

**CROSS CREEK MEADOWS PUBLIC IMPROVEMENT  
DISTRICT  
CITY OF CELINA, TEXAS**

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

**CUSIP NUMBERS:**

**IMPROVEMENT AREA #1**

15114CGD0

15114CGE8

15114CGF5

**MAJOR IMPROVEMENT AREA**

15114CGB4

15114CGC2

# CROSS CREEK MEADOWS PUBLIC IMPROVEMENT DISTRICT

## ANNUAL FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

### TABLE OF CONTENTS

|             |  |          |
|-------------|--|----------|
| <b>I.</b>   | <b>INDEPENDENT AUDITOR’S REPORT .....</b>                          | <b>1</b> |
| <b>II.</b>  | <b>MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>                  | <b>3</b> |
| <b>III.</b> | <b>FINANCIAL STATEMENTS</b>  |          |
|             | Statements of Net Position .....                                   | 7        |
|             | Statements of Revenues, Expenses, and Changes in Net Position..... | 8        |
|             | Statements of Cash Flows .....                                     | 9        |
| <b>III.</b> | <b>NOTES TO THE FINANCIAL STATEMENTS</b>                           |          |
|             | Note 1—Financial Reporting Entity .....                            | 10       |
|             | Note 2—Summary of Significant Accounting Policies .....            | 10       |
|             | Note 3—Cash and Cash Equivalents .....                             | 12       |
|             | Note 4—Capital Assets .....  | 14       |
|             | Note 5—Long-Term Obligations .....                                 | 14       |
|             | Note 6—Restatement of Fiscal Year 2023 Financial Statements .....  | 18       |
|             | Note 7—Revenues.....   | 19       |
|             | Note 8—Arbitrage.....  | 19       |
|             | Note 9—Subsequent Events.....                                      | 19       |

## Independent Auditor's Report

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

### ***Opinion***

We have audited the financial statements of the Cross Creek Meadows 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 respective 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 6* 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 Cross Creek Meadows 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 April 11, 2023, pursuant to a resolution 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.
1. The City issued two bonds on behalf of the PID. The \$17,966,000 Series 2023 Special Assessment Revenue Bonds Improvement Area #1 Project (the "IA #1 Bonds"), and the \$5,645,000 Series 2023 Special Assessment Revenue Bonds, Major Improvement Area (the "MIA Bonds", together, the "Bonds"), were issued on July 11, 2023.
2. Net position at September 30, 2024 and 2023, totaled (\$20,868,499) and (\$1,955,095) respectively.
3. On June 13, 2023, the City entered into a reimbursement agreement with Taylor Morrison Of Texas, (the "Developer") to finance a portion of the costs of the improvements not paid with the proceeds of the Bonds. No costs have been submitted/incurred against the reimbursement agreement.
4. Capital assets totaling \$23,974,970 consisted of road, water, sewer, and drainage improvements in the PID. Phase 1 improvements have been completed and accepted by the City as of November 9, 2023. Phase 2 improvements have been completed and accepted as of March 18, 2024. These are reported as "donated capital assets" in the financial statements.
5. Debt service on the Bonds and the reimbursement agreement note are to be paid from annual installments of assessments imposed by the City on property owners in the PID. No annual installments of assessments were billed or collected in fiscal year 2023. Annual installments of assessments totaling \$2,095,988 were billed to the property owners for collection in fiscal year 2024. As of January 31, 2024, all annual installments of assessments have been collected.
6. The annual installments of assessments for fiscal year 2025 total \$1,994,405. As of March 6, 2025, all installments of assessments have been collected 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 Restated</u>  |
|----------------------------------|------------------------|-----------------------|
| Assets:                          |                        |                       |
| Current and other assets         | \$ 12,419,706          | \$ 21,382,720         |
| Capital assets                   | -                      | 23,910,798            |
| Total assets                     | <u>12,419,706</u>      | <u>45,293,518</u>     |
| Liabilities:                     |                        |                       |
| Current liabilities              | 10,508,384             | 24,125,836            |
| Long-term debt                   | <u>22,779,821</u>      | <u>23,122,777</u>     |
| Total Liabilities                | <u>33,288,205</u>      | <u>47,248,613</u>     |
| Net Position                     |                        |                       |
| Net investment in capital assets | -                      | (1,935,490)           |
| Restricted                       | 12,368,104             | -                     |
| Unrestricted                     | <u>(33,236,603)</u>    | <u>(19,605)</u>       |
| Total Net Position               | <u>\$ (20,868,499)</u> | <u>\$ (1,955,095)</u> |

The deficit in net position for fiscal year 2024, is due primarily to the completion and donation of the capital assets. For fiscal year 2023, the deficit is due to the costs of issuing the Bonds.

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

|                                   | <u>2024</u>            | <u>2023</u>           |
|-----------------------------------|------------------------|-----------------------|
| Operating Revenues                | \$ 2,095,988           | \$ -                  |
| Operating Expenses                | <u>87,920</u>          | <u>8,363</u>          |
| Operating Income (Loss)           | 2,008,068              | (8,363)               |
| Non-operating Revenues/(Expenses) | (350,131)              | (1,946,732)           |
| Donated capital assets            | (23,974,970)           | -                     |
| Developer's contribution          | <u>3,403,629</u>       | <u>-</u>              |
| Change in Net Position            | <u>\$ (18,913,404)</u> | <u>\$ (1,955,095)</u> |

The change in net position for fiscal years 2024 and 2023, is due primarily to the completion and donation of the capital assets and the costs of issuing bonds, respectively.

### Capital Assets

The PID's capital assets consisted of donated capital assets of road improvements, water and sewer improvements, and storm drainage improvements totaling \$23,974,970 to be owned by the City. Phase 1 improvements have been completed and accepted by the City as of November 9, 2023. Phase 2 improvements have been completed and accepted by the City as of March 18, 2024. Both Phase 1 and Phase 2 are included in Improvement Area #1.

### Long-Term Debt

The City issued the MIA and IA #1 Bonds for the benefit of the PID totaling \$23,611,000 on July 11, 2023, in several terms bearing interest from 4.60% to 6.125% per annum with a final maturity of September 1, 2053. The Bonds are subject to optional redemption, extraordinary optional redemption, and mandatory sinking fund redemption requirements as specified in the Indenture of Trust (the "Indenture") between the City and U.S. Bank, N.A. (the "Trustee").

The City and the Developer entered into a reimbursement agreement to fund a portion of the costs of the Improvement Area #1 improvements not paid with the proceeds of the Bonds. No costs have been incurred against the reimbursement agreement.

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.

### **Pledged Revenues**

Pledged revenues consist of assessments paid by the benefited property owners deposited by the City with the Trustee. No annual installments of assessments were collected during fiscal year 2023 as debt service and operating expenses were funded from bond proceeds. Annual installments of assessments of \$1,994,405 and \$2,095,988 were billed for fiscal year 2025 and 2024, respectively. All assessments due have been collected as of March 6, 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 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***

---

**CROSS CREEK MEADOWS PUBLIC IMPROVEMENT DISTRICT  
STATEMENTS OF NET POSITION  
As of September 30,**

|                                      | <u><b>2024</b></u>     | <u><b>2023 Restated</b></u> |
|--------------------------------------|------------------------|-----------------------------|
| Assets                               |                        |                             |
| Current Assets                       |                        |                             |
| Restricted cash and cash equivalents | \$ 12,368,104          | \$ 21,287,177               |
| Accrued interest receivable          | 51,602                 | 91,418                      |
| Prepaid expenses                     | -                      | 4,125                       |
| Total Current Assets                 | <u>12,419,706</u>      | <u>21,382,720</u>           |
| Noncurrent Assets                    |                        |                             |
| Capital assets                       | -                      | 23,910,798                  |
| Total Noncurrent Assets              | <u>-</u>               | <u>23,910,798</u>           |
| Total Assets                         | <u>12,419,706</u>      | <u>45,293,518</u>           |
| Liabilities                          |                        |                             |
| Current Liabilities                  |                        |                             |
| Accounts payable                     | 43,693                 | 6,988                       |
| Accrued liabilities                  | 10,005,824             | 23,674,688                  |
| Accrued interest payable             | 106,867                | 108,160                     |
| Current portion of long-term debt    | 352,000                | 336,000                     |
| Total Current Liabilities            | <u>10,508,384</u>      | <u>24,125,836</u>           |
| Noncurrent Liabilities               |                        |                             |
| Long-term debt                       | 22,923,000             | 23,275,000                  |
| Discount on long-term debt, net      | (143,179)              | (152,223)                   |
| Total Noncurrent Liabilities         | <u>22,779,821</u>      | <u>23,122,777</u>           |
| Total Liabilities                    | <u>33,288,205</u>      | <u>47,248,613</u>           |
| Net Position                         |                        |                             |
| Net investment in capital assets     | -                      | (1,935,490)                 |
| Restricted                           | 12,368,104             | -                           |
| Unrestricted                         | <u>(33,236,603)</u>    | <u>(19,605)</u>             |
| Net Position                         | <u>\$ (20,868,499)</u> | <u>\$ (1,955,095)</u>       |

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

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

|   | <u><b>2024</b></u>            | <u><b>2023</b></u>           |
|---|-------------------------------|------------------------------|
| Operating Revenues                      |                               |                              |
| Annual assessment revenues              | \$ 2,095,988                  | \$ -                         |
| Total Operating Revenues                | <u>2,095,988</u>              | <u>-</u>                     |
| Operating Expenses                      |                               |                              |
| Administrative fees                     | 83,545                        | 8,363                        |
| Accounting and audit fees               | 4,375                         | -                            |
| Total Operating Expenses                | <u>87,920</u>                 | <u>8,363</u>                 |
| Operating Income (Loss)                 | <u>2,008,068</u>              | <u>(8,363)</u>               |
| Non-Operating Revenues/(Expenses)       |                               |                              |
| Interest and dividend income            | 955,541                       | 247,800                      |
| Bond issuance costs                     | -                             | (1,904,849)                  |
| Interest expense                        | <u>(1,305,672)</u>            | <u>(289,683)</u>             |
| Total Non-Operating Revenues/(Expenses) | <u>(350,131)</u>              | <u>(1,946,732)</u>           |
| Donated capital assets                  | (23,974,970)                  | -                            |
| Developer contribution                  | <u>3,403,629</u>              | <u>-</u>                     |
| Change in Net Position                  | (18,913,404)                  | (1,955,095)                  |
| Net Position, Beginning of Year         | <u>(1,955,095)</u>            | <u>-</u>                     |
| Net Position, End of Year               | <u><u>\$ (20,868,499)</u></u> | <u><u>\$ (1,955,095)</u></u> |

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

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

|  | <u><b>2024</b></u>          | <u><b>2023 Restated</b></u> |
|--|-----------------------------|-----------------------------|
| Cash Flows from Operating Activities   |                             |                             |
| Cash receipts from property owners   | \$ 2,095,988                | \$ -                        |
| Cash payments for administrative fees  | (42,715)                    | (5,500)                     |
| Cash payments for accounting and audit fees  | (4,375)                     | -                           |
| Net Cash Provided By (Used in) Operating Activities  | <u>2,048,898</u>            | <u>(5,500)</u>              |
| Cash Flows from Investing Activities   |                             |                             |
| Interest and dividends received on investments   | <u>995,357</u>              | <u>156,382</u>              |
| Net Cash Provided by Investing Activities  | <u>995,357</u>              | <u>156,382</u>              |
| Cash Flows from Capital and Related Financing Activities   |                             |                             |
| Proceeds from bond issuance  | -                           | 23,457,521                  |
| Acquisition and construction of capital assets   | (10,329,407)                | (236,110)                   |
| Principal paid on debt   | (336,000)                   | -                           |
| Interest paid on debt  | (1,297,921)                 | (180,267)                   |
| Bond issuance costs paid   | -                           | (1,904,849)                 |
| Net Cash (Used in) Provided by Capital and Related Financing Activities                                  | <u>(11,963,328)</u>         | <u>21,136,295</u>           |
| Change in Cash and Cash Equivalents  | (8,919,073)                 | 21,287,177                  |
| Cash and Cash Equivalents, Beginning of Year   | <u>21,287,177</u>           | <u>-</u>                    |
| Cash and Cash Equivalents, End of Year   | <u><u>\$ 12,368,104</u></u> | <u><u>\$ 21,287,177</u></u> |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: |                             |                             |
| Operating Income (Loss)  | \$ 2,008,068                | \$ (8,363)                  |
| Adjustments  |                             |                             |
| Increase in accounts payable   | 36,705                      | 6,988                       |
| Decrease (increase) in prepaid expenses  | 4,125                       | (4,125)                     |
| Net Cash Provided by (Used in) Operating Activities  | <u><u>\$ 2,048,898</u></u>  | <u><u>\$ (5,500)</u></u>    |
| Supplemental Information   |                             |                             |
| Construction in progress in accrued liabilities  | <u><u>\$ 10,005,824</u></u> | <u><u>\$ 23,674,688</u></u> |
| Developer contribution   | <u><u>\$ 3,403,629</u></u>  | <u><u>\$ -</u></u>          |

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

---

### ***III. NOTES TO THE FINANCIAL STATEMENTS***

---

#### **NOTE 1—FINANCIAL REPORTING ENTITY**

On April 11, 2023, the City Council (the "City Council") of the City of Celina, Texas (the "City") passed and approved a resolution approving and authorizing the creation of the Cross Creek Meadows 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 \$17,966,000 Series 2023 Special Assessment Revenue Bonds, Improvement Area #1 Project (the "IA #1 Bonds") and the \$5,645,000 Series 2023 Special Assessment Revenue Bonds, Major Improvement Project (the "MIA Bonds", and together with the IA #1 Bonds, the "Bonds") were issued on July 11, 2023, pursuant to Chapter 372 of the Texas Local Government Code, the "Public Improvement District Assessment Act", as amended (the "PID Act"), an ordinance adopted by the City Council on June 13, 2023, and an Indenture of Trust (the "Indenture"), dated as of July 1, 2023, between the City and U.S. Bank, National Association (the "Trustee"). The Bonds were issued to finance the costs of the Authorized Improvements for Improvement Area #1 Project ("IA #1") and the Major Improvement Project ("MIA"), 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 and Taylor Morrison of Texas, a Texas corporation (the "Developer"), entered into a reimbursement agreement dated as of June 13, 2023, to finance, refinance, provide, or otherwise assist in the acquisition, construction, and maintenance of the IA #1 public improvements provided for the benefit of the property in the PID not financed with proceeds from the Bonds.

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 245 acres and is projected to consist of 823 single-family detached units and 266 multi-family rental units, including landscaping and the infrastructure necessary to provide roadways, drainage, and utilities to the PID. Improvement Area #1, consisting of approximately 153 acres, is expected to consist of approximately 550 single-family homes.

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 on 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 6* 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              | \$ 12,368,104        | \$ 21,287,177        |
| Total cash and cash equivalents | <u>\$ 12,368,104</u> | <u>\$ 21,287,177</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 Indenture specifies 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 Indenture.

All funds held in the accounts created by the Indenture which are on deposit with any bank will be continuously secured in the manner required by the Indenture 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 ending September 30, 2024 and 2023, was as follows:

|                             | Balance              |                      |                       |                        | Balance<br>September 30,<br>2024 |
|-----------------------------|----------------------|----------------------|-----------------------|------------------------|----------------------------------|
| <b>2024</b>                 | October 1, 2023      | Additions            | Deletions             | Donations              |                                  |
| Construction in progress    | \$ 23,910,798        | \$ 64,172            | \$ (3,403,629)        | \$ (20,571,341)        | \$ -                             |
| Developer improvements      | -                    | 3,403,629            | -                     | (3,403,629)            | -                                |
| <b>Total Capital Assets</b> | <b>\$ 23,910,798</b> | <b>\$ 3,467,801</b>  | <b>\$ (3,403,629)</b> | <b>\$ (23,974,970)</b> | <b>\$ -</b>                      |
|                             | Balance              |                      |                       |                        | Balance<br>September 30,<br>2023 |
| <b>2023 (Restated)</b>      | October 1, 2022      | Additions            | Deletions             | Donations              |                                  |
| Construction in progress    | \$ -                 | \$ 23,910,798        | \$ -                  | \$ -                   | \$ 23,910,798                    |
| <b>Total Capital Assets</b> | <b>\$ -</b>          | <b>\$ 23,910,798</b> | <b>\$ -</b>           | <b>\$ -</b>            | <b>\$ 23,910,798</b>             |

Capital assets financed with the Bond proceeds consist of construction in progress of roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that will benefit the PID. All Phase 1 public improvements were completed as of September 30, 2023, and were donated and accepted by the City on November 9, 2023. Phase 2 public improvements were also completed and donated and accepted by the City on March 18, 2024.

## NOTE 5—LONG-TERM OBLIGATIONS

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

|                             | Balance              |             |                     | Balance              | Due in            |
|-----------------------------|----------------------|-------------|---------------------|----------------------|-------------------|
| <b>2024</b>                 | October 1, 2023      | Increase    | Decrease            | September 30, 2024   | one year          |
| Series 2023 IA #1 Bonds     |                      |             |                     |                      |                   |
| Term 2030                   | \$ 2,057,000         | \$ -        | \$ (255,000)        | \$ 1,802,000         | \$ 267,000        |
| Term 2043                   | 6,493,000            | -           | -                   | 6,493,000            | -                 |
| Term 2053                   | 9,416,000            | -           | -                   | 9,416,000            | -                 |
| Bond discount               | (148,472)            | -           | 8,144               | (140,328)            | (7,786)           |
| Total IA #1 Bonds           | 17,817,528           | -           | (246,856)           | 17,570,672           | 259,214           |
| Series 2023 MIA Bonds       |                      |             |                     |                      |                   |
| Term 2030                   | 647,000              | -           | (81,000)            | 566,000              | 85,000            |
| Term 2053                   | 4,998,000            | -           | -                   | 4,998,000            | -                 |
| Bond discount               | (3,751)              | -           | 900                 | (2,851)              | (786)             |
| Total MIA Bonds             | 5,641,249            | -           | (80,100)            | 5,561,149            | 84,214            |
| <b>Total Long-Term Debt</b> | <b>\$ 23,458,777</b> | <b>\$ -</b> | <b>\$ (326,956)</b> | <b>\$ 23,131,821</b> | <b>\$ 343,428</b> |

| <b>2023</b>                 | Balance         |                      |                 | Balance              |                   |
|-----------------------------|-----------------|----------------------|-----------------|----------------------|-------------------|
|                             | October 1, 2022 | Increase             | Decrease        | September 30, 2023   | Due in one year   |
| Series 2023 IA #1 Bonds     |                 |                      |                 |                      |                   |
| Term 2030                   | \$ -            | \$ 2,057,000         | \$ -            | \$ 2,057,000         | \$ 255,000        |
| Term 2043                   | -               | 6,493,000            | -               | 6,493,000            | -                 |
| Term 2053                   | -               | 9,416,000            | -               | 9,416,000            | -                 |
| Bond discount               | -               | (149,604)            | 1,132           | (148,472)            | (8,145)           |
| Total IA #1 Bonds           | -               | 17,816,396           | 1,132           | 17,817,528           | 246,855           |
| Series 2023 MIA Bonds       |                 |                      |                 |                      |                   |
| Term 2030                   | -               | 647,000              | -               | 647,000              | 81,000            |
| Term 2053                   | -               | 4,998,000            | -               | 4,998,000            | -                 |
| Bond discount               | -               | (3,876)              | 125             | (3,751)              | (787)             |
| Total MIA Bonds             | -               | 5,641,124            | 125             | 5,641,249            | 80,213            |
| <b>Total Long-Term Debt</b> | <b>\$ -</b>     | <b>\$ 23,457,520</b> | <b>\$ 1,257</b> | <b>\$ 23,458,777</b> | <b>\$ 327,068</b> |

#### A. Series 2023 Bonds

On July 11, 2023, the City issued \$17,966,000 in Special Assessment Revenue Bonds, Improvement Area #1 Project, Series 2023, and \$5,645,000 in Special Assessment Revenue Bonds Major Improvement Project, Series 2023, to finance certain public infrastructure improvements in connection with the proposed development within the PID, to fund a debt service reserve fund, to fund the payment of interest on the Bonds prior to and during construction, to pay a portion of the costs incidental to the organization of the PID, and to pay costs of issuing the Bonds. The Bonds were issued as follows:

|                        | <u>Par Value</u> | <u>Rate</u> | <u>Final Maturity</u> | <u>Discount</u> |
|------------------------|------------------|-------------|-----------------------|-----------------|
| Improvement Area #1    |                  |             |                       |                 |
| Term 2030              | \$2,057,000      | 4.500%      | September 1, 2030     | \$ 12,507       |
| Term 2043              | \$6,493,000      | 5.375%      | September 1, 2043     | \$ -            |
| Term 2053              | \$9,416,000      | 5.500%      | September 1, 2053     | \$137,097       |
| Major Improvement Area |                  |             |                       |                 |
| Term 2030              | \$ 647,000       | 5.000%      | September 1, 2030     | \$ 3,876        |
| Term 2053              | \$4,998,000      | 6.125%      | September 1, 2053     | \$ -            |

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 collections 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 limited obligations of the City payable solely from and secured by a pledge of assessments and certain funds held by the Trustee.

The discount on the Bonds, as listed above, is being amortized over the life of each respective term of the bond using the effective interest method. Amortization of the bond discount totaled \$8,144 for the IA #1 Bonds and \$900 for the MIA Bonds for fiscal year 2024. Amortization of the bond discount totaled \$1,132 for the IA #1 Bonds and \$125 for the MIA Bonds for fiscal year 2023.

Interest on the Bonds is payable according to the terms specified by the Indenture semi-annually 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 totaled \$959,443 on the IA #1 Bonds and \$338,478 on the MIA Bonds during the fiscal year ended September 30, 2024. Interest payments totaled \$133,256 on the IA #1 Bonds and \$47,011 on the MIA Bonds during the fiscal year ended September 30, 2023.

The Bonds represent 100% of the PID's long-term debt balance 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, 2024, according to the mandatory sinking fund redemption schedule.

### **1. Optional Redemption**

The IA #1 Bonds maturing on or after September 1, 2043, may be redeemed at the option of the City on any date on or after September 1, 2033, in whole or in part, at 100% of the principal amount plus accrued interest to the redemption date.

The MIA Bonds maturing on or after September 1, 2053, may be redeemed at the option of the City on any date on or after September 1, 2033, in whole or in part, at 100% of the principal amount plus accrued interest to the redemption date.

### **2. Extraordinary Optional Redemption**

The Bonds are subject to extraordinary optional redemption in whole or in part on any date from prepayments of special assessments or from any funds remaining in the project fund after completion of the improvements. No extraordinary optional redemptions have been made to date.

### 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, 2024. Mandatory debt service requirements consist of the following:

| For the period ending<br>September 30: | <u>Term 2030 IA #1</u> |                   | <u>Term 2043 IA #1</u> |                    | <u>Term 2053 IA #1</u> |                     |
|--|------------------------|-------------------|------------------------|--------------------|------------------------|---------------------|
|  | Principal              | Interest          | Principal              | Interest           | Principal              | Interest            |
| 2025                                   | \$ 267,000             | \$ 81,090         | \$ -                   | \$ 348,999         | \$ -                   | \$ 517,880          |
| 2026                                   | 279,000                | 69,075            | -                      | 348,999            | -                      | 517,880             |
| 2027                                   | 293,000                | 56,520            | -                      | 348,999            | -                      | 517,880             |
| 2028                                   | 306,000                | 43,335            | -                      | 348,999            | -                      | 517,880             |
| 2029                                   | 321,000                | 29,565            | -                      | 348,999            | -                      | 517,880             |
| 2030-2034                              | 336,000                | 15,120            | 1,530,000              | 1,627,174          | -                      | 2,330,460           |
| 2035-2039                              | -                      | -                 | 2,452,000              | 1,084,675          | -                      | 2,589,400           |
| 2040-2044                              | -                      | -                 | 2,511,000              | 346,741            | 719,000                | 2,589,400           |
| 2045-2049                              | -                      | -                 | -                      | -                  | 4,279,000              | 2,058,925           |
| 2050-2053                              | -                      | -                 | -                      | -                  | 4,418,000              | 772,585             |
| <b>Total</b>                           | <b>\$1,802,000</b>     | <b>\$ 294,705</b> | <b>\$6,493,000</b>     | <b>\$4,803,585</b> | <b>\$9,416,000</b>     | <b>\$12,930,170</b> |

| For the period ending<br>September 30: | <u>Term 2030 MIA</u> |                   | <u>Term 2053 MIA</u> |                     |
|--|----------------------|-------------------|----------------------|---------------------|
|  | Principal            | Interest          | Principal            | Interest            |
| 2025                                   | \$ 85,000            | \$ 28,300         | \$ -                 | \$ 306,128          |
| 2026                                   | 88,000               | 24,050            | -                    | 306,128             |
| 2027                                   | 92,000               | 19,650            | -                    | 306,128             |
| 2028                                   | 96,000               | 15,050            | -                    | 306,128             |
| 2029                                   | 100,000              | 10,250            | -                    | 306,128             |
| 2030-2034                              | 105,000              | 5,250             | 610,000              | 1,489,049           |
| 2035-2039                              | -                    | -                 | 805,000              | 1,297,459           |
| 2040-2044                              | -                    | -                 | 1,069,000            | 1,035,738           |
| 2045-2049                              | -                    | -                 | 1,430,000            | 687,470             |
| 2050-2053                              | -                    | -                 | 1,084,000            | 221,419             |
| <b>Total</b>                           | <b>\$ 566,000</b>    | <b>\$ 102,550</b> | <b>\$ 4,998,000</b>  | <b>\$ 6,261,775</b> |

| For the period ending<br>September 30: | <b><u>Total PID Bonds</u></b> |                      |                      |
|--|-------------------------------|----------------------|----------------------|
|  | Principal                     | Interest             | Total                |
| 2025                                   | \$ 352,000                    | \$ 1,282,397         | \$ 1,634,397         |
| 2026                                   | 367,000                       | 1,266,132            | 1,633,132            |
| 2027                                   | 385,000                       | 1,249,177            | 1,634,177            |
| 2028                                   | 402,000                       | 1,231,392            | 1,633,392            |
| 2029                                   | 421,000                       | 1,212,822            | 1,633,822            |
| 2030-2034                              | 2,581,000                     | 5,467,053            | 8,048,053            |
| 2035-2039                              | 3,257,000                     | 4,971,534            | 8,228,534            |
| 2040-2044                              | 4,299,000                     | 3,971,879            | 8,270,879            |
| 2045-2049                              | 5,709,000                     | 2,746,395            | 8,455,395            |
| 2050-2053                              | 5,502,000                     | 994,004              | 6,496,004            |
| <b>Total</b>                           | <b>\$ 23,275,000</b>          | <b>\$ 24,392,785</b> | <b>\$ 47,667,785</b> |

## **B. Reimbursement Agreement**

On June 13, 2023, the City entered into a reimbursement agreement (the “Reimbursement Agreement”) with the Developer to finance a portion of the costs of the Authorized Improvements not paid with proceeds of the Bonds up to \$3,050,000 at a simple interest rate of 6.020% per annum through the maturity date of September 1, 2053. No improvement costs have been submitted against the Reimbursement Agreement.

## **C. Future Bonds**

The Developer expects to request that the City issue additional bonds to finance the costs of local improvements benefitting future improvement areas of the PID.

## **NOTE 6—RESTATEMENT OF FISCAL YEAR 2023 FINANCIAL STATEMENTS**

During fiscal year 2024, it was determined that the public improvements related to Phase #2 improvements were incurred in 2023 and were not previously reported in the financial statements as of September 30, 2023. Therefore, capital assets – construction in progress and accrued liabilities were understated by \$7,074,077 for the fiscal year ended September 30, 2023.

The effect of correcting that error is shown in the table below:

*Statements of Net Position*

|   | As Previously Reported | Correction of Error | As Restated     |
|---|------------------------|---------------------|-----------------|
| Capital assets – construction in progress | \$ 16,836,721          | \$ 7,074,077        | \$ 23,910,798   |
| Accrued liabilities                       | \$ (16,600,611)        | \$ (7,074,077)      | \$ (23,674,688) |

*Statements of Cash Flows*

|   | As Previously Reported | Correction of Error | As Restated     |
|---|------------------------|---------------------|-----------------|
| Supplemental Information                        |                        |                     |                 |
| Construction in progress in accrued liabilities | \$ (16,600,611)        | \$ (7,074,077)      | \$ (23,674,688) |

**NOTE 7—REVENUES**

The annual installments of assessments levied to pay debt service on the Bonds and amounts owed under the Reimbursement Agreement, 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 and amounts owed under the Reimbursement Agreement, if any. Annual installments of assessments are to be imposed 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 of 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 annual installments of assessments may be enforced by the City in the same manner that an ad valorem tax lien against real property is enforced. Delinquent annual installments of the 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 installment of assessments amounts.

For assessment year ending September 30, 2024, annual installments billed to property owners totaled \$2,095,988. All assessments have been received and remitted to the PID.

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

**NOTE 8—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 9—SUBSEQUENT EVENTS**

The annual installments of assessments to be collected for the fiscal year 2025 total \$1,994,405. All assessments due have been collected as of March 6, 2025 and remitted to the PID.