

**OWNSBY FARMS PUBLIC IMPROVEMENT DISTRICT
CITY OF CELINA, TEXAS**

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

CUSIP NUMBERS:

Phase #1

15114CBC7

15114CBD5

Phase #2 MI

15114CBE3

15114CBF0

Phase #2 Direct

15114CFA7

15114CFB5

**OWNSBY FARMS
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
Ownsby Farms Public Improvement District
Celina, Texas

Opinion

We have audited the financial statements of the Ownsby Farms 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 Ownsby Farms 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. 2015-26R, which was passed and approved by the City Council of the City of Celina (the "City Council") on June 9, 2015 to finance certain infrastructure improvement projects provided for the benefit of the property in the PID.
2. The PID has issued three sets of bonds (the "PID Bonds"):
 - a. The \$4,465,000 City of Celina, Texas (the "City"), Special Assessment Revenue Bonds Series 2017, Phase #1 Project (the "Phase #1 Bonds") were issued on January 31, 2017.
 - b. The \$1,765,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2017, Phase #2 Major Improvement Project (the "Phase #2 MI Bonds") were issued on January 31, 2017.
 - c. The \$2,845,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022, Phase #2 Direct Improvements Project (the "Phase #2 Direct Bonds" and together with the Phase #1 Bonds and Phase #2 MI Bonds, the "PID Bonds") were issued on March 3, 2022.
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 contributions from the City.
4. Net position at September 30, 2023 and 2022 totaled (\$8,470,570) and (\$8,780,480) respectively.
5. There were no capital assets at September 30, 2023 and 2022, reflecting the completion and acceptance of \$2,303,949 in fiscal year 2022 of capital assets accepted by the City. In fiscal year 2018, \$9,276,342 of completed capital assets were accepted by the City.
6. Annual assessments of \$712,729 and \$758,122 were imposed on the property owners for the 2023 and 2022 fiscal years, respectively. The annual assessments are remitted to the PID monthly as they are received by the Collin County Tax Assessor Collector

(the “CCTAC”). As of September 30, 2023, all annual installments have been paid and collected by the CCTAC.

7. Tax increment reinvestment zone (“TIRZ”) contributions of \$144,094 and \$92,760 were collected for the 2023 and 2022 fiscal years, respectively.
8. CADG Ownsby Farms, LLC (the “Developer”) entered into a Phase #1 Reimbursement Agreement with the City in the aggregate principal amount of \$1,256,000 which is secured by assessments. A total of \$1,142,263 is outstanding on the Phase #1 RA Note as of September 30, 2023. As of September 30, 2022, the balance on the Phase #1 RA Note was \$1,188,312.
9. The Developer entered into a Phase #2 Reimbursement Agreement with the City in the aggregate principal amount of \$2,845,000 secured by assessments commencing in fiscal year 2022. The Reimbursement Agreement note was replaced by the Phase #2 Direct Bonds.

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 assets | \$ 1,221,115 | \$ 1,121,363 | \$ 819,528 |
| Total assets | <u>1,221,115</u> | <u>1,121,363</u> | <u>819,528</u> |
| Liabilities: | | | |
| Current liabilities | 284,430 | 296,669 | 280,116 |
| Long-term debt | <u>9,407,255</u> | <u>9,605,174</u> | <u>6,986,104</u> |
| Total Liabilities | <u>9,691,685</u> | <u>9,901,843</u> | <u>7,266,220</u> |
| Net Position | | | |
| Restricted | 1,215,667 | 1,119,239 | 819,521 |
| Unrestricted | <u>(9,686,237)</u> | <u>(9,899,719)</u> | <u>(7,266,213)</u> |
| Total Net Position | <u>\$ (8,470,570)</u> | <u>\$ (8,780,480)</u> | <u>\$ (6,446,692)</u> |

PID Bond proceeds were used to finance the construction of improvements and administrative costs of the PID.

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|-----------------------------------|-------------------|-----------------------|-------------------|
| Operating Revenues | \$ 872,937 | \$ 836,414 | \$ 647,006 |
| Operating Expenses | <u>93,558</u> | <u>73,633</u> | <u>81,122</u> |
| Operating Income | 779,379 | 762,781 | 565,884 |
| Non-operating Revenues/(Expenses) | (469,469) | (792,246) | (438,682) |
| Donated capital assets | - | (2,303,949) | - |
| Developer's distribution | <u>-</u> | <u>(374)</u> | <u>-</u> |
| Change in Net Position | <u>\$ 309,910</u> | <u>\$ (2,333,788)</u> | <u>\$ 127,202</u> |

Net Position increased from 2022 to 2023 due primarily to the donation of the Phase #2 Direct improvements to the City in fiscal year 2022.

Capital Assets

There were no capital assets at September 30, 2023 and 2022, reflecting the completion and acceptance of all public improvements totaling \$11,580,291. All capital assets donated to the City in fiscal year 2022 and prior years were reported as “donated capital assets” in the financial statements.

| <u>Completion and Acceptance of Public Improvements</u> | | <u>Amount</u> |
|---|------|----------------------|
| Phase #1 | 2018 | \$ 7,513,906 |
| Phase #2 MI | 2018 | 1,762,436 |
| Phase #2 Direct | 2022 | 2,303,949 |
| Total | | \$ 11,580,291 |

Long-Term Debt

The \$4,465,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2017 Phase #1 Project were issued on January 31, 2017 bearing interest at rates from 6.00% to 6.25% with a final maturity of September 1, 2046.

The \$1,765,000 City of Celina, Texas, Special Assessment Revenue Bonds Series 2017 Phase #2 Major Improvement Project were issued on January 31, 2017 bearing interest at 6.125% with a final maturity of September 1, 2046.

The \$2,845,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022, Phase #2 Direct Improvements Project were issued on March 3, 2022 bearing interest at 4.00% to 4.375% with a final maturity of September 1, 2051.

The Developer entered into a Phase #1 Reimbursement Agreement note with the City in the aggregate principal amount of \$1,256,000 secured by assessments. As of September 30, 2023, the balance of the Phase #1 RA Note is \$1,142,263. As of September 30, 2022, the balance on the Phase #1 RA Note was \$1,188,312.

The Developer entered into a Phase #2 Reimbursement Agreement with the City in the aggregate principal amount of \$2,845,000 secured by assessments commencing in fiscal year 2022. As of March 3, 2022, the Phase #2 Direct Bonds replaced the reimbursement agreement.

The PID Bonds and Phase #1 RA Note represent 100% 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 Phase #1 Indenture, Phase #2 MI Indenture, Phase #2 Direct Indenture and Phase #1 Reimbursement Agreement.

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.

The proceeds from the PID Bonds are being used to finance construction of certain public infrastructure improvements within the PID, 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.

Mandatory sinking fund payments began on September 1, 2019, for the Phase #1 Bonds, September 1, 2021, for the Phase #2 MI Bonds, and September 1, 2022, for the Phase #2 Direct Bonds from assessment revenues received by the PID after the payment of administrative expenses.

Revenues

Annual assessments 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 assessments are remitted to the PID monthly as they are received by the CCTAC. Annual assessments were billed to the property owners as follows:

| <u>Annual Installments</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|-----------------------------------|--------------------|--------------------|--------------------|
| Phase #1 Bonds | \$ 246,382 | \$ 288,933 | \$ 334,412 |
| Phase #1 RA Note | 96,588 | 99,987 | 90,437 |
| Phase #2 MI Bonds | 168,403 | 172,426 | 163,522 |
| Phase #2 Direct Bonds | 201,356 | 196,776 | - |
| Total | \$ 712,729 | \$ 758,122 | \$ 588,371 |

As of September 30, 2023, \$2,133 is delinquent from the Phase #1 Bonds and the remaining annual installments have been collected by the CCTAC and remitted to the PID.

TIRZ contributions are collected by the CCTAC from each parcel of assessed property that pays City taxes in a given year. These contributions are used to reduce the Phase #1 and Phase #2 MI annual installment. TIRZ contributions totaled the following:

| <u>TIRZ Contribution</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---------------------------------|--------------------|--------------------|--------------------|
| Phase #1 Bonds | \$ 129,541 | \$ 90,936 | \$ 35,847 |
| Phase #2 MI Bonds | 14,553 | 1,824 | 1,450 |
| Total | \$ 144,094 | \$ 92,760 | \$ 37,297 |

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

**OWNSBY FARMS 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 | \$ 1,215,667 | \$ 1,119,239 |
| Accrued interest receivable | 5,448 | 2,124 |
| Total Current Assets | <u>1,221,115</u> | <u>1,121,363</u> |
| Total Assets | <u>1,221,115</u> | <u>1,121,363</u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 44,457 | 30,592 |
| Accrued interest payable | 57,973 | 91,077 |
| Current portion of long-term debt | 182,000 | 175,000 |
| Total Current Liabilities | <u>284,430</u> | <u>296,669</u> |
| Noncurrent Liabilities | | |
| Long-term debt | 9,525,263 | 9,728,312 |
| Discount on long-term debt, net | (118,008) | (123,138) |
| Total Noncurrent Liabilities | <u>9,407,255</u> | <u>9,605,174</u> |
| Total Liabilities | <u>9,691,685</u> | <u>9,901,843</u> |
| Net Position | | |
| Restricted | 1,215,667 | 1,119,239 |
| Unrestricted | <u>(9,686,237)</u> | <u>(9,899,719)</u> |
| Net Position | <u>\$ (8,470,570)</u> | <u>\$ (8,780,480)</u> |

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

OWNSBY FARMS 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 | \$ 728,843 | \$ 743,654 |
| TIRZ contribution | 144,094 | 92,760 |
| Total Operating Revenues | 872,937 | 836,414 |
| Operating Expenses | | |
| Administrative fees | 87,637 | 69,542 |
| Accounting and audit fees | 5,921 | 4,091 |
| Total Operating Expenses | 93,558 | 73,633 |
| Operating Income | 779,379 | 762,781 |
| Non-Operating Revenues/(Expenses) | | |
| Interest and dividend income | 67,009 | 8,646 |
| Bond issuance costs | - | (303,625) |
| Interest expense | (547,606) | (504,359) |
| Penalties and interest revenues | 11,128 | 7,092 |
| Total Non-Operating Expenses | (469,469) | (792,246) |
| Donated capital assets | - | (2,303,949) |
| Developer's distribution | - | (374) |
| Change in Net Position | 309,910 | (2,333,788) |
| Net Position, Beginning of Year | (8,780,480) | (6,446,692) |
| Net Position, End of Year | \$ (8,470,570) | \$ (8,780,480) |

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

OWNSBY FARMS 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 | \$ 872,937 | \$ 836,414 |
| Cash payments for administrative fees | (73,773) | (77,602) |
| Cash payments for accounting and audit fees | (5,921) | (5,000) |
| Net Cash Provided by Operating Activities | 793,243 | 753,812 |
| Cash Flows from Investing Activities | | |
| Interest and dividends received on investments | 63,686 | 6,529 |
| Net Cash Provided by Investing Activities | 63,686 | 6,529 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from bond issuance | - | 2,845,000 |
| Acquisition and construction of capital assets | - | (2,303,949) |
| Principal paid on debt | (196,049) | (181,062) |
| Interest paid on debt | (575,580) | (523,705) |
| Bond issuance costs paid | - | (303,625) |
| Developer distribution | - | (374) |
| Penalties and interest received | 11,128 | 7,092 |
| Net Cash Used in Capital and Related Financing Activities | (760,501) | (460,623) |
| Change in Cash and Cash Equivalents Balance | 96,428 | 299,718 |
| Cash and Cash Equivalents, Beginning of Year | 1,119,239 | 819,521 |
| Cash and Cash Equivalents, End of Year | \$ 1,215,667 | \$ 1,119,239 |
| Adjustments to Reconcile Operating Income to Net Cash | | |
| Provided by Operating Activities: | | |
| Operating Income | \$ 779,379 | \$ 762,781 |
| Adjustments | | |
| Increase (decrease) in accounts payable | 13,864 | (8,969) |
| Net Cash Provided by Operating Activities | \$ 793,243 | \$ 753,812 |
| Supplemental Information | | |
| Donated capital assets | \$ - | \$ 2,303,949 |

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 Ownsby Farms Public Improvement District (the “PID”) was created pursuant to Chapter 372, Public Improvement District Assessment Act (the “PID Act”) and Resolution No. 2015-26R, which was passed and approved by the City Council of the City of Celina, Texas (the “City Council”) on June 9, 2015 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 2017 Phase #1 Project (the “Phase #1 Bonds”) were issued on January 31, 2017 pursuant to the PID Act and an ordinance adopted by the City Council on January 17, 2017 and an Indenture of Trust (the “Phase #1 Indenture”) dated as of January 1, 2017 by and between the City of Celina, Texas (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 72.8 acres out of the approximate 114-acre PID and contains 205 single family residential units.

The \$1,765,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2017 Phase #2 Major Improvement Project (the “Phase #2 MI Bonds”) were issued on January 31, 2017 pursuant to the PID Act and an ordinance adopted by the City Council on January 17, 2017 and an Indenture of Trust (“the Phase #2 Indenture”) dated as of January 1, 2017 by and between the City and the Trustee. The Phase #2 MI Bonds were issued to finance certain infrastructure improvement projects located within Phase #2 of the PID (the “Phase #2 MI Improvements”). Phase #2 consists of approximately 41.2 acres out of the total 114-acre PID and is anticipated to include 168 residential units.

The \$2,845,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022, Phase #2 Direct Improvements Project (the “Phase #2 Direct Bonds” and together with the Phase #1 Bonds and Phase #2 MI Bonds, the “PID Bonds”) were issued on March 3, 2022, pursuant to the PID Act and an ordinance adopted by the City Council on February 8, 2022 and an Indenture of Trust (“the Phase #2 Direct Indenture” and together with the Phase #1 Indenture and the Phase #2 Indenture, the “Indentures”) dated as of March 1, 2022 by and between the City and the Trustee. The Phase #2 Direct Bonds were issued to finance certain infrastructure improvement projects located within Phase #2 of the PID (the “Phase #2 Direct Improvements”). Phase #2 consists of approximately 41.2 acres out of the total 114-acre PID and is anticipated to include 168 residential units.

The City and the CADG Ownsby Farms, LLC (the “Developer”) entered into a reimbursement agreement note in the aggregate amount of \$1,256,000 (the “Phase #1 Reimbursement Agreement”) to finance, refinance, provide, or otherwise assist in the acquisition, construction, and maintenance of the public improvements provided for the benefit of the property in Phase #1 of the PID (the “Phase #1”). The unpaid reimbursement agreement note shall bear simple interest at the rate of 5.5% per annum for years 1-31 until future Phase #1 Bonds are sold, if ever. If on the maturity date, after application of the net proceeds of any future Phase #1 Bonds, any portion of

the unpaid balance remains unpaid, such unpaid balance shall be canceled and for all purposes this reimbursement agreement shall be deemed to have been conclusively and irrevocably paid in full. The Developer entered into a Phase #2 reimbursement agreement note with the City in the aggregate principal amount of \$2,845,000 secured by assessments commencing in fiscal year 2022. As of September 30, 2022, the Phase #2 reimbursement agreement note has been replaced with the Phase #2 Direct 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 land in the PID is being developed by the developer. The PID consists of approximately 114 acres and is projected to consist of 372 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 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 Collin County Tax Assessor Collector (“CCTAC”) 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 Phase #1 and Phase #2 MI 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 within 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. 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.

E. 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 consist of annual installments levied by the County annually 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.

F. 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.

G. Income Taxes

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

H. 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 | \$ 1,215,667 | \$ 1,119,239 |
| Total cash and cash equivalents | <u>\$ 1,215,667</u> | <u>\$ 1,119,239</u> |

A. Custodial Credit Risk

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

B. Interest Rate Risk

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

C. Credit Risk

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

official depository bank. Investments at September 30, 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. 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

All public improvements have been completed and accepted by the City. The previous costs included water, storm drainage, wastewater construction and installation, waterlines and mains, and road improvements. All capital assets were donated to the City in fiscal year 2022 and previous years and reported as donated capital assets in those financial statements as noted below.

| Completion and Acceptance of Public Improvements | | Amount |
|--|------|----------------------|
| Phase #1 | 2018 | \$ 7,513,906 |
| Phase #2 MI | 2018 | 1,762,436 |
| Phase #2 Direct | 2022 | 2,303,949 |
| Total | | \$ 11,580,291 |

NOTE 5—LONG-TERM OBLIGATIONS

Long-term debt consisted of the following at September 30, 2023 and 2022:

| | Balance | | | Balance September 30, 2023 | Due in one year |
|-----------------------------|---------------------|-----------------|---------------------|-------------------------------|--------------------|
| | October 1, 2022 | Increase | Decrease | | |
| 2023 | | | | | |
| Phase #1 Bonds | \$ 4,200,000 | \$ - | \$ (75,000) | \$ 4,125,000 | \$ 80,000 |
| Phase #2 Bonds | 1,705,000 | - | (35,000) | 1,670,000 | 35,000 |
| Phase # 1 RA Note | 1,188,312 | - | (46,049) | 1,142,263 | 25,000 |
| Phase #2 Direct Bonds | 2,810,000 | | (40,000) | 2,770,000 | 42,000 |
| Phase #1 Bond Discount | (69,102) | 2,879 | - | (66,223) | |
| Phase #2 Bond Discount | (54,036) | 2,252 | - | (51,785) | |
| Total Long-term Debt | \$ 9,780,173 | \$ 5,131 | \$ (196,049) | \$ 9,589,256 | \$ 182,000 |

| 2022 | Balance | | | Balance | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | October 1, 2021 | Increase | Decrease | September 30, 2022 | Due in one year |
| Phase #1 Bonds | \$ 4,270,000 | \$ - | \$ (70,000) | \$ 4,200,000 | \$ 75,000 |
| Phase #2 Bonds | 1,735,000 | - | (30,000) | 1,705,000 | 35,000 |
| Phase # 1 RA Note | 1,234,374 | - | (46,062) | 1,188,312 | 25,000 |
| Phase #2 Direct Bonds | - | 2,845,000 | (35,000) | 2,810,000 | 40,000 |
| Phase #1 Bond Discount | (71,982) | 2,879 | - | (69,102) | |
| Phase #2 Bond Discount | (56,288) | 2,252 | - | (54,036) | |
| Total Long-term Debt | \$ 7,111,105 | \$ 2,850,131 | \$ (181,062) | \$ 9,780,173 | \$ 175,000 |

A. Special Assessment Revenue Bonds, Series 2017

On January 31, 2017 the PID issued \$4,465,000 in Special Assessment Revenue Bonds, Series 2017 Phase #1 Bonds and \$1,765,000 in Special Assessment Revenue Bonds, Series 2017 Phase #2 MI Bonds, (collectively, the “Series 2017 Bonds”) to finance construction of certain public infrastructure improvements within the respective areas, to pay a portion of the interest on the Series 2017 Bonds during and after the period of acquisition and construction, to fund a debt service reserve fund, to pay costs of issuing the Series 2017 Bonds, and to pay the initial administrative expenses of the Series 2017 Bonds.

The Series 2017 Bonds are intended to be paid primarily from assessments imposed and collected by 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 Indenture 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 Series 2017 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 two terms as follows:

| | <u>Par Value</u> | <u>Rate</u> | <u>Final Maturity</u> |
|-----------|------------------|-------------|-----------------------|
| Term 2032 | \$ 1,350,000 | 6.000% | September 1, 2032 |
| Term 2046 | \$ 3,115,000 | 6.250% | September 1, 2046 |

The Phase #2 Major Improvement Bonds were issued in two terms as follows:

| | <u>Par Value</u> | <u>Rate</u> | <u>Final Maturity</u> |
|-----------|------------------|-------------|-----------------------|
| Term 2032 | \$ 520,000 | 6.125% | September 1, 2032 |
| Term 2046 | \$ 1,245,000 | 6.125% | September 1, 2046 |

The Series 2017 Bonds are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the Indentures. Principal payments on the Series 2017 Bonds are due each September 1 and began on September 1, 2019 for the Phase #1 Bonds, and September 1, 2021 for the Phase #2 MI Bonds, according to the mandatory sinking fund redemption schedule.

Interest on the Series 2017 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, 2017. Interest on the Series 2017 Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Phase #1 Bond interest payments totaled \$253,181 and \$257,206 for the years ended September 30, 2023 and 2022, respectively. Phase #2 Major Improvement Bond interest payments totaled \$104,431 and 106,269 for the years ended September 30, 2023 and 2022, respectively.

1. Optional Redemption

The City reserves the right and option to redeem the Series 2017 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after September 1, 2027 at a price of par plus accrued interest to the date of the redemption.

2. Extraordinary Optional Redemption

The Series 2017 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.

B. Special Assessment Revenue Bonds, Series 2022

On March 3, 2022 the PID issued \$2,845,000 in Special Assessment Revenue Bonds, Series 2022 Phase #2 Direct Improvements Project (the “Series 2022 Bonds”, and collectively with the Series 2017 Bonds, the “PID Bonds”) to finance construction of certain public infrastructure improvements within Phase #2, to pay a portion of the interest on the Series 2022 Bonds during and after the period of acquisition and construction, to fund a debt service reserve fund, to pay costs of issuing the Series 2022 Bonds, and to pay the initial administrative expenses of the Series 2022 Bonds.

The Series 2022 Bonds are intended to be paid primarily from assessments imposed and collected by the City 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 Indenture 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 Series 2022 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.

Interest on the Series 2022 Bonds is payable according to the terms specified by the Indentures semiannually on March 1 and September 1 of each year commencing on September 1, 2022. Interest on the Series 2022 Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Phase #2 Direct interest payments totaled \$121,306 and \$60,671 as of September 30, 2023 and September 2022, respectively.

The Series 2022 Bonds were issued in two terms as follows:

| | <u>Par Value</u> | <u>Rate</u> | <u>Final Maturity</u> |
|-----------|------------------|-------------|-----------------------|
| Term 2032 | \$ 470,000 | 4.000% | September 1, 2032 |
| Term 2051 | \$ 2,375,000 | 4.375% | September 1, 2051 |

1. Optional Redemption

The City reserves the right and option to redeem the Series 2022 Bonds maturing on or after September 1, 2032 before their respective maturity dates in whole or in part on any date on or after September 1, 2030 at the redemption price.

2. Extraordinary Optional Redemption

The Series 2022 Bonds are subject to extraordinary optional redemption by the City prior to their respective scheduled maturity dates, on the first day of any month at the redemption price plus accrued interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of assessment prepayments, or any other transfers to the Redemption Fund under the terms of the Phase #2 Direct Indenture. There were no extraordinary optional redemptions made in the fiscal years ending September 30, 2023 and 2022.

C. Mandatory Sinking Fund Redemptions

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 | | Phase #2 MI Bonds | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 80,000 | \$ 248,869 | \$ 35,000 | \$ 102,288 |
| 2025 | 85,000 | 244,269 | 35,000 | 100,144 |
| 2026 | 90,000 | 239,381 | 40,000 | 98,000 |
| 2027 | 100,000 | 234,206 | 45,000 | 95,550 |
| 2028 | 120,000 | 228,456 | 50,000 | 92,794 |
| 2029-2033 | 685,000 | 1,032,744 | 285,000 | 415,888 |
| 2034-2038 | 900,000 | 803,906 | 365,000 | 318,806 |
| 2039-2043 | 1,180,000 | 496,431 | 470,000 | 194,469 |
| 2044-2046 | 885,000 | 110,250 | 345,000 | 42,875 |
| Total | \$ 4,125,000 | \$ 3,638,512 | \$ 1,670,000 | \$ 1,460,814 |

| For the period ending September 30: | Phase #2 Direct Bonds | | Total PID Bonds | |
|--|-----------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 42,000 | \$ 119,706 | \$ 157,000 | \$ 470,863 |
| 2025 | 45,000 | 118,026 | 165,000 | 462,439 |
| 2026 | 44,000 | 116,226 | 174,000 | 453,607 |
| 2027 | 42,000 | 114,466 | 187,000 | 444,222 |
| 2028 | 41,000 | 112,786 | 211,000 | 434,036 |
| 2029-2033 | 228,000 | 537,891 | 1,198,000 | 1,986,523 |
| 2034-2038 | 276,000 | 486,106 | 1,541,000 | 1,608,818 |
| 2039-2043 | 338,000 | 420,831 | 1,988,000 | 1,111,731 |
| 2044-2048 | 790,000 | 332,019 | 2,020,000 | 485,144 |
| 2049-2051 | 924,000 | 82,075 | 924,000 | 82,075 |
| Total | \$ 2,770,000 | \$ 2,440,132 | \$ 8,565,000 | \$ 7,539,458 |

D. Phase #1 Reimbursement Agreement Note

On January 17, 2017, the City entered into a reimbursement agreement (the “Reimbursement Agreement”) with the Developer to finance a portion of the costs of the public improvements (“Authorized Improvements”) not paid with proceeds of the PID Bonds. According to the Reimbursement Agreement, the Developer will contribute \$4,449,944 towards the costs of the Authorized Improvements. In return, \$1,256,000 in a reimbursement agreement note (the “Phase #1 RA Note”) will be issued for the benefit of the Developer upon satisfactory evidence of costs spent on the Authorized Improvements. Interest and principal on the Phase #1 RA Note will be paid solely from the pledged revenues. The Phase #1 RA Note will bear interest at a rate of 5.5% until maturity on September 1, 2048. Any balance remaining as of the maturity date shall be cancelled. As of September 30, 2023, the balance on the Phase #1 RA Note was \$1,142,263

Interest payments totaled \$96,661 and \$99,559 for the years ended September 30, 2023 and September 30, 2022, respectively.

Payments on the note are expected to be made as follows:

| For the period ending September 30: | Phase #1 RA Note | |
|--|---------------------|-------------------|
| | Principal | Interest |
| 2024 | \$ 25,000 | \$ 62,824 |
| 2025 | 25,000 | 61,449 |
| 2026 | 30,000 | 60,074 |
| 2027 | 30,000 | 58,424 |
| 2028 | 30,000 | 56,774 |
| 2029-2033 | 190,000 | 255,547 |
| 2034-2038 | 245,000 | 197,797 |
| 2039-2043 | 325,000 | 121,897 |
| 2044-2046 | 242,263 | 27,323 |
| Total | \$ 1,142,263 | \$ 902,109 |

E. Phase #2 Reimbursement Agreement

On November 10, 2020, the City entered into a reimbursement agreement (the “Phase #2 Reimbursement Agreement”) with the Developer to finance a portion of the costs of the public improvements (“Phase #2 Authorized Improvements”) not paid with proceeds of the PID Bonds. The Phase #2 Reimbursement Agreement cannot exceed \$2,845,000, will bear interest at 4.79% and matures as of September 1, 2051. On March 3, 2022, the Series 2022 Bonds were issued to replace the Phase #2 Reimbursement Agreement.

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 Collin County Tax Assessor Collector (the “CCTAC”). The annual installment of assessments, 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 installment includes a 0.20% additional interest rate for the prepayment reserve and a 0.30% additional interest rate for the delinquency reserve as described in the Indentures. Annual installments are payable no later than February 1 of each year. Annual assessments for fiscal years 2023 and 2022 were billed as follows:

| <u>Annual Installments</u> | <u>2023</u> | <u>2022</u> |
|----------------------------|-------------------|-------------------|
| Phase #1 Bonds | \$ 246,382 | \$ 288,933 |
| Phase #1 RA Note | 96,588 | 99,987 |
| Phase #2 MI Bonds | 168,403 | 172,426 |
| Phase #2 Direct Bonds | 201,356 | 196,776 |
| Total | \$ 712,729 | \$ 758,122 |

As of September 30, 2023, \$2,133 is delinquent and the remaining annual installments have been collected by the CCTAC.

B. TIRZ Contributions

TIRZ contributions are collected by the CCTAC 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 Bonds. The TIRZ contributions for fiscal years 2023 and 2022 were as follows:

| <u>TIRZ Contribution</u> | <u>2023</u> | <u>2022</u> |
|--------------------------|-------------------|------------------|
| Phase #1 Bonds | \$ 129,541 | \$ 90,936 |
| Phase #2 MI Bonds | 14,553 | 1,824 |
| Total | \$ 144,094 | \$ 92,760 |

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 assessments imposed on the PID are as follows:

| <u>Annual Installments</u> | <u>2024</u> |
|----------------------------|-------------------|
| Phase #1 Bonds | \$ 190,394 |
| Phase #1 RA Note | 95,061 |
| Phase #2 MI Bonds | 114,420 |
| Phase #2 Direct Bonds | 196,688 |
| Total | \$ 596,563 |

As of April 30, 2024, the PID has received \$591,984 in annual assessments.

