

**EDGEWOOD CREEK PUBLIC IMPROVEMENT DISTRICT
CITY OF CELINA, TEXAS**

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

CUSIP NUMBERS:

Phase #1

15114CDL5
15114CDM3
15114CDN1
15114CDP6

Phases #2-3

15114CDQ4
15114CDR2
15114CDS0

**EDGEWOOD CREEK
PUBLIC IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Edgewood Creek 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**

II. MANAGEMENT’S DISCUSSION AND ANALYSIS

The Management’s Discussion and Analysis of the financial performance of the Edgewood Creek 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.

Financial Highlights

1. The PID was created pursuant to the PID Act and Resolution No. 2020-33R, which was passed and approved by the City Council of the City of Celina (the “City Council”) on May 12, 2020, to finance certain infrastructure improvement projects provided for the benefit of the property in the PID.
2. The PID has issued two sets of bonds (the “PID Bonds”):
 - a. The \$4,465,000 City of Celina, Texas (the “City”), Special Assessment Revenue Bonds Series 2021, Phase #1 Project (the “Phase #1 Bonds”) were issued on February 3, 2021.
 - b. The \$3,460,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2021, Phases #2-3 Major Improvement Project (the “Phases #2-3 Bonds”) were issued on February 3, 2021.
3. The PID’s debt will be paid through the collection of assessments imposed on the chargeable properties benefiting from the public improvements reduced by tax increment reinvestment zone (“TIRZ”) contributions.
4. Net position at September 30, 2023 and 2022 totaled (\$8,956,549) and (\$1,330,937), respectively.
5. Capital assets totaled \$2,597,765 and \$8,794,177 as of September 30, 2023, and 2022, respectively.
6. On January 12, 2021, the City entered into a reimbursement agreement with MM Edgewood Creek, LLC (the “Developer”) to finance a portion of the costs of the improvements not paid with the proceeds of the PID Bonds. The Developer agreed to contribute funds, and, in return, the Developer was issued a note for the amount of the contribution. Principal and interest on the note will be paid from the pledged revenues each year in a pre-determined amount. Interest payments of \$247,870 were made during fiscal year 2023, of which \$78,024 was due in fiscal year 2022. The balance on the note was \$4,239,215 and \$4,494,757 as of September 30, 2023, and 2022, respectively.

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.

Comparative Financial Statements

Summary Statement of Net Position:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current and other assets	\$ 811,491	\$ 2,627,064	\$ 6,132,375
Capital assets	<u>2,597,765</u>	<u>8,794,177</u>	<u>6,135,182</u>
Total assets	<u>3,409,256</u>	<u>11,421,241</u>	<u>12,267,557</u>
Liabilities:			
Current liabilities	599,590	638,422	1,011,473
Long-term debt	<u>11,766,215</u>	<u>12,113,757</u>	<u>12,348,757</u>
Total Liabilities	<u>12,365,805</u>	<u>12,752,179</u>	<u>13,360,230</u>
Net Position			
Net investment in capital assets	(8,730,308)	(1,290,345)	(154,092)
Restricted	128,819	285,026	-
Unrestricted	<u>(355,060)</u>	<u>(325,618)</u>	<u>(938,581)</u>
Total Net Position	<u>\$ (8,956,549)</u>	<u>\$ (1,330,937)</u>	<u>\$ (1,092,673)</u>

PID Bonds proceeds were used to finance the construction of improvements, bond issue costs, debt service, and administrative costs of the PID. The decrease in net position is due primarily to the completion and donation of capital assets.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 920,002	\$ 387,436	\$ -
Operating Expenses	<u>79,205</u>	<u>67,386</u>	<u>34,279</u>
Operating Income	840,797	320,050	(34,279)
Non-operating Revenues/(Expenses)	(471,451)	(558,315)	(1,058,394)
Donated capital assets	<u>(7,994,958)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ (7,625,612)</u>	<u>\$ (238,265)</u>	<u>\$ (1,092,673)</u>

The increase in negative net position in fiscal year 2023 can be attributed mainly to the acceptance and conveyance of public improvements.

Capital Assets

Capital assets totaling \$2,597,765 as of September 30, 2023, consisted of construction in progress in Phases #2-3 of the PID. The Phase #1 construction in progress, road, water, sanitary sewer and storm drainage improvements were completed in 2022 and accepted by the City in 2023. The Phases #2-3 improvements were completed in 2023 and are pending City acceptance.

Capital assets totaling \$8,794,177 as of September 30, 2022, consisted of construction in progress and completed roadway and utility improvements in Phase #1 and Phases #2-3 of the PID.

Long-Term Debt

The \$4,465,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2021 Phase #1 Project and the \$3,460,000 City of Celina, Texas, Special Assessment Revenue Bonds Series 2021 Phases #2-3 Major Improvement Project were issued on February 3, 2021, bearing variable interest rates with a final maturity of September 1, 2050. The proceeds from the PID Bonds are being used to finance construction of certain public infrastructure improvements within the PID, to pay a portion of the interest on the PID Bonds during and after the period of acquisition and construction of the improvements, to fund a debt service reserve fund, to pay costs of issuing the PID Bonds, and to pay the initial administrative expenses of the PID.

The PID Bonds issuances represent 64% of the PID's long-term debt balance. The PID Bonds are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the Phase #1 and Phases #2-3 indentures of trust.

The PID's debt will be paid through the collection of annual installments imposed on the chargeable properties benefiting from the public improvements reduced by the TIRZ contributions. Mandatory debt service payments began on March 1, 2021, for the Phase #1 Bonds and Phases #2-3 Bonds from assessment revenues received by the PID after the payment of administrative expenses.

On January 12, 2021, the City entered into a reimbursement agreement with the Developer to finance a portion of the costs of the improvements not paid with the proceeds of the PID Bonds. The Developer agreed to contribute approximately \$4.5 million to the costs of the improvements. In return, the Developer was issued a note (the “RA Note”) for the amount of the contribution bearing interest at 4.57% until maturity on September 1, 2051. Principal and interest on the RA Note will be paid from the pledged revenues each year in a pre-determined amount. The balance on the RA Note was \$4,239,215 and \$4,494,757 as of September 30, 2023, and 2022, respectively, which represents 36% of the PID’s long-term debt balance. Interest payment on the note began on September 1, 2021.

Revenues

Annual installments are to be imposed and collected on all properties within the PID benefiting from the public improvements to pay debt service and operating costs of the PID. The annual installments will be remitted to the PID monthly as they are received by the Denton County Tax Assessor/Collector (the “DCTAC”). Annual installments of \$920,003 were billed and collected in fiscal year 2023. Annual installments of \$387,436 were billed and collected in fiscal year 2022.

TIRZ contributions, as available, are collected by the DCTAC from each parcel of assessed property that pays City taxes in a given year. These contributions will be used to reduce the annual installment. There were no TIRZ contributions for fiscal years 2023 and 2022.

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

**EDGEWOOD CREEK 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	\$ 804,961	\$ 2,620,260
Accrued interest receivable	4,697	4,971
Prepaid expenses	1,833	1,833
Total Current Assets	<u>811,491</u>	<u>2,627,064</u>
Noncurrent Assets		
Capital assets	<u>2,597,765</u>	<u>8,794,177</u>
Total Noncurrent Assets	<u>2,597,765</u>	<u>8,794,177</u>
Total Assets	<u>3,409,256</u>	<u>11,421,241</u>
Liabilities		
Current Liabilities		
Accounts payable	23,828	11,807
Accrued liabilities	66,815	-
Accrued interest payable	270,947	320,615
Current portion of long-term debt	238,000	306,000
Total Current Liabilities	<u>599,590</u>	<u>638,422</u>
Noncurrent Liabilities		
Long-term debt	<u>11,766,215</u>	<u>12,113,757</u>
Total Noncurrent Liabilities	<u>11,766,215</u>	<u>12,113,757</u>
Total Liabilities	<u>12,365,805</u>	<u>12,752,179</u>
Net Position		
Net investment in capital assets	(8,730,308)	(1,290,345)
Restricted	128,819	285,026
Unrestricted	<u>(355,060)</u>	<u>(325,618)</u>
Net Position	<u>\$ (8,956,549)</u>	<u>\$ (1,330,937)</u>

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

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

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Annual assessment revenues	\$ 920,002	\$ 387,436
Total Operating Revenues	920,002	387,436
Operating Expenses		
Administrative fees	75,258	63,295
Accounting and audit fees	3,947	4,091
Total Operating Expenses	79,205	67,386
Operating Income	840,797	320,050
Non-Operating Revenues/(Expenses)		
Interest and dividend income	97,163	17,507
Interest expense	(568,614)	(575,822)
Total Non-Operating Revenues/(Expenses)	(471,451)	(558,315)
Donated capital assets	(7,994,958)	-
Change in Net Position	(7,625,612)	(238,265)
Net Position, Beginning of Year	(1,330,937)	(1,092,673)
Net Position, End of Year	\$ (8,956,549)	\$ (1,330,937)

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

EDGEWOOD CREEK 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	\$ 920,002	\$ 387,436
Cash payments for administrative fees	(63,236)	(60,540)
Cash payments for accounting and audit fees	(3,947)	-
Net Cash Provided by Operating Activities	852,819	326,896
Cash Flows from Investing Activities		
Interest and dividends received on investments	97,436	12,595
Net Cash Provided by Investing Activities	97,436	12,595
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,731,730)	(3,429,138)
Principal paid on debt	(415,542)	-
Interest paid on debt	(618,282)	(420,576)
Net Cash Used in Capital and Related Financing Activities	(2,765,554)	(3,849,714)
Net decrease in Cash and Cash Equivalents	(1,815,299)	(3,510,223)
Cash and Cash Equivalents, Beginning of Year	2,620,260	6,130,483
Cash and Cash Equivalents, End of Year	\$ 804,961	\$ 2,620,260
Adjustments to Reconcile Operating Income to Net Cash		
Used in Operating Activities:		
Operating Income	\$ 840,797	\$ 320,050
Adjustments		
Increase in accounts payable	12,022	6,846
Net Cash Used in Operating Activities	\$ 852,819	\$ 326,896
Supplemental Information		
Donated Capital Assets	\$ 7,994,958	\$ -
Construction in progress in accrued liabilities	\$ 66,815	\$ -

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

IV. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—FINANCIAL REPORTING ENTITY

The Edgewood Creek Public Improvement District (the “PID”) was created pursuant to Chapter 372, Public Improvement District Assessment Act (the “PID Act”) and Resolution No. 2020-33R, which was passed and approved by the City Council of the City of Celina (the “City Council”) on May 12, 2020, to finance certain infrastructure improvement projects provided for the benefit of the property in the PID.

The \$4,465,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2021 Phase #1 Project (the “Phase #1 Bonds”) were issued on February 3, 2021 pursuant to the PID Act and an ordinance adopted by the City Council on January 12, 2021 and an Indenture of Trust (the “Phase #1 Indenture”) dated as of January 1, 2021 by and between the City of Celina (the “City”) and U.S. Bank, National Association (the “Trustee”). The Phase #1 Bonds were issued to finance certain infrastructure improvement projects located within Phase #1 of the PID (the “Phase #1 Improvements”). Phase #1 consists of approximately 63 acres out of the approximately 247-acre PID and contains 301 parcels.

The \$3,460,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2021 Phases #2-3 Major Improvement Project (the “Phases #2-3 Bonds” and together with the Phase #1 Bonds, the “PID Bonds”) were issued on February 3, 2021, pursuant to the PID Act and an ordinance adopted by the City Council on January 12, 2021, and an Indenture of Trust (“the Phases #2-3 Indenture”) dated as of January 1, 2021, by and between the City and the Trustee. The Phases #2-3 Bonds were issued to finance certain infrastructure improvement projects located within Phases #2-3 of the PID (the “Phases #2-3 Improvements”). Phases #2-3 consists of approximately 184 acres out of the total 247-acre PID and is anticipated to include 546 parcels.

The City and MM Edgewood Creek, LLC (the “Developer”) entered into a reimbursement agreement in the aggregate amount of \$4,494,757 (the “RA Note”) to finance, refinance, provide, or otherwise assist in the acquisition, construction, and maintenance of the public improvements provided for the benefit of the property in the PID.

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 the Developer. The PID consists of approximately 247 acres and is projected to consist of 847 lots and the infrastructure necessary to provide roadways, drainage, and utilities to the PID.

The PID Bonds are intended to be paid primarily from special assessments imposed and collected by the City against the properties benefiting from the public improvements of the PID. If an assessment is not paid in full, the PID Act authorizes the City to collect interest and collections costs on the outstanding special assessment. The City covenanted in the Phase #1 Indenture and the Phases #2-3 Indenture (together 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.

TIRZ (tax increment reinvestment zone) contributions are collected by the Denton County Tax Assessor/Collector (“DCTAC”) from each parcel of assessed property that pays City taxes in a given year. A portion of the taxes paid on each individual parcel (TIRZ contribution percentage) shall be used to calculate that parcel’s TIRZ annual credit for the following year. The TIRZ contribution reduces the amount of annual installments and assists in the repayment of the PID Bonds.

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. These policies conform to accounting principles generally accepted in the United States of America (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 capital assets as all assets will be donated to the City or another public entity upon completion/acquisition.

E. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. 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 and TIRZ contributions. 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 therefore, 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>
US Treasury money market funds	\$ 804,961	\$ 2,620,260
Total cash and cash equivalents	<u>\$ 804,961</u>	<u>\$ 2,620,260</u>

A. Custodial Credit Risk

Custodial credit risk 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.

Cash and cash equivalents consist of investments in money market accounts. Such underlying securities are held by financial institutions in their trust departments in the PID’s name.

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 Indentures require the investment of moneys in all funds in accordance with the Investment Act and the City’s official investment policy.

C. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Indentures specify that investment in time deposits or certificates of deposit must be secured in the manner required by law for public funds, or be invested in direct obligations of the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Investment Act, provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time. For purposes of maximizing investment returns, to the extent permitted by law, money in such funds may be invested in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository bank. Investments at September 30, 2023 and 2022 were in compliance with the Indentures.

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

D. Concentration of Credit Risk

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

E. Fair Value 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, 2023 and 2022, were as follows:

	Balance			Balance	
	2023	October 1, 2022	Additions	Transfers	September 30, 2023
<u>Phase #1 Improvements</u>					
Construction in progress	\$	1,107,301	\$ 1,245,389	\$ (2,352,690)	\$ -
Road improvements		2,828,937	-	(2,828,937)	-
Water improvements		730,387	-	(730,387)	-
Sanitary sewer improvements		1,068,467	-	(1,068,467)	-
Storm drainage improvements		1,014,477	-	(1,014,477)	-
<u>Phase #2-3 Improvements</u>					
Construction in progress		2,044,608	553,157	-	2,597,765
Total Capital Assets	\$	8,794,177	\$ 1,798,546	\$ (7,994,958)	\$ 2,597,765
<hr/>					
	Balance			Balance	
	2022	October 1, 2021	Additions	Transfers	September 30, 2022
<u>Phase #1 Improvements</u>					
Construction in progress	\$	4,704,584	\$ 2,044,985	\$ (5,642,268)	\$ 1,107,301
Road improvements		-	-	2,828,937	2,828,937
Water improvements		-	-	730,387	730,387
Sanitary sewer improvements		-	-	1,068,467	1,068,467
Storm drainage improvements		-	-	1,014,477	1,014,477
<u>Phase #2-3 Improvements</u>					
Construction in progress		1,430,598	614,010	-	2,044,608
Total Capital Assets	\$	6,135,182	\$ 2,658,995	\$ -	\$ 8,794,177

As of September 30, 2023, the road, water, sanitary sewer, and storm drainage improvements for Phase #1 have been successfully completed and accepted by the City, according to the Developer’s Quarterly Improvement Implementation Report. The improvements for Phases #2-3 have also been completed and are currently awaiting City acceptance.

NOTE 5—LONG-TERM OBLIGATIONS

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

	Balance			Balance September 30, 2023	Due in one year
	October 1, 2022	Increase	Decrease		
2023					
Phase #1 Bonds	\$ 4,465,000	\$ -	\$ (95,000)	\$ 4,370,000	\$ 95,000
Phases #2-3 Bonds	3,460,000	-	(65,000)	3,395,000	65,000
Reimbursement Agreement Note	4,494,757	-	(255,542)	4,239,215	78,000
Total Long-term Debt	\$ 12,419,757	\$ -	\$ (415,542)	\$ 12,004,215	\$ 238,000

	Balance			Balance September 30, 2022	Due in one year
	October 1, 2021	Increase	Decrease		
2022					
Phase #1 Bonds	\$ 4,465,000	\$ -	\$ -	\$ 4,465,000	\$ 95,000
Phases #2-3 Bonds	3,460,000	-	-	3,460,000	65,000
Reimbursement Agreement Note	4,494,757	-	-	4,494,757	146,000
Total Long-term Debt	\$ 12,419,757	\$ -	\$ -	\$ 12,419,757	\$ 306,000

A. Special Assessment Revenue Bonds, Series 2021

On February 3, 2021 the PID issued \$4,465,000 in Special Assessment Revenue Bonds, Series 2021 Phase #1 Bonds and \$3,460,000 in Special Assessment Revenue Bonds, Series 2021 Phases #2-3 Bonds, to finance construction of certain public infrastructure improvements within the respective areas, to pay a portion of the interest on the PID Bonds during and after the period of acquisition and construction, to fund a debt service reserve fund, to pay costs of issuing the PID Bonds, and to pay the initial administrative expenses of the PID Bonds.

The PID Bonds are intended to be paid primarily from assessments imposed and collected by the DCTAC 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 PID Bonds are special obligations of the City payable solely from and secured by a pledge of special assessments. They are not payable from funds raised or to be raised from taxation.

The Phase #1 Bonds were issued in four terms as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2026	\$ 390,000	3.250%	September 1, 2026
Term 2031	\$ 565,000	3.750%	September 1, 2031
Term 2041	\$ 1,500,000	4.250%	September 1, 2041
Term 2050	\$ 2,010,000	4.500%	September 1, 2050

The Phases #2-3 Bonds were issued in three terms as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2031	\$ 680,000	4.750%	September 1, 2031
Term 2041	\$ 1,140,000	5.250%	September 1, 2041
Term 2050	\$ 1,640,000	5.500%	September 1, 2050

The PID Bonds represent 64% of the PID's long-term debt balance and are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the Indentures. Principal payments on the PID Bonds are due each September 1 and commenced on September 1, 2023, according to the mandatory sinking fund redemption schedule.

Interest on the PID Bonds is payable according to the terms specified by the Indentures semiannually on March 1 and September 1 of each year commencing on March 1, 2021. Interest on the PID Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Interest paid for the years ending September 30, 2023, and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Phase #1 Bonds	\$ 188,063	\$ 188,063
Phases #2-3 Bonds	182,350	182,350
Total	<u>\$ 370,413</u>	<u>\$ 370,413</u>

1. Optional Redemption

The City reserves the right and option to redeem the PID Bonds maturing on or after September 1, 2041, before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 2031, at a price of par plus accrued interest to the date of the redemption.

2. Extraordinary Optional Redemption

The PID Bonds are subject to extraordinary optional redemption by the City prior to their scheduled maturity on the first day of any month 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. There were no extraordinary optional redemptions made in the fiscal years ending September 30, 2023 and 2022.

3. Mandatory Sinking Fund Redemption

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

For the period ending September 30:	Phase #1 Bonds		Phases #2-3 Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 95,000	\$ 184,975	\$ 65,000	\$ 179,263
2025	100,000	181,888	70,000	176,175
2026	100,000	178,638	70,000	172,850
2027	105,000	175,388	75,000	169,525
2028	110,000	171,450	80,000	165,963
2029-2033	605,000	792,125	440,000	770,225
2034-2038	730,000	657,313	550,000	646,563
2039-2043	895,000	488,338	705,000	486,075
2044-2048	1,110,000	270,675	905,000	273,900
2049-2050	520,000	35,325	435,000	36,300
Total	\$ 4,370,000	\$ 3,136,115	\$ 3,395,000	\$ 3,076,839

For the period ending September 30:	Total PID Bonds		
	Principal	Interest	Total
2024	\$ 160,000	\$ 364,238	\$ 524,238
2025	170,000	358,063	528,063
2026	170,000	351,488	521,488
2027	180,000	344,913	524,913
2028	190,000	337,413	527,413
2029-2033	1,045,000	1,562,350	2,607,350
2034-2038	1,280,000	1,303,876	2,583,876
2039-2043	1,600,000	974,413	2,574,413
2044-2048	2,015,000	544,575	2,559,575
2049-2050	955,000	71,625	1,026,625
Total	\$ 7,765,000	\$ 6,212,954	\$ 13,977,954

B. Reimbursement Note

On January 12, 2021, the City entered into a reimbursement agreement with the Developer to finance a portion of the costs of the Phase #1 Improvements not paid with the proceeds of the PID Bonds. The Developer agreed to contribute approximately \$4.5 million to the costs of the improvements. In return, the Developer was issued a RA Note for the amount of the contribution bearing interest at 4.57% until maturity on September 1, 2051. Any balance remaining on the RA Note on September 1, 2051, will be cancelled. Principal and interest on the RA Note will be paid from the pledged revenues each year in a pre-determined amount from assessments only on

property in the Phase #1 portion of the PID. The balance on the RA Note was \$4,239,215 and \$4,494,757 as of September 30, 2023, and 2022, respectively, which represents 36% of the PID's long-term debt balance. Interest payments on the note began on September 1, 2021. Interest paid in fiscal year 2023 was \$247,870, of which \$78,024 was due in fiscal year 2022. Interest payments of \$50,165 were made in fiscal year 2022.

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

For the period ending September 30:	Reimbursement Agreement Note		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 78,000	\$ 193,732	\$ 271,732
2025	82,000	190,168	272,168
2026	86,000	186,420	272,420
2027	91,000	182,490	273,490
2028	95,000	178,331	273,331
2029-2033	552,000	821,918	1,373,918
2034-2038	706,000	682,396	1,388,396
2039-2043	900,000	504,211	1,404,211
2044-2048	1,149,000	276,991	1,425,991
2049-2050	500,215	33,609	533,824
Total	\$ 4,239,215	\$ 3,250,266	\$ 7,489,481

NOTE 6—REVENUES

A. Annual Installments of Assessments

Annual installments of the assessments are to be imposed and collected on all properties within the PID benefiting from the public improvements (excepting those for which the assessment lien has been prepaid), to pay debt service and operating costs of the PID. The annual installments are remitted to the PID monthly as they are received by the DCTAC. The annual installment, 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. In addition, the annual payment includes a 0.50% additional interest reserve as described in the Service and Assessment Plan. Annual installments are payable to the City no later than February 1 of each year.

Annual installments of assessments totaling \$920,003 were billed for the 2022-2023 assessment year to be collected in fiscal year 2023: \$618,953 for the Phase #1 Bonds and \$301,050 for the Phases #2-3 Bonds. As of September 30, 2023, all annual installments of assessments had been remitted to the PID.

Annual installments of assessments totaling \$387,435 were billed for the 2021-2022 assessment year to be collected in fiscal year 2022: \$334,435 for the Phase #1 Bonds and \$53,000 for the

Phases #2-3 Bonds. As of September 30, 2023, all annual installments of assessments had been remitted to the PID.

B. TIRZ Contributions

TIRZ contributions are collected by the DCTAC from each parcel of assessed property that paid City taxes in a given year. A portion of the taxes paid on each individual parcel (TIRZ contribution percentage) shall be used to calculate that parcel’s TIRZ annual credit for the following year. The TIRZ contribution reduces the annual installments and assists in the repayment of the PID Bonds. There were no TIRZ contributions for fiscal years 2023 and 2022.

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 2024 annual installments imposed on the PID are as follows:

Annual Installments	2024
Phase #1 Bonds	\$ 599,090
Phase #2-3 Bonds	284,453
Total	\$ 883,543

As of February 29, 2024, all 2024 annual installments had been remitted to the PID.

In February of fiscal year 2024, the TIRZ received contributions totaling \$7,619.

TIRZ Contribution	2024
Phase #1 Bonds	\$ 5,405
Phase #2-3 Bonds	2,214
Total	\$ 7,619