,215,009	\$ 12,010,000	\$ 12,218,273

Total Series 2023 Bonds

For the period ending September 30:	<u>Principal</u>		<u>Interest</u>	
	Principal	Interest	Principal	Interest
2025	\$ 300,000	\$ 1,110,133		
2026	314,000	1,095,088		
2027	328,000	1,079,340		
2028	344,000	1,062,890		
2029	362,000	1,045,635		
2030-2034	2,112,000	4,918,253		
2035-2039	2,788,000	4,238,683		
2040-2044	3,704,000	3,332,475		
2045-2049	4,982,000	2,083,274		
2050-2052	3,797,000	467,511		
Total	\$ 19,031,000	\$ 20,433,282		

B. Reimbursement Agreement Note Improvement Area #1

On March 14, 2023, the City entered into a Reimbursement Agreement with the Developer to finance a portion of the costs of the Improvement Area #1 public improvements not paid with proceeds of the Series 2023 Bonds. According to the Reimbursement Agreement, the Developer will contribute authorized improvements in return for a \$2,940,000 note (the “RA Note”), which will be issued for the benefit of the Developer upon satisfactory evidence of costs spent on the authorized improvements. Interest and principal on the RA Note will be paid solely from pledged revenues as stated in the Service and Assessment Plan. The RA Note will bear interest at the rate of 6.03%. If on the later of the final maturity date of the Series 2023 Improvement Area #1 Bonds or the future Improvement Area #1 Bonds, after the application of the net proceeds of any future Improvement Area #1 Bonds, any portion of the unpaid balance remains unpaid.

Such unpaid balance shall be cancelled and for all purposes, the Reimbursement Agreement shall be deemed to have been conclusively and irrevocably paid in full and such unpaid balance shall no longer deemed to be payable. No payments of principal or interest were made on the RA Note in fiscal years 2024 and 2023. In fiscal year 2024, the developer contributed \$2,731,319 in Phase #1 improvements to fulfill the maximum allowable value of the Reimbursement Agreement note of \$2,940,000. The Reimbursement Agreement represents 13% of the PID's long-term debt balance as of September 30, 2024.

The estimated future debt service payments on the RA Note, assuming all pledged revenues are collected, are as follows:

For the period ending September 30:	Principal	Interest
2025	\$ 82,000	\$ 174,870
2026	45,000	172,337
2027	47,000	169,624
2028	50,000	166,790
2029	53,000	163,775
2030-2034	317,000	766,895
2035-2039	427,000	658,838
2040-2044	571,000	513,816
2045-2049	767,000	319,349
2050-2052	581,000	71,516
Total	\$ 2,940,000	\$ 3,177,810

C. Developer Escrow Deposit

At bond issuance, the Developer deposited \$3,454,114 with the trustee to be held in escrow and used to fund costs of the improvements related to the Reimbursement Agreement. Any funds remaining at the completion of the public improvements will be returned to the Developer. During fiscal year 2024, \$2,802,156 was drawn from the developer's escrow deposit leaving a balance of \$443,278 for future improvements. As of September 30, 2023, \$208,681 was drawn on the developer's escrow and charged to the RA Note.

NOTE 6—ANNUAL ASSESSMENTS

Annual assessments are to be imposed and collected on all the real property within the PID (excepting those for which the special assessment lien has been prepaid) except for non-benefited property and public property. The annual revenue requirement, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) other amounts available for the payment of such debt service and expense. Annual assessments, unless prepaid, will be billed on or about October 1 of each year and shall be delinquent if not paid prior to February 1 of the following year. The assessments may be enforced by the City in the same manner that an ad valorem tax lien against real property is enforced.

Delinquent assessments incur interest, penalties, and attorney's fees in the same manner as delinquent ad valorem taxes. The City may bring foreclosure proceedings for any delinquent annual assessment. There were no annual assessments of installments billed in fiscal year 2023.

	<u>2024</u>
Improvement Area #1	\$ 460,293
MIA	-
Total	<u>\$ 460,293</u>

As of September 30, 2024, all assessments have been received from the tax collector.

NOTE 7—ARBITRAGE

When applicable, arbitrage calculations are performed on the PID's funds to determine any arbitrage rebate or yield restriction liability. No liabilities for arbitrage rebate or yield restrictions were identified in the fiscal years ending September 30, 2024, and 2023.

NOTE 8—SUBSEQUENT EVENTS

The annual installments billed to property owners for 2024-2025 assessment year were as follows:

	<u>2025</u>
Improvement Area #1	\$ 1,181,222
MIA	618,998
Total	<u>\$ 1,800,220</u>

As of September 30, 2025, all annual installments were collected by the CCTAC and remitted to the PID.