

**CAMBRIDGE CROSSING PUBLIC IMPROVEMENT DISTRICT
CITY OF CELINA, TEXAS**

**AUDITED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023, and SEPTEMBER 30, 2022**

CUSIP NUMBERS:

Phase #1
15114CBK9
15114CBL7
15114CBM5
15114CBN3

Phases #2-7
15114CBP8
15114CBQ6
15114CBR4
15114CBS2

CAMBRIDGE CROSSING PUBLIC IMPROVEMENT DISTRICT

ANNUAL FINANCIAL STATEMENTS SEPTEMBER 30, 2023, AND 2022

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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
Cambridge Crossing Public Improvement District
Celina, Texas

Opinion

We have audited the financial statements of the Cambridge Crossing Public Improvement District (PID), as of and for the years ended September 30, 2023 and 2022, 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, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PID's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 GAAS, 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
July 8, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the financial performance of the Cambridge Crossing Public Improvement District (the "PID") provides an overall review of the PID's financial activities for the years ended September 30, 2023, and 2022. The intent of this discussion and analysis is to look at the PID's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the PID's financial performance.

Highlights

1. The PID was formed on February 28, 2017, pursuant to Resolution No. 2017-10R adopted by the City Council of the City of Celina, Texas (the "City") for the purpose of financing the costs of certain public improvements for the benefit of the property in the PID.
2. The PID issued long-term debt of \$9,555,000 in Series 2018 Special Assessment Revenues Bonds, Phase #1 (the "Phase #1 Bonds") on August 30, 2018, bearing term interest rates with a final maturity of September 1, 2047. The PID's debt will be paid through the collection of annual assessments on the benefitted properties.
3. The PID issued long term debt of \$13,795,000 in Series 2018 Special Assessment Revenue Bonds, Phases #2-7 (the "Phases #2-7 Bonds") on August 30, 2018, bearing term interest rates with a final maturity of September 1, 2048. The PID's debt will be paid through the collection of annual assessments on the benefitted properties.
4. On June 14, 2022, assessments of \$5,938,154 were levied for Phase #2 Improvements, which represents the obligation under the Omnibus Reimbursement Agreement (for the entire PID). The PID's debt will be paid through the collection of annual assessments on the benefitted properties. The Phase #2 annual assessments were triggered for collection as of September 1, 2023.
5. On February 14, 2023, assessments of \$7,708,239 were levied for Phase #3: \$6,291,045 for Phase #3 Improvements and \$1,417,194 for Phase #3 Additional Major Improvements, which represents the obligation under the Omnibus Reimbursement Agreement (for the entire PID). The PID's debt will be paid through the collection of annual assessments on the benefitted properties, which have not yet been triggered for collection.
6. Net position at September 30, 2023 and 2022 totaled (\$25,615,165) and (\$20,528,479) respectively, due mainly to the costs of issuing the Phase #1 Bonds and the Phases #2-7 Bonds (collectively, the "Bonds"), debt service on the Bonds, and the construction of authorized improvements, which were transferred to the City in 2023, 2021 and 2020.

7. In fiscal year 2023, the PID donated to the City capital assets of \$5,938,154 representing public water, wastewater, paving and storm drain improvements for Phase #2. In fiscal year 2021, the PID donated to the City capital assets of \$1,275,965, representing the Outer Loop service road. In fiscal year 2020, \$17,605,024 of public improvements were donated to the City.
8. Annual assessments totaling \$1,818,366 were assessed for fiscal year 2023. As of March 8, 2024, there were no delinquent assessments for 2023. All collections have been collected and remitted to the PID.
9. Annual assessments totaling \$1,792,988 were assessed for fiscal year 2022. All assessments for 2022 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 Statement of Net Position:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ 2,623,312	\$ 2,142,907	\$ 1,994,573
Total assets	<u>2,623,312</u>	<u>2,142,907</u>	<u>1,994,573</u>
Liabilities:			
Current liabilities	636,323	556,386	540,956
Long-term debt	<u>27,602,154</u>	<u>22,115,000</u>	<u>22,545,000</u>
Total Liabilities	<u>28,238,477</u>	<u>22,671,386</u>	<u>23,085,956</u>
Net Position			
Restricted	2,612,079	2,138,848	1,994,554
Unrestricted	<u>(28,227,244)</u>	<u>(22,667,327)</u>	<u>(23,085,937)</u>
Total Net Position	<u>\$ (25,615,165)</u>	<u>\$ (20,528,479)</u>	<u>\$ (21,091,383)</u>

The negative net position is the result of the completion and acceptance by the City of all capital assets.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 1,977,110	\$ 1,825,177	\$ 1,758,747
Operating Expenses	<u>70,100</u>	<u>60,944</u>	<u>66,475</u>
Operating Income	1,907,010	1,764,233	1,692,272
Non-operating Expenses	(1,100,542)	(1,201,329)	(1,233,451)
Developer Contribution	45,000	-	-
Donated Capital Assets	<u>(5,938,154)</u>	<u>-</u>	<u>(1,275,965)</u>
Change in Net Position	<u>\$ (5,086,686)</u>	<u>\$ 562,904</u>	<u>\$ (817,144)</u>

Net position decreased in fiscal year 2023 due to the completion and donation of the Phase #2 capital assets.

Capital Assets

The PID’s capital assets consisted of construction of road improvements, water and sewer improvements, and storm drainage improvements to be owned by the City upon completion. On August 24, 2022, the City accepted completed assets of \$5,938,154 in Phase #2. The costs for these assets were not submitted by the developer to the PID until fiscal year 2023 when the assets were subsequently donated to the City. On June 10, 2021, the PID donated to the City \$1,275,965 in completed capital assets representing the costs of the Outer Loop roadway. On February 24, 2020, the PID donated to the City \$17,605,024 in completed capital assets representing costs for the public water, wastewater, paving and storm drain improvements. As of September 30, 2023, and 2022, there were no capital assets due to the completion and donation of these assets.

Long-Term Debt

The PID issued Bonds totaling \$23,350,000 on August 30, 2018, bearing term interest rates as listed below with a final maturity of September 1, 2047, for the Phase #1 Bonds and September 1, 2048, for the Phases #2-7 Bonds. The Bonds are subject to optional redemption, extraordinary optional redemption, and mandatory sinking fund redemption requirements as specified in the Indenture of Trust.

Phase #1 Bonds

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2023	\$ 545,000	4.125%	September 1, 2023
Term 2028	\$ 1,090,000	4.625%	September 1, 2028
Term 2038	\$ 3,190,000	5.125%	September 1, 2038
Term 2047	\$ 4,730,000	5.250%	September 1, 2047

Phases #2-7 Bonds

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2023	\$ 690,000	4.375%	September 1, 2023
Term 2028	\$ 1,395,000	5.000%	September 1, 2028
Term 2038	\$ 4,230,000	5.500%	September 1, 2038
Term 2048	\$ 7,480,000	5.625%	September 1, 2048

The proceeds from the Bonds were 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, and to pay costs of issuing the Bonds.

Mandatory sinking fund payments began on September 1, 2021, from assessments received by the PID.

On June 14, 2022, assessments of \$5,938,154 were levied for Phase #2 Improvements, which represents the obligation under the Omnibus Reimbursement Agreement (for the entire PID). The annual installments of the assessments have been triggered as of September 1, 2023, for collection. Interest will be computed at 8.75% for years 1-5, and 5.75% following the fifth annual installment.

On February 14, 2023, assessments of \$7,708,239 were levied for Phase #3: \$6,291,045 for Phase #3 Improvements and \$1,417,194 for Phase #3 Additional Major Improvements, which represents the obligation under the Omnibus Reimbursement Agreement (for the entire PID). The annual installments of the assessments have not yet been triggered for collection. Interest on both obligations will be computed at 8.65% for years 1-5, and 5.65% following the fifth annual installment.

Pledged Revenues

Pledged revenues consist of annual assessments paid by the benefitted property owners deposited by the Collin County Tax Assessor Collector (the "CCTAC") with U.S. Bank National Association (the "Trustee"). The annual installment of assessments totaled \$1,818,366 and \$1,792,988 for fiscal years 2023 and 2022, respectively. There were delinquencies of \$4,363 as of September 30, 2023, from the 2023 assessment year.

Economic Factors and Future Outlook

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

Contacting District's Financial Management

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

III. FINANCIAL STATEMENTS

**CAMBRIDGE CROSSING PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
As of September 30,**

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 2,612,079	\$ 2,138,848
Accrued interest receivable	11,233	4,059
Total Current Assets	<u>2,623,312</u>	<u>2,142,907</u>
Total Assets	<u>2,623,312</u>	<u>2,142,907</u>
Liabilities		
Current Liabilities		
Accounts payable	43,243	26,077
Accrued interest payable	142,080	100,309
Current portion of long-term debt	451,000	430,000
Total Current Liabilities	<u>636,323</u>	<u>556,386</u>
Noncurrent Liabilities		
Long-term debt	27,602,154	22,115,000
Total Noncurrent Liabilities	<u>27,602,154</u>	<u>22,115,000</u>
Total Liabilities	<u>28,238,477</u>	<u>22,671,386</u>
Net Position		
Restricted	2,612,079	2,138,848
Unrestricted	<u>(28,227,244)</u>	<u>(22,667,327)</u>
Net Position	<u>\$ (25,615,165)</u>	<u>\$ (20,528,479)</u>

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

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

	2023	2022
Operating Revenues		
Annual assessment revenues	\$ 1,814,983	\$ 1,792,497
Prepayment revenues	162,127	32,680
Total Operating Revenues	1,977,110	1,825,177
Operating Expenses		
Administrative fees	66,153	56,853
Accounting and audit fees	3,947	4,091
Total Operating Expenses	70,100	60,944
Operating Income	1,907,010	1,764,233
Non-Operating Revenues/(Expenses)		
Interest and dividend income	143,921	17,488
Penalties and interest income	1,020	927
Interest expense	(1,245,483)	(1,219,744)
Total Non-Operating Expenses	(1,100,542)	(1,201,329)
Developer Contribution	45,000	-
Donated capital assets	(5,938,154)	-
Change in Net Position	(5,086,686)	562,904
Net Position, Beginning of Year	(20,528,479)	(21,091,383)
Net Position, End of Year	\$ (25,615,165)	\$ (20,528,479)

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

CAMBRIDGE CROSSING PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending September 30,

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 1,977,112	\$ 1,825,177
Cash payments for administrative fees	(48,987)	(59,056)
Cash payments for accounting and audit fees	(3,947)	(5,000)
Net Cash Provided by Operating Activities	1,924,178	1,761,121
Cash Flows from Investing Activities		
Interest and dividends received on investments	136,747	13,446
Net Cash Provided by Investing Activities	136,747	13,446
Cash Flows from Capital and Related Financing Activities		
Penalties and interest on delinquent assessments	1,019	927
Principal paid on bonds	(430,000)	(410,000)
Interest paid on bonds	(1,203,713)	(1,221,200)
Developer Contribution	45,000	-
Net Cash Used in Capital and Related Financing Activities	(1,587,694)	(1,630,273)
Change in Cash Balance	473,231	144,294
Cash and Cash Equivalents, Beginning of Year	2,138,848	1,994,554
Cash and Cash Equivalents, End of Year	\$ 2,612,079	\$ 2,138,848
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,907,010	\$ 1,764,233
Adjustments		
Increase (decrease) in accounts payable	17,168	(3,112)
Net Cash Provided by Operating Activities	\$ 1,924,178	\$ 1,761,121
Supplemental Information		
Donated capital assets	\$ 5,938,154	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—FINANCIAL REPORTING ENTITY

On February 28, 2017, the City Council (the "City Council") of the City of Celina, Texas (the "City") passed and approved Resolution No. 2017-10R approving and authorizing the creation of the Cambridge Crossing 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 \$9,555,000 Series 2018 Special Assessment Revenue Bonds, Phase #1 ("Phase #1 Bonds") and the \$13,795,000 Series 2018 Special Assessment Revenue Bonds, Phases #2-7 (the "Phases #2-7 Bonds", collectively the "Bonds") were issued on August 30, 2018 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 August 14, 2018 and an Indenture of Trust (the "Indenture"), dated as of August 1, 2018, between the City and U.S. Bank, National Association (the "Trustee"). The Bonds were issued to finance a portion of the Authorized Improvements for an approximately 484-acre development, a portion of the interest on the Bonds during and after the period of acquisition and construction of the Authorized Improvements, to fund a reserve fund, to pay a portion of the costs incidental to the organization of the PID, and to pay costs of issuing the Bonds.

On June 14, 2022, assessments of \$5,938,154 were levied for Phase #2 Improvements, which represents the obligation under the Omnibus Reimbursement Agreement (for the entire PID). The PID's debt will be paid through the collection of annual assessments on the benefitted properties. The Phase #2 annual assessments were triggered for collection as of September 1, 2023.

On February 14, 2023, assessments were levied for Phase #3 which consists of Improvements and Additional Major Improvements and represents an obligation under the Omnibus Reimbursement Agreement (for the entire PID). The annual installments of the assessments have not yet been triggered for collection.

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 land in the PID is being developed by Tollway Outer Loop, LLC, a Texas limited liability company (the "Developer"). The PID consists of approximately 531 acres and is projected to consist of 1,757 single family residential units at completion, including landscaping and the infrastructure necessary to provide roadways, drainage, and utilities to the PID. According to the Service and Assessment Plan (the "SAP"), Phase #1 is expected to consist of 330 units, Phases #2-7 is expected to consist of 1,200 units, Phase #2 is expected to consist of 227 units, and Phase #3 is expected to consist of 242 units. The estimated number of lots and the classification of each lot are based upon the proposed development plan.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

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

C. Cash and Cash Equivalents

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

D. Capital Assets

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

E. Net Position

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

F. Operating Revenues and Expenses

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

G. Use of Estimates

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

H. Income Taxes

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

I. 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, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 2,612,079	\$ 2,138,848
Total cash and cash equivalents	<u>\$ 2,612,079</u>	<u>\$ 2,138,848</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, 2023 and 2022 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

Public improvements consisted of roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that will benefit the PID. The proceeds of the Bonds are being used to fund a portion of the costs of these public improvements. Phase #2 Improvements were completed and

accepted by the City on August 24, 2022. The costs for these assets were submitted to the PID by the developer in fiscal year 2023. The annual assessments were triggered on September 1, 2023, and the costs were recorded as Donated Capital Assets to the City. The Outer Loop roadway totaling \$1,275,965 was completed, accepted, and donated to the City on June 10, 2021. Improvements totaling \$17,605,024 were completed, accepted, and donated to the City on February 24, 2020.

2023	Balance			Balance
	October 1, 2022	Additions	Reductions	September 30, 2023
Construction in progress	\$ -	\$ 5,938,154	\$ (5,938,154)	\$ -
Total Capital Assets	\$ -	\$ 5,938,154	\$ (5,938,154)	\$ -

NOTE 5—LONG-TERM OBLIGATIONS

The PID’s long-term debt activity for the years ending September 30, 2023, and 2022 was as follows:

2023	Balance			Balance	Due in one year
	October 1, 2022	Increase	Decrease	September 30, 2023	
Phase #1 Bonds	\$ 9,200,000	\$ -	\$ (190,000)	\$ 9,010,000	\$ 200,000
Phase #2-7 Bonds	13,345,000	-	(240,000)	13,105,000	250,000
Phase #2 RA	-	5,938,154	-	5,938,154	1,000
Total Long-Term Debt	\$ 22,545,000	\$ 5,938,154	\$ (430,000)	\$ 28,053,154	\$ 451,000

2022	Balance			Balance	Due in one year
	October 1, 2021	Increase	Decrease	September 30, 2022	
Phase #1 Bonds	\$ 9,380,000	\$ -	\$ (180,000)	\$ 9,200,000	\$ 190,000
Phase #2-7 Bonds	13,575,000	-	(230,000)	13,345,000	240,000
Total Bonds Payable	\$ 22,955,000	\$ -	\$ (410,000)	\$ 22,545,000	\$ 430,000

A. Special Assessment Revenue Bonds, Series 2018

On August 30, 2018, the City issued \$9,555,000 in Special Assessment Revenue Bonds, Series 2018 Phase #1, 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 Series 2018 Phase #1 Bonds prior to and during construction, and to pay costs of issuing the Series 2018 Phase #1 Bonds.

On August 30, 2018, the City issued \$13,795,000 in Special Assessment Revenue Bonds, Series 2018 Phases #2-7, 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 Series 2018 Phases #2-7 Bonds prior to and during construction, and to pay costs of issuing the Series 2018 Phases #2-7 Bonds.

The Collin County Tax Assessor Collector (the “CCTAC”), on behalf of the PID, will impose and collect the annual installments of assessments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the annual assessment including penalties and interest, and tax foreclosure proceedings. In addition, when assessments are imposed, a lien is made on the applicable parcels.

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.

Interest on the Bonds is payable according to the terms specified by the Indenture semiannually on March 1 and September 1 of each year beginning on March 1, 2019. Interest on the Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest payments on the Phase #1 Bonds totaled \$470,063 and \$477,488 for the years ended September 30, 2023, and 2022, respectively. Interest payments on the Phase #2-7 Bonds totaled \$733,650 and \$743,712 for the years ended September 30, 2023, and 2022, respectively.

The Bonds were issued as follows:

Phase #1 Bonds

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2023	\$ 545,000	4.125%	September 1, 2023
Term 2028	\$ 1,090,000	4.625%	September 1, 2028
Term 2038	\$ 3,190,000	5.125%	September 1, 2038
Term 2047	\$ 4,730,000	5.250%	September 1, 2047

Phases #2-7 Bonds

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2023	\$ 690,000	4.375%	September 1, 2023
Term 2028	\$ 1,395,000	5.000%	September 1, 2028
Term 2038	\$ 4,230,000	5.500%	September 1, 2038
Term 2048	\$ 7,480,000	5.625%	September 1, 2048

The Bonds are subject to optional redemption, extraordinary optional redemption, and mandatory sinking fund redemption. Principal payments on the Series 2018 Bonds are due each September 1 beginning September 1, 2021, according to the mandatory sinking fund redemption schedule.

1. Optional Redemption

The Bonds may be redeemed at the option of the City on or after September 1, 2028, 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 by the City prior to their scheduled maturity on the first day of any month after the required notice of redemption, at a redemption price equal to 100% of the principal amount of the bonds, plus accrued interest to the redemption date from amounts on deposit in the Redemption Fund as a result of assessment prepayments, unexpended proceeds transferred from the Project Fund to the Redemption Fund, foreclosure proceeds, and transfers to the Redemption Fund from the Delinquency Reserve Account and the Prepayment Reserve Account. There were no extraordinary optional redemptions made in the fiscal years ending September 30, 2023, and 2022.

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, 2021. Mandatory debt service requirements consist of the following:

For the period ending September 30:	Phase #1 Bonds		Phases #2-7 Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 200,000	\$ 462,225	\$ 250,000	\$ 723,150
2025	205,000	452,975	265,000	710,650
2026	215,000	443,494	280,000	697,400
2027	230,000	433,550	290,000	683,400
2028	240,000	422,913	310,000	668,900
2029-2033	1,385,000	1,924,019	1,820,000	3,077,800
2034-2038	1,805,000	1,528,881	2,410,000	2,515,975
2039-2043	2,345,000	1,008,525	3,200,000	1,764,281
2044-2048	2,385,000	321,300	4,280,000	750,375
Total	\$ 9,010,000	\$ 6,997,882	\$ 13,105,000	\$ 11,591,931

For the period ending September 30:	2018 Bonds	
	Principal	Interest
2024	\$ 450,000	\$ 1,185,375
2025	470,000	1,163,625
2026	495,000	1,140,894
2027	520,000	1,116,950
2028	550,000	1,091,813
2029-2033	3,205,000	5,001,819
2034-2038	4,215,000	4,044,856
2039-2043	5,545,000	2,772,806
2044-2048	6,665,000	1,071,675
Total	\$ 22,115,000	\$ 18,589,813

B. Phase #2 Omnibus Reimbursement Agreement

On June 14, 2022, assessments of \$5,938,154 were levied for Phase #2 Improvements. This represents an obligation under the Omnibus Reimbursement Agreement (for the entire PID). Interest will be computed at 8.75% for years 1-5, and 5.75% following the fifth annual installment. The annual installments of the assessments were triggered for collection on September 1, 2023. In addition, costs have been incurred for the phase, therefore, there is a liability of \$5,938,154 for the reimbursement agreement as of September 30, 2023.

C. Phase #2 RA Note Debt Service Schedule

For the period ending September 30:	Principal	Interest
2024	\$ 1,000	\$ 519,588
2025	1,000	519,501
2026	1,000	519,413
2027	1,000	519,326
2028	1,000	519,238
2029-2033	588,000	1,641,324
2034-2038	752,000	1,454,507
2039-2043	967,000	1,215,077
2044-2048	1,252,000	906,014
2049-2053	2,374,154	444,462
Total	\$ 5,938,154	\$ 8,258,450

D. Phase #3 Omnibus Reimbursement Agreement

On February 14, 2023, assessments of \$7,708,239 were levied for Phase #3: \$6,291,045 for Phase #3 Improvements and \$1,417,194 for Phase #3 Additional Major Improvements. This represents an obligation under the Omnibus Reimbursement Agreement (for the entire PID). Interest on both obligations will be computed at 8.65% for years 1-5, and 5.65% following the fifth annual installment. The annual installments of the assessments have not yet been triggered for collection. In addition, no costs have been incurred for the phase, therefore, there is no liability for the reimbursement agreement as of September 30, 2023.

NOTE 6—ANNUAL ASSESSMENTS

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

The annual assessment for the 2022-2023 assessment year was \$740,991 for the Phase #1 Bonds and \$1,077,375 for the Phase #2-7 Bonds. As of September 30, 2023, there were delinquencies of \$4,363, and the remaining payments had been remitted to the PID.

The annual assessment for the 2021-2022 assessment year was \$732,789 for the Phase #1 Bonds and \$1,060,199 for the Phase #2-7 Bonds. As of September 30, 2023, there were no delinquencies, and all payments had been remitted to the PID.

NOTE 7—ARBITRAGE

When applicable, arbitrage calculations are performed on the PID's funds to determine any arbitrage rebate or yield restriction liability. No liabilities for arbitrage rebate or yield restrictions were identified in the fiscal years ending September 30, 2023, and 2022.

NOTE 8—SUBSEQUENT EVENTS

The annual installments levied for fiscal year 2024 are \$2,330,339. Per the CCTAC, as of April 30, 2024 the PID has received \$2,321,462 in annual installments.