

**NORTH SKY PUBLIC IMPROVEMENT DISTRICT
CITY OF CELINA, TEXAS**

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

CUSIP NUMBERS:

Improvement Area #1

15114CFN9
15114CFP4
15114CFQ2

Major Improvement Area

15114CFL3
15114CFM1

NORTH SKY 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
North Sky Public Improvement District
Celina, Texas

Opinion

We have audited the financial statements of the North Sky 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.

Emphasis of Matter

As discussed in *Note 8* to the financial statements, the 2023 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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.

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**

II. MANAGEMENT’S DISCUSSION AND ANALYSIS

The Management’s Discussion and Analysis of the financial performance of the North Sky Public Improvement District (the “PID”) provides an overall review of the PID’s financial activities for the fiscal 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.

Financial Highlights

1. The PID was formed on June 8, 2021, pursuant to Resolution No. 2021-39R adopted by the City Council of the City of Celina, Texas for the purpose of financing the costs of certain public improvements for the benefit of the property in the PID.
2. The City has issued two series of bonds (the “Bonds”):
 - a. The \$6,715,000 City of Celina, Texas (the “City”), Special Assessment Revenue Bonds, Series 2023, Improvement Area #1 Project (the “IA #1 Bonds”) were issued on March 9, 2023.
 - b. The \$3,452,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2023, Major Improvement Area Project (the “MIA Bonds”) were issued on March 9, 2023.
3. The PID’s debt will be paid through the collection of assessments imposed on the chargeable properties benefiting from the public improvements.
4. Net position at September 30, 2024 and 2023, as restated, totaled (\$14,370,372) and (\$827,048), respectively, due mainly to the issuance of Bonds and the donation of completed public improvements to the City.
5. There were no capital assets as of September 30, 2024, due to the acceptance and conveyance of the public improvements to the City in fiscal year 2024, totaling \$15,414,606. As of September 30, 2023, capital assets totaling \$11,506,741 represented construction in progress of road, water, and storm drainage improvements in the PID. Donated improvements are reported as “donated capital assets” in the financial statements.
6. Debt service on the Bonds is to be paid from annual assessments imposed by the City on property owners in the PID. Annual assessments totaling \$1,522,426 were billed to the property owners for collection in fiscal year 2024. There were no delinquencies in fiscal year 2024. No annual assessments were billed or collected in fiscal year 2023.

Annual assessments totaling \$1,279,599 were billed to the property owners for collection in fiscal year 2025. As of April 30, 2025, all annual assessments had been remitted to the PID.

7. On February 14, 2023, the City entered into a reimbursement agreement with CCD – North Sky, LLC (the “Developer”) to finance a portion of the costs of the Improvement Area #1 improvements not paid with the proceeds of the IA #1 Bonds to a maximum of \$6,050,000. In addition, the developer deposited \$1.7 million with the trustee at the issuance of the Bonds to fund costs of any improvements not funded with the proceeds of the Bonds and reimbursement agreement. As of September 30, 2024, costs totaling \$1,986,273 had been charged to the RA Note. As of September 30, 2023, no costs associated with the reimbursement agreement had been submitted for approval.

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>Restated 2023</u>
Assets:		
Current and other assets	\$ 2,905,467	\$ 5,222,678
Capital assets	-	11,506,741
Total assets	<u>2,905,467</u>	<u>16,729,419</u>
Liabilities:		
Current liabilities	5,557,565	5,769,497
Long-term debt	<u>11,718,274</u>	<u>11,786,970</u>
Total Liabilities	<u>17,275,839</u>	<u>17,556,467</u>
Net Position		
Net investment in capital assets	-	(820,604)
Restricted	2,891,261	42,897
Unrestricted	<u>(17,261,633)</u>	<u>(49,341)</u>
Total Net Position	<u>\$ (14,370,372)</u>	<u>\$ (827,048)</u>

The negative net position is due primarily to the acceptance of the public improvements by the City in fiscal year 2024.

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

	<u>2024</u>	<u>Restated 2023</u>
Operating Revenues	\$ 1,522,426	\$ -
Operating Expenses	<u>95,657</u>	<u>30,003</u>
Operating Income (Loss)	1,426,769	(30,003)
Non-operating Revenues/(Expenses)	(420,848)	(1,040,365)
Donated capital assets	(15,414,606)	-
Developer contribution	<u>865,361</u>	<u>243,320</u>
Change in Net Position	<u><u>\$ (13,543,324)</u></u>	<u><u>\$ (827,048)</u></u>

The increase in negative net position from 2023 to 2024 is due primarily to the donation of the capital assets.

Capital Assets

There were no capital assets as of September 30, 2024, due to the acceptance and conveyance of the public improvements to the City in the fiscal year 2024, totaling \$15,414,606. As of September 30, 2023, capital assets totaling \$11,506,741 represented construction in progress of road, water, and storm drainage improvements in the PID.

Long-Term Debt

The City issued the Bonds for the benefit of the PID totaling \$10,167,000 on March 9, 2023, bearing interest from 4.375% to 6.125% per annum with a final maturity of September 1, 2052. The Bonds are subject to optional redemption, extraordinary optional redemption, and mandatory sinking fund redemption requirements as specified in the Indentures of Trust (the “Indentures”) between the City and U.S. Bank, N.A. (the “Trustee”).

The proceeds from the 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 Bonds during the construction period, to pay costs of issuing the Bonds, and to pay the initial administrative expenses of the PID.

Mandatory sinking fund payments began on September 1, 2024, from pledged revenues received by the PID.

On February 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 \$7.7 million to the project, \$1.7 million of which was a cash contribution at the issuance of the Bonds (the “Developer’s Escrow Deposit”). The remaining costs of \$6,050,000 are to be funded by the Developer and will be charged against a developer-held note (the “RA Note”) bearing interest at 5.79% 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. As of September 30, 2024, the entire amount of the Developer’s Escrow Deposit of \$1,788,970 had been drawn and charged to the RA Note. As of September 30, 2024, costs totaling \$1,986,274 had been charged to the RA Note. As of September 30, 2023, the balance on the Developer’s Escrow Deposit was \$1,788,970, which represented approximately 15% of the PID’s long-term debt balance. No costs were submitted for approval or payment against the RA Note or Developer’s Escrow Deposit as of September 30, 2023.

Pledged Revenues

Pledged revenues consist of assessments paid by the benefitted property owners deposited by the City with the Trustee. The annual assessments totaled \$1,522,426 for fiscal year 2024. All annual assessments for fiscal year 2024 have been collected and remitted to the PID. There were no annual assessments collected during fiscal year 2023 as debt service and operating expenses were funded from bond proceeds.

The annual assessments totaled \$1,279,599 for fiscal year 2025. As of April 30, 2025, all annual assessments had been remitted to the PID.

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 the 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

**NORTH SKY PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
As of September 30,**

	<u>2024</u>	<u>Restated 2023</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 2,891,261	\$ 5,198,293
Accrued interest receivable	12,143	22,322
Prepaid expenses	2,063	2,063
Total Current Assets	<u>2,905,467</u>	<u>5,222,678</u>
Noncurrent Assets		
Capital assets	<u>-</u>	<u>11,506,741</u>
Total Noncurrent Assets	<u>-</u>	<u>11,506,741</u>
Total Assets	<u>2,905,467</u>	<u>16,729,419</u>
Liabilities		
Current Liabilities		
Accounts payable	33,919	26,565
Accrued liabilities	5,135,783	5,526,771
Accrued interest payable	121,863	47,161
Current portion of long-term debt	266,000	169,000
Total Current Liabilities	<u>5,557,565</u>	<u>5,769,497</u>
Noncurrent Liabilities		
Long-term debt	<u>11,718,274</u>	<u>11,786,970</u>
Total Noncurrent Liabilities	<u>11,718,274</u>	<u>11,786,970</u>
Total Liabilities	<u>17,275,839</u>	<u>17,556,467</u>
Net Position		
Net investment in capital assets	-	(820,604)
Restricted	2,891,261	42,897
Unrestricted	<u>(17,261,633)</u>	<u>(49,341)</u>
Net Position	<u><u>\$ (14,370,372)</u></u>	<u><u>\$ (827,048)</u></u>

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

NORTH SKY PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending September 30,

	<u>2024</u>	<u>Restated 2023</u>
Operating Revenues		
Annual assessment revenues	\$ 1,522,426	\$ -
Total Operating Revenues	<u>1,522,426</u>	<u>-</u>
Operating Expenses		
Administrative fees	91,282	30,003
Accounting and audit fees	4,375	-
Total Operating Expenses	<u>95,657</u>	<u>30,003</u>
Operating Income (Loss)	<u>1,426,769</u>	<u>(30,003)</u>
Non-Operating Revenues/(Expenses)		
Interest and dividend income	219,785	217,301
Bond issuance costs	-	(940,116)
Interest expense	(640,633)	(317,550)
Total Non-Operating Revenues/(Expenses)	<u>(420,848)</u>	<u>(1,040,365)</u>
Developer Contribution	865,361	243,320
Donated Capital Assets	<u>(15,414,606)</u>	<u>-</u>
Change in Net Position	(13,543,324)	(827,048)
Net Position, Beginning of Year	<u>(827,048)</u>	<u>-</u>
Net Position, End of Year	<u><u>\$ (14,370,372)</u></u>	<u><u>\$ (827,048)</u></u>

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

NORTH SKY PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending September 30,

	<u>2024</u>	<u>Restated 2023</u>
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 1,522,426	\$ -
Cash payments for administrative fees	(83,926)	(5,500)
Cash payments for accounting and audit fees	(4,375)	-
Net Cash Provided by (Used in) Operating Activities	<u>1,434,124</u>	<u>(5,500)</u>
Cash Flows from Investing Activities		
Interest and dividends received on investments	<u>229,966</u>	<u>194,978</u>
Net Cash Provided by Investing Activities	<u>229,966</u>	<u>194,978</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from bond issuance	-	10,167,000
Acquisition and construction of capital assets	(3,236,191)	(5,736,650)
Principal paid on debt	(169,000)	-
Interest paid on debt	(565,931)	(270,389)
Bond issuance costs paid	-	(940,116)
Developer escrow deposit received	<u>-</u>	<u>1,788,970</u>
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(3,971,122)</u>	<u>5,008,815</u>
Change in Cash and Cash Equivalents	(2,307,032)	5,198,293
Cash and Cash Equivalents, Beginning of Year	<u>5,198,293</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,891,261</u></u>	<u><u>\$ 5,198,293</u></u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ 1,426,769	\$ (30,003)
Adjustments		
Increase in prepaid expenses	-	(2,063)
Increase in accounts payable	7,355	26,566
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 1,434,124</u></u>	<u><u>\$ (5,500)</u></u>
Supplemental Information		
Donated capital assets	<u>\$ 15,414,606</u>	<u>\$ -</u>
Developer contributed capital assets	<u>\$ 865,361</u>	<u>\$ -</u>
Construction in progress in accrued liabilities	<u>\$ 5,135,783</u>	<u>\$ 5,526,771</u>
Capital asset cost paid by developer	<u><u>\$ 197,304</u></u>	<u><u>\$ -</u></u>

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

IV. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—FINANCIAL REPORTING ENTITY

On June 8, 2021, the City Council (the "City Council") of the City of Celina, Texas (the "City") passed and approved Resolution No. 2021-39R approving and authorizing the creation of the North Sky 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 \$6,715,000 Series 2023 Special Assessment Revenue Bonds, Improvement Area #1, (the "IA #1 Bonds") were issued on March 9, 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 February 14, 2023, and an Indenture of Trust (the "IA #1 Indenture"), dated as of March 1, 2023, between the City and U.S. Bank, National Association (the "Trustee"). Improvement Area #1 consists of approximately 83 acres and is projected to consist of 322 single-family residential units.

The \$3,452,000 Series 2023 Special Assessment Revenue Bonds, Major Improvement Area Project (the "MIA Bonds", and collectively with the IA #1 Bonds, the "Bonds") were issued on March 9, 2023, pursuant to Chapter 372 of the Texas Local Government Code, the PID Act, and an ordinance adopted by the City Council on February 14, 2023, and an Indenture of Trust (the "MI Indenture" and collectively with the IA #1 Indenture, the "Indentures"), dated as of March 1, 2023, between the City and the Trustee. The major improvement area consists of approximately 137 acres and is projected to consist of 464 residential units.

The Bonds were issued to finance a portion of the improvements for a 786 single-family residential development, a portion of the interest on the Bonds during and after the period of acquisition and construction of the 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 and CCD – North Sky, LLC (the "Developer") entered into a reimbursement agreement in the aggregate amount of \$6,050,000 (the "Reimbursement Agreement") to finance, refinance, provide, or otherwise assist in the acquisition, construction, and maintenance of the public improvements provided for the benefit of the property in Improvement Area #1.

The City is located in north central Collin and Denton Counties, forty miles north of Dallas and fifteen miles northwest of the City of McKinney. The PID consists of approximately 220 acres and is projected to consist of 786 single-family residential units at completion, including the infrastructure necessary to provide roadways, water and storm drainage improvements to the PID. The estimated number of lots and the classification of each lot are based upon the proposed development plan.

The Bonds are intended to be paid primarily from special assessments imposed and collected by the City against the properties benefiting from the public improvements of the PID. If a special assessment is not paid in full, the PID Act authorizes the City to collect interest and collection costs on the outstanding special assessment. The City covenanted in the Indentures that it will take and pursue all actions permissible under applicable laws to cause the assessments to be collected and any resulting liens enforced.

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. The PID does not maintain a capitalization threshold as all infrastructure assets are capitalized. The PID does not depreciate the capital assets that will be donated 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. 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. See *Note 8* for additional information related to an error correction reported retroactively by restating the 2023 financial statements and for disclosures related thereto.

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	\$ 2,891,261	\$ 5,198,293
Total cash and cash equivalents	<u>\$ 2,891,261</u>	<u>\$ 5,198,293</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 year ending September 30, 2024, and 2023, was as follows:

	Balance			Balance
<u>2024</u>	October 1, 2023	Additions	Donations	September 30, 2024
Construction in progress	\$ 11,506,741	\$ 3,042,504	\$ (14,549,245)	\$ -
Developer contributed capital assets	\$ -	\$ 865,361	\$ (865,361)	\$ -
Total Capital Assets	<u>\$ 11,506,741</u>	<u>\$ 3,907,865</u>	<u>\$ (15,414,606)</u>	<u>\$ -</u>

	Balance			Balance
<u>2023 (Restated)</u>	October 1, 2022	Additions	Donations	September 30, 2023
Construction in progress	\$ -	\$ 11,506,741	\$ -	\$ 11,506,741
Total Capital Assets	<u>\$ -</u>	<u>\$ 11,506,741</u>	<u>\$ -</u>	<u>\$ 11,506,741</u>

There were no capital assets as of September 30, 2024, due to the acceptance and conveyance of the public improvements to the City in the fiscal year 2024, totaling \$15,414,606. As of September 30, 2023, capital assets totaling \$11,506,741 represented construction in progress of road, water, and storm drainage improvements in the PID. Public improvements completed and accepted by the City are reported as “donated capital assets” in the financial statements.

NOTE 5—LONG-TERM OBLIGATIONS

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

	Balance			Balance	Due in
2024	October 1, 2023	Increase	Decrease	September 30, 2024	one year
Series 2023 IA #1 Bonds					
Term 2030	\$ 880,000	\$ -	\$ (111,000)	\$ 769,000	\$ 116,000
Term 2043	2,624,000	-	-	2,624,000	-
Term 2052	3,211,000	-	-	3,211,000	-
Total Series 2023 IA #1 Bonds	6,715,000	-	(111,000)	6,604,000	116,000
Series 2023 MIA Bonds					
Term 2030	453,000	-	(58,000)	395,000	60,000
Term 2052	2,999,000	-	-	2,999,000	-
Total Series 2023 MIA Bonds	3,452,000	-	(58,000)	3,394,000	60,000
Developer escrow deposit	1,788,970	-	(1,788,970)	-	-
RA Note IA #1	-	1,986,274	-	1,986,274	90,000
Total Long-term Debt	\$ 11,955,970	\$ 1,986,274	\$ (1,957,970)	\$ 11,984,274	\$ 266,000
	Balance			Balance	Due in
2023	October 1, 2022	Increase	Decrease	September 30, 2023	one year
Series 2023 IA #1 Bonds					
Term 2030	\$ -	\$ 880,000	\$ -	\$ 880,000	\$ 111,000
Term 2043	-	2,624,000	-	2,624,000	-
Term 2052	-	3,211,000	-	3,211,000	-
Total Series 2023 IA #1 Bonds	-	6,715,000	-	6,715,000	111,000
Series 2023 MIA Bonds					
Term 2030	-	453,000	-	453,000	58,000
Term 2052	-	2,999,000	-	2,999,000	-
Total Series 2023 MIA Bonds	-	3,452,000	-	3,452,000	58,000
Developer escrow deposit	-	1,788,970	-	1,788,970	-
Total Long-term Debt	\$ -	\$ 11,955,970	\$ -	\$ 11,955,970	\$ 169,000

A. Special Assessment Revenue Bonds, Series 2023

On March 9, 2023, the City issued \$6,715,000 in Special Assessment Revenue Bonds, Series 2023, Improvement Area #1 Project (the “IA #1 Bonds”) and \$3,452,000 in Special Assessment Revenue Bonds, Series 2023, Major Improvement Area Project, (the “MIA Bonds”, collectively with the IA #1 Bonds, the “Bonds”) to finance construction of certain public infrastructure improvements within the respective areas, to pay a portion of the interest on the Bonds during and after the period of acquisition and construction, to fund a debt service reserve fund, to pay costs of issuing the Bonds, and to pay the initial administrative expenses of the Bonds.

The Bonds are intended to be paid primarily from assessments imposed by the City and collected by the Collin County Tax Assessor Collector (the “CCTAC”) against the properties benefiting from the public improvements. If an assessment is not paid in full, the PID Act authorizes the City to collect interest and collection costs on the outstanding assessment. The City covenanted in the Indentures that it will take and pursue all actions permissible under applicable laws to cause the assessments to be collected and any resulting liens enforced.

The Bonds are special obligations of the City payable solely from and secured by a pledge of special assessments. They are not payable from funds raised or to be raised from taxation.

The IA #1 Bonds were issued in three terms as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2030	\$ 880,000	4.375%	September 1, 2030
Term 2043	\$ 2,624,000	5.375%	September 1, 2043
Term 2052	\$ 3,211,000	5.625%	September 1, 2052

The MIA Bonds were issued in two terms as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2030	\$ 453,000	4.875%	September 1, 2030
Term 2052	\$ 2,999,000	6.125%	September 1, 2052

The Bonds represent 83% of the PID’s long-term debt balance and are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the Indentures. Principal payments on the Bonds are due each September 1 commencing on September 1, 2024, according to the mandatory sinking fund redemption schedule.

Interest on the Bonds is payable according to the terms specified by the Indentures semiannually on March 1 and September 1 of each year commencing on September 1, 2023. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Interest paid for the years ending September 30, 2024, and 2023, was \$565,931 and \$270,389, respectively.

1. Optional Redemption

The City reserves the right and option to redeem the IA #1 Bonds maturing on or after September 1, 2043, before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 2033, at a price of par plus accrued interest to the date of the redemption.

The City reserves the right and option to redeem the MIA Bonds maturing on or after September 1, 2052, before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 2033, at a price of par plus accrued interest to the date of the redemption.

1. Extraordinary Optional Redemption

The Bonds are subject to extraordinary optional redemption by the City prior to their scheduled maturity on any date 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 or unexpended amounts transferred from the Project Fund. There were no extraordinary optional redemptions made in the fiscal years ending September 30, 2024 and 2023.

2. Mandatory Sinking Fund Redemption

The Bonds are required to be redeemed each September 1 in the years and in the amounts set forth below:

	<u>IA #1 Bonds</u>		<u>MIA Bonds</u>	
For the period ending September 30:	Principal	Interest	Principal	Interest
2025	\$ 116,000	\$ 355,303	\$ 60,000	\$ 202,945
2026	121,000	350,228	62,000	200,020
2027	125,000	344,934	65,000	196,998
2028	130,000	339,465	67,000	193,829
2029	136,000	333,778	69,000	190,563
2030-2034	774,000	1,565,498	394,000	893,596
2035-2039	992,000	1,336,910	506,000	761,032
2040-2044	1,283,000	1,026,290	659,000	588,429
2045-2049	1,676,000	644,963	864,000	363,152
2050-2052	1,251,000	143,325	648,000	80,850
Total	\$ 6,604,000	\$ 6,440,694	\$ 3,394,000	\$ 3,671,414

Total Series 2023 Bonds

For the period ending September 30:	Principal	Interest	Total
2025	\$ 176,000	\$ 558,248	\$ 734,248
2026	183,000	550,248	733,248
2027	190,000	541,932	731,932
2028	197,000	533,294	730,294
2029	205,000	524,341	729,341
2030-2034	1,168,000	2,459,094	3,627,094
2035-2039	1,498,000	2,097,942	3,595,942
2040-2044	1,942,000	1,614,719	3,556,719
2045-2049	2,540,000	1,008,115	3,548,115
2050-2052	1,899,000	224,175	2,123,175
Total	\$ 9,998,000	\$ 10,112,108	\$ 20,110,108

B. Reimbursement Agreement Note

On February 14, 2023, the City entered into a reimbursement agreement with the Developer to finance a portion of the costs of the Improvement Area #1 improvements not paid with the proceeds of the IA #1 Bonds. The Developer agreed to contribute approximately \$7.7 million to the costs of the improvements, \$1.7 million being funded through a contribution at the issuance of the Bonds. In return, as costs are spent, the Developer will be issued a note (the “RA Note”) for up to \$6,050,000 bearing interest at 5.79% until maturity on September 1, 2052. Any balance remaining on the RA Note on September 1, 2052, will be canceled. Principal and interest on the RA Note will be paid from the pledged revenues each year in a pre-determined amount from assessments only on property in the Area #1 portion of the PID. As of September 30, 2024, the RA Note balance was \$1,986,274, which represented 17% of the PID’s long-term debt balance. As of September 30, 2023, no costs of the developer portion of the improvements had been submitted for payment, and therefore, the balance on the RA Note was zero. No payments of principal or interest were made on the RA Note in fiscal years 2024 and 2023.

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

For the period ending September 30:	Principal	Interest	Total
2025	\$ 175,000	\$ 900,007	\$ 1,075,007
2026	95,000	340,163	435,163
2027	101,000	334,662	435,662
2028	107,000	328,814	435,814
2029	113,000	322,619	435,619
2030-2034	669,000	1,507,253	2,176,253
2035-2039	887,000	1,289,780	2,176,780
2040-2044	1,175,000	1,001,496	2,176,496
2045-2049	1,560,000	619,241	2,179,241
2050-2052	1,168,000	137,744	1,305,744
Total	\$ 6,050,000	\$ 6,781,779	\$ 12,831,779

C. Developer's Escrow Deposit

At bond issuance, the Developer deposited \$1,788,970 with the trustee to be held in escrow and used to fund costs of the public improvements in excess of the funds available from the proceeds of the Bonds. Any funds remaining at the completion of the public improvements will be returned to the Developer. As of September 30, 2024, the entire amount of the Developer's Escrow Deposit of \$1,788,970 had been drawn and charged to the RA Note. As of September 30, 2023, there were no draws on the developer's escrow deposit.

D. Additional Bonds

Future improvement area bonds to finance the cost of local improvements benefitting the future improvement areas are anticipated to be issued in the future. Such future improvement area bonds will be secured by separate assessments levied pursuant to the PID Act on assessable property within the applicable future improvement area.

NOTE 6—ANNUAL ASSESSMENTS

The assessments levied to pay debt service on the Bonds, together with interest thereon, are payable annually, established by the Assessment Ordinance and the Service and Assessment Plan to correspond, as nearly as practicable, to the debt service requirements for the Bonds, if any. Annual assessments are to be imposed by the City and collected by the CCTAC 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 Installments, 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 annual 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 assessments amounts.

Annual assessments totaling \$1,522,426 were billed for collection in fiscal year 2024. All annual assessments have been collected and remitted to the PID.

There were no annual assessments billed for the assessment year ending September 30, 2023.

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 restriction were identified in the fiscal years ending September 30, 2024 and 2023.

NOTE 8—RESTATEMENT OF FISCAL YEAR 2023 FINANCIAL STATEMENTS

In fiscal year 2024, the Developer submitted additional public improvement costs related to the fiscal year 2023. As a result of this restatement, the fiscal year 2023 financial statements have been correction of an error, as follows:

Statements of Net Position

	2023		
	As Previously Reported	As Restated	Effect of Change
Capital assets – construction in progress	\$6,127,637	\$11,506,741	\$5,379,104
Accrued liabilities	\$390,987	\$5,526,771	\$5,135,784
Net investment in capital assets	(\$1,063,924)	(\$820,604)	\$243,320

Statements of Revenues, Expenses, and Changes in Net Position

	2023		
	As Previously Reported	As Restated	Effect of Change
Developer Contribution	\$0	\$243,320	\$243,320
Net position, end of year	(\$1,070,367)	(\$827,048)	\$243,319

Statements of Cash Flows

	2023		
	As Previously Reported	As Restated	Effect of Change
<i>Supplemental Information</i>			
Construction in progress in accrued liabilities	\$390,987	\$5,526,771	\$5,135,784

NOTE 9—SUBSEQUENT EVENTS

A. Annual Assessments for 2025

Annual assessments totaling \$1,279,599 were billed to property owners for collection in fiscal year 2025. As of April 30, 2025, all of the annual assessments had been collected and remitted to the PID.

B. Special Assessment Revenue Bonds, Series 2024

The City issued long-term debt of \$5,965,000 in Series 2024 Special Assessment Revenue Bonds Improvement Area #1B (the “Series 2024 Bonds”) on November 29, 2024, in three terms bearing interest from 4.250% to 5.250% per annum with a final maturity of September 1, 2052, to finance a portion of the IA #1 public improvements located within the PID, to fund reserve fund, and to pay costs of issuing the Series 2024 Bonds.