

**SUTTON FIELDS II PUBLIC IMPROVEMENT DISTRICT
CITY OF CELINA, TEXAS**

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

CUSIP NUMBERS:

Neighborhood Improvement Area #1

15114CAP9

Neighborhood Improvement Areas #2-5

15114CAN4

Neighborhood Improvement Areas #2-3

15114CCE2

15114CCF9

Neighborhood Improvement Area #4

15114CDB7

Neighborhood Improvement Area #5

15114CES9

15114CET7

15114CEU4

15114CEV2

SUTTON FIELDS II 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
Sutton Fields II Public Improvement District
Celina, Texas

Opinion

We have audited the financial statements of the Sutton Fields II 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.

Emphasis of Matter

The September 30, 2022, financial statements were restated for the matter discussed in *Note 9*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PID's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PID's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Sutton Fields II 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. 2015-51R, which was passed and approved by the City Council of the City of Celina (the "City Council") on October 13, 2015, to finance certain infrastructure improvement projects provided for the benefit of the property in the PID.
2. The PID has issued five sets of bonds ("PID Bonds"):
 - a. The \$11,560,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2015 Sutton Fields II Neighborhood Improvement Area #1 Project (the "NIA #1 Bonds") were issued on December 9, 2015.
 - b. The \$16,825,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2015 Sutton Fields II Neighborhood Improvement Areas #2-5 Project (the "NIA #2-5 Bonds") were issued on December 9, 2015.
 - c. The \$6,355,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2019 Sutton Fields II Neighborhood Improvement Areas #2-3 Project (the "NIA #2-3 Bonds") were issued on October 3, 2019.
 - d. The \$4,000,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2020 Sutton Fields II Neighborhood Improvement Area #4 Project (the "NIA #4 Bonds") were issued on September 29, 2020.
 - e. The \$20,784,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 Sutton Fields II Neighborhood Improvement Area #5 Project (the "NIA #5 Bonds") were issued on January 12, 2022.
3. The PID's debt will be paid through the collection of special assessments imposed on the chargeable properties benefiting from the public improvements, as well as through a portion of the tax increment reinvestment zone (the "TIRZ") contributions collected by the Denton County Tax Office (the "DCTO") from each parcel of assessed property that pays City taxes in a given year.
4. Net position at September 30, 2023 and 2022 totaled (\$30,294,343) and restatement (\$39,037,201) respectively.

5. Capital Assets totaled \$19,891,894 at September 30, 2023 due to the NIA #5 improvements. Capital assets totaled \$7,706,178 at September 30, 2022 due to the issuance of the NIA #5 Bonds. The authorized improvements for the NIA #1 Bonds, the NIA #2-5 Bonds, the NIA #2-3 Bonds, and the NIA #4 Bonds have been completed and accepted by the City and have been reported as donated capital assets.
6. Annual assessments of \$4,392,863 were imposed on the property owners for the 2022-2023 assessment year. The annual installments are remitted to the PID monthly as they are received by the DCTO. As of September 30, 2023, \$7,121 in 2022-2023 annual assessments levy was delinquent.
7. Annual assessments of \$3,304,764 were imposed on the property owners for the 2021-2022 assessment year. The annual installments are remitted to the PID monthly as they are received by the DCTO. As of September 30, 2023 there were no delinquencies.
8. TIRZ contribution payments of \$195,480 and \$128,977 were received from the City for the 2023 and 2022 fiscal years, respectively.
9. Assessment prepayments collected from property owners in the 2023 and 2022 fiscal years totaled \$39,820 and \$133,188, respectively. In fiscal year 2022, \$145,000 of accumulated prepaid assessments were used to redeem PID 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 and other assets	\$ 9,042,228	\$ 20,228,892	\$ 4,408,192
Capital assets	19,891,984	7,706,178	-
Total Assets	<u>28,934,212</u>	<u>27,935,070</u>	<u>4,408,192</u>
Liabilities:			
Current liabilities	2,989,947	2,996,158	837,894
Long-term debt	56,238,608	63,976,113	36,398,336
Total Liabilities	<u>59,228,555</u>	<u>66,972,271</u>	<u>37,236,230</u>
Net Position			
Net investment in capital assets	983,009	(7,157,516)	-
Restricted	5,194,919	4,648,768	4,408,091
Unrestricted	(36,472,271)	(36,528,453)	(37,236,129)
Total Net Position	<u>\$(30,294,343)</u>	<u>\$ (39,037,201)</u>	<u>\$ (32,828,038)</u>

PID Bond proceeds were used to finance the construction of improvements and administrative costs of the PID. The negative net position is due primarily to the donation of completed assets to the City and the increase in long-term debt.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 4,631,226	\$ 3,581,709	\$ 2,953,715
Operating Expenses	183,971	139,871	116,099
Operating Income	4,447,255	3,441,838	2,837,616
Non-operating Revenues/(Expenses)	(2,594,079)	(4,489,112)	(2,573,055)
Donated Capital Assets	-	(6,062,600)	(2,948,889)
Developer's Contribution	6,889,682	900,711	-
Change in Net Position	<u>\$ 8,742,858</u>	<u>\$ (6,209,163)</u>	<u>\$ (2,684,328)</u>

Net position increased in fiscal year 2023 primarily due to a developer contribution associated with the issuance of the NIA #5 Bonds and an increase in annual assessment revenues.

Capital Assets

As of September 30, 2023, capital assets totaled \$19,891,894 and consisted of construction in progress and authorized improvements associated with the NIA #5B Bonds. Authorized improvements for the NIA #5A Bonds consisting of public paving and storm drain improvements of \$6,062,600 were completed and accepted by the City in fiscal year 2022 and have been reported

as donated capital assets. In fiscal year 2021, there were no capital assets due to the completion and conveyance of the NIA #4 authorized improvements. The authorized improvements for the NIA #1 Bonds, the NIA #2-5 Bonds, and the NIA #2-3 Bonds have been completed and accepted by the City and have been reported as donated capital assets in the fiscal year 2020 or prior financial statements.

	Completion and Acceptance of Public Improvements	Amount
NIA #1	2018	\$ 12,387,113
NIA #2-5	2017	11,239,509
NIA #2-3	2020	4,821,318
NIA #4	2021	2,948,889
NIA #5A	2022	6,062,600
Total		<u>\$37,459,429</u>

Long-Term Debt

The \$11,560,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2015 Sutton Fields II Neighborhood Improvement Area #1 Project were issued on December 9, 2015 bearing interest at 7.25% with final maturity of September 1, 2045.

The \$16,825,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2015 Sutton Fields II Neighborhood Improvement Area #2-5 Project were issued on December 9, 2015 bearing interest at 8.25% with final maturity of September 1, 2040.

The \$6,355,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2019 Sutton Fields II Neighborhood Improvement Area #2-3 Project were issued on October 3, 2019, in two series bearing interest at 4.125% and 4.250% per annum with final maturities of September 1, 2039 and September 1, 2049, respectively. The NIA #2-3 Bonds were issued to replace the NIA #2 Reimbursement Agreement and the NIA #3 Reimbursement Agreement entered into on August 28, 2018 and June 11, 2019, respectively, 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 NIA #2 and NIA #3.

The \$4,000,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2020 Sutton Fields II Neighborhood Improvement Area #4 Project were issued on September 29, 2020, bearing interest at 4.125% with final maturity of September 1, 2050.

The \$20,784,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 Sutton Fields II Neighborhood Improvement Area #5 Project were issued on January 12, 2022, in four series bearing interest at 2.875%, 3.250%, 3.500% and 4.000% per annum with final maturities of September 1, 2027, September 1, 2032, September 1, 2042 and September 1, 2051, respectively.

The PID Bonds issuances 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 NIA #1 Indenture, the NIA #2-5 Indenture, the NIA #2-3 Indenture, the NIA #4 Indenture, and NIA #5 Indenture (together the “Indentures”).

The PID’s debt will be paid through the collection of special assessments imposed on the chargeable properties benefiting from the public improvements, as well as through a portion of the TIRZ contribution collected by the DCTO from each parcel of assessed property that pays City taxes in a given year.

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, to pay for a portion of the interest on the Bonds during and after the period of acquisition and construction of the public improvements, and to pay the initial administrative expenses of the PID.

Mandatory sinking fund payments began on September 1, 2018, for the NIA #1 Bonds, September 1, 2019, for the NIA #2-5 Bonds, September 1, 2021, for the NIA #2-3 Bonds, September 1, 2022, for the NIA #4 Bonds, and began on September 1, 2023, for the NIA #5 Bonds from annual assessment revenues and TIRZ contributions from NIA#1 Bonds and NIA #2-5 Bonds 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 DCTO. Annual assessments were billed as follows:

<u>Annual Installments</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
NIA #1 Bonds	\$ 915,277	\$ 960,045	\$ 990,042
NIA #2-5 Bonds	1,721,745	1,754,600	1,753,209
NIA #2-3 Bonds	357,386	365,119	111,924
NIA #4 Bonds	225,469	225,000	
NIA #5 Bonds	1,172,986	-	
Total	\$ 4,392,863	\$ 3,304,764	\$ 2,855,175

As of September 30, 2023, \$7,121 of the 2023 annual assessments levy is delinquent. All 2022 annual assessments have been remitted to the PID.

TIRZ contributions are collected by the DCTO from each parcel of assessed property that pays City taxes in a given year. Total TIRZ contributions for fiscal years 2023 to 2021 were as follows:

<u>2023</u>	<u>2022</u>	<u>2021</u>
\$ 129,873	\$ 95,389	\$ 57,662
65,608	33,588	9,367
\$ 195,480	\$ 128,977	\$ 67,030

Assessment prepayments collected from property owners in the 2023 and 2022 fiscal years totaled \$39,820 and \$133,188, respectively. In fiscal year 2022, \$145,000 of prepaid assessments was used to redeem PID Bonds.

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 Authority'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

**SUTTON FIELDS II PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
As of September 30,**

	<u>2023</u>	<u>2022 Restated</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 9,001,537	\$ 20,187,658
Accrued interest receivable	40,003	40,546
Prepaid expenses	688	688
Total Current Assets	<u>9,042,228</u>	<u>20,228,892</u>
Noncurrent Assets		
Capital assets	<u>19,891,984</u>	<u>7,706,178</u>
Total Noncurrent Assets	<u>19,891,984</u>	<u>7,706,178</u>
Total Assets	<u>28,934,212</u>	<u>27,935,070</u>
Liabilities		
Current Liabilities		
Accounts payable	81,606	42,611
Accrued liabilities	1,801,708	1,893,473
Accrued interest payable	267,633	272,074
Current portion of long-term debt	839,000	788,000
Total Current Liabilities	<u>2,989,947</u>	<u>2,996,158</u>
Noncurrent Liabilities		
Long-term debt	55,989,054	63,717,735
Premium/(discount) on long-term debt, net	<u>249,554</u>	<u>258,378</u>
Total Noncurrent Liabilities	<u>56,238,608</u>	<u>63,976,113</u>
Total Liabilities	<u>59,228,555</u>	<u>66,972,271</u>
Net Position		
Net investment in capital assets	983,009	(7,157,516)
Restricted	5,194,919	4,648,768
Unrestricted	<u>(36,472,271)</u>	<u>(36,528,453)</u>
Net Position	<u>\$ (30,294,343)</u>	<u>\$ (39,037,201)</u>

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

SUTTON FIELDS II PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending September 30,

	<u>2023</u>	<u>2022 Restated</u>
Operating Revenues		
Annual assessment revenues	\$ 4,395,926	\$ 3,319,544
Prepayment revenues	39,820	133,188
TIRZ contributions	195,480	128,977
Total Operating Revenues	4,631,226	3,581,709
Operating Expenses		
Administrative fees	174,103	135,780
Accounting and audit fees	9,868	4,091
Total Operating Expenses	183,971	139,871
Operating Income	4,447,255	3,441,838
Non-Operating Revenues/(Expenses)		
Interest and dividend income	651,718	155,391
Bond issuance costs	-	(1,565,873)
Interest expense	(3,251,168)	(3,083,772)
Penalties and interest revenue	5,371	5,142
Total Non-Operating Revenues/(Expenses)	(2,594,079)	(4,489,112)
Donated Capital Assets	-	(6,062,600)
Developer's Contribution	6,889,682	900,711
Change in Net Position	8,742,858	(6,209,163)
Net Position, Beginning of Year	(39,037,201)	(32,828,038)
Net Position, End of Year	\$ (30,294,343)	\$ (39,037,201)

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

SUTTON FIELDS II 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	\$ 4,627,699	\$ 3,581,709
Cash payments for administrative fees	(132,634)	(140,263)
Cash payments for accounting and audit fees	(8,816)	(5,000)
Net Cash Provided by Operating Activities	4,486,249	3,436,446
Cash Flows from Investing Activities		
Interest and dividends received on investments	652,261	114,947
Net Cash Provided by Investing Activities	652,261	114,947
Cash Flows from Capital and Related Financing Activities		
Proceeds from bond issuance	-	21,094,894
Acquisition and construction of capital assets	(12,277,570)	(11,875,305)
Penalties and interest on delinquent assessments	5,371	5,142
Principal paid on bonds	(788,000)	(725,000)
Developer's escrow deposit	-	8,322,447
Interest paid on bonds	(3,264,433)	(3,028,130)
Bond issuance costs paid	-	(1,565,873)
Net Cash (Used in) Provided by Capital and Related Financing Activities	(16,324,632)	12,228,175
Change in Cash Balance	(11,186,122)	15,779,568
Cash and Cash Equivalents, Beginning of Year	20,187,659	4,408,091
Cash and Cash Equivalents, End of Year	\$ 9,001,537	\$ 20,187,659
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 4,447,255	\$ 3,441,838
Adjustments		
Increase (decrease) in accounts payable	38,994	(4,704)
(Decrease) in prepaid expenses	-	(688)
Net Cash Provided by Operating Activities	\$ 4,486,249	\$ 3,436,446
Supplemental Information		
Donated Capital Assets	\$ -	\$ 6,062,600
Construction in progress in accrued liabilities	\$ (1,801,708)	\$ (1,893,473)

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 Sutton Fields II Public Improvement District (the “PID”) was created pursuant to the PID Act and Resolution No. 2015-51R, which was passed and approved by the City Council of the City of Celina, Texas (the “City Council”) on October 13, 2015 to finance certain infrastructure improvement projects provided for the benefit of the property in the PID.

The \$11,560,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2015 Sutton Fields II Neighborhood Improvement Area #1 Project (the “NIA #1 Bonds”) were issued on December 9, 2015, pursuant to the PID Act and an ordinance adopted by the City Council on November 10, 2015 and an Indenture of Trust (the “NIA #1 Indenture”) dated as of December 1, 2015 by and between the City of Celina (the “City”) and U.S. Bank, National Association (the “Trustee”). The NIA #1 Bonds were issued to finance certain infrastructure improvement projects located within Neighborhood Improvement Area #1 of the PID (the “NIA #1”). NIA #1 consists of approximately 130 acres out of the approximate 623-acre PID and contains 515 residential units.

The \$16,825,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2015 Sutton Fields II Neighborhood Improvement Area #2-5 Project (the “NIA #2-5 Bonds”) were issued on December 9, 2015, pursuant to the PID Act and an ordinance adopted by the City Council on November 10, 2015 and an Indenture of Trust (the “NIA #2-5 Indenture”) dated as of December 1, 2015 by and between the City and the Trustee. The NIA #2-5 Bonds were issued to finance certain infrastructure improvement projects located within the Neighborhood Improvement Area #2-5 of the PID (the “NIA #2-5”). NIA #2-5 consists of approximately 493 acres out of the total 623-acre PID and is anticipated to include 1,835 residential units.

On November 29, 2015 the City and the Developer entered into a reimbursement agreement in the aggregate amount of \$6,355,000 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 Neighborhood Improvement Area #2 of the PID (the “NIA #2 Reimbursement Agreement”) and Neighborhood Improvement Area #3 of the PID (the “NIA #3 Reimbursement Agreement”). The \$6,355,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2019 Sutton Fields II Neighborhood Improvement Area #2-3 Project (the “NIA #2-3 Bonds”) were issued on October 13, 2019, pursuant to the PID Act and an ordinance adopted by the City Council on September 12, 2019 and an Indenture of Trust (the “NIA #2-3 Indenture”) dated as of September 1, 2019 by and between the City and the Trustee. The NIA #2-3 Bonds were issued to replace the NIA #2 Reimbursement Agreement and the NIA #3 Reimbursement Agreement (“NIA #2-3 RA”). The Neighborhood Improvement Area #2-3 of the PID (the “NIA #2-3”) consists of approximately 122.8 acres within the PID and is a subset of NIA #2-5’s 493 acres which are a portion of the total 623-acre development.

The \$4,000,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2020 Sutton Fields II Neighborhood Improvement Area #4 Project (the “NIA #4 Bonds”) were issued on September 29, 2020, pursuant to the PID Act and an ordinance adopted by the City Council on July 14, 2020, and an Indenture of Trust (the “NIA #4 Indenture”) dated as of September 1, 2020 by and between the City and the Trustee. The NIA #4 Bonds were issued to finance certain infrastructure improvement projects located within the Neighborhood Improvement Area #4 of the PID (the “NIA #4”). NIA #4 consists of approximately 77 acres within the PID and is a subset of NIA #2-5’s 493 acres which are a portion of the total 623-acre development. NIA #4 is anticipated to include 305 residential units.

The \$20,784,000 City of Celina, Texas, Special Assessment Revenue Bonds, Series 2022 Sutton Fields II Neighborhood Improvement Area #5 Project (the “NIA #5 Bonds”) were issued on January 12, 2022, pursuant to the PID Act and an ordinance adopted by the City Council on December 14, 2021, and an Indenture of Trust (the “NIA #5 Indenture”) dated as of January 1, 2022, by and between the City and the Trustee. The NIA #5 Bonds were issued to finance certain infrastructure improvement projects located within the Neighborhood Improvement Area #5 of the PID (the “NIA #5”). NIA #5 consists of approximately 264 acres within the PID and is a subset of NIA #2-5’s 493 acres which are a portion of the total 623-acre development. NIA #5 is anticipated to include 1,000 residential units.

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 Celina CADG Sutton Fields, LLC (the “Developer”). The PID consists of approximately 623 acres and is projected to consist of 2,350 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 a special 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 NIA #1 Indenture, the NIA #2-5 Indenture, the NIA #2-3 Indenture, the NIA #4 Indenture, and the NIA #5 Indenture, (collectively “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.

In addition, tax increment reinvestment zone (the “TIRZ”) contributions will be collected by the Denton County Tax Office (the “DCTO”) from each parcel of assessed property that pays City taxes, which will be used to pay NIA #1 Bonds and NIA #2-5 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. 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 TIRZ contributions and 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	<u>\$ 9,001,537</u>	<u>\$ 20,187,658</u>
Total cash and cash equivalents	<u>\$ 9,001,537</u>	<u>\$ 20,187,658</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

The PID’s capital asset activity for the years ended September 30, 2023, and 2022 was as follows:

	Balance			Balance
	October 1, 2022	Additions	Donations	September 30, 2023
2023				
NIA #5				
Construction in progress	\$ 6,486,269	\$ 11,747,747	\$ -	\$ 18,234,016
NIA #5				
Developer Improvement	1,219,909	438,059	-	1,657,968
Total Capital Assets	<u>\$ 7,706,178</u>	<u>\$ 12,185,806</u>	<u>\$ -</u>	<u>\$ 19,891,984</u>
	Balance			Balance
	October 1, 2021	Additions	Donations	September 30, 2022
2022				
NIA #5				
Construction in progress	\$ -	\$ 12,548,869	\$ (6,062,600)	\$ 6,486,269
NIA #5				
Developer Improvement	-	1,219,909	-	1,219,909
Total Capital Assets	<u>\$ -</u>	<u>\$ 13,768,778</u>	<u>\$ (6,062,600)</u>	<u>\$ 7,706,178</u>

As of September 30, 2023, capital assets totaled \$19,891,984 and consisted of road, water, sanitary sewer, storm drainage, landscaping, and other soft and miscellaneous costs for construction in progress in NIA #5B. The NIA #5B improvements will be completed and accepted by the City on November 8, 2023. Public paving and storm drain improvements associated with NIA #5A of \$6,062,600 were completed and accepted by the City in 2022 and have been reported as “donated capital assets”. Public improvements for the NIA #1, NIA #2-5, NIA #2-3, and NIA #4 Bonds have been completed and accepted by the City and were reported as “donated capital assets” in prior financial statements. The previous costs included storm drainage, wastewater construction and installation, waterlines and mains, and road improvements. The City has accepted the following public improvements:

	Completion and Acceptance of Public Improvements	Amount
NIA #1	2018	\$ 12,387,113
NIA #2-5	2017	11,239,509
NIA #2-3	2020	4,821,318
NIA #4	2021	2,948,889
NIA #5A	2022	6,062,600
Total		<u>\$ 37,459,429</u>

NOTE 5—ACCRUED LIABILITIES

Accrued liabilities in the amount of \$1,801,708 for the year ended September 30, 2023, represent authorized improvements incurred prior to September 30, 2023, but paid subsequent to fiscal year end.

NOTE 6—LONG-TERM OBLIGATIONS

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

	Balance			Balance	
	October 1, 2022	Increase	Decrease	September 30, 2023	Due in one year
2023					
NIA #1 Bonds	\$ 10,540,000	\$ -	\$ (195,000)	\$ 10,345,000	\$ 210,000
NIA #2-5 Bonds	15,490,000	-	(405,000)	15,085,000	435,000
NIA #2-3 Bonds	6,275,000	-	(20,000)	6,255,000	20,000
NIA #4 Bonds	3,995,000	-	(5,000)	3,990,000	5,000
NIA #5 Bonds	20,784,000	-	(163,000)	20,621,000	169,000
Developer Escrow Deposit	7,421,735	-	(6,889,682)	532,054	-
Total Bonds Payable	\$ 64,505,735	\$ -	\$ (7,677,682)	\$ 56,828,054	\$ 839,000

	Balance			Balance	
	October 1, 2021	Increase	Decrease	September 30, 2022	Due in one year
2022 Restated					
NIA #1 Bonds	\$ 10,810,000	\$ -	\$ (270,000)	\$ 10,540,000	\$ 195,000
NIA #2-5 Bonds	15,865,000	-	(375,000)	15,490,000	405,000
NIA #2-3 Bonds	6,350,000	-	(75,000)	6,275,000	20,000
NIA #4 Bonds	4,000,000	-	(5,000)	3,995,000	5,000
NIA #5 Bonds	-	20,784,000	-	20,784,000	163,000
Developer Escrow Deposit	-	8,322,457	(900,722)	7,421,735	-
Total Bonds Payable	\$ 37,025,000	\$ 29,106,457	\$ (1,625,722)	\$ 64,505,735	\$ 788,000

A. Special Assessment Revenue Bonds, Series 2015

On December 9, 2015, the PID issued \$11,560,000 in Special Assessment Revenue Bonds, Series 2015 NIA #1 Bonds and \$16,825,000 in Special Assessment Revenue Bonds, Series 2015 NIA #2-5 Bonds, (collectively, the “2015 Bonds”) to finance construction of certain public infrastructure improvements within the respective areas, to pay a portion of the interest on the 2015 Bonds during and after the period of acquisition and construction, to fund a debt service reserve fund, to pay costs of issuing the 2015 Bonds, and to pay the initial administrative expenses of the 2015 Bonds.

The 2015 Bonds are intended to be paid primarily from annual installments of 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 NIA #1 Indenture and the NIA #2-5 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 2015 Bonds are special obligations of the City payable solely from and secured by a pledge of assessments. They are not payable from funds raised or to be raised from taxation.

In addition, TIRZ contributions will be collected by the DCTO from each parcel of assessed property that pays City taxes, which will be used to pay the PID Bonds.

The 2015 Bonds were issued as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
NIA #1 Bonds	\$ 11,560,000	7.250%	September 1, 2045
NIA #2-5 Bonds	\$ 16,825,000	8.250%	September 1, 2040

The 2015 Bonds described above represent 45% of the PID Bonds’ current outstanding long-term debt balance and are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the NIA #1 Indenture and the NIA #2-5 Indenture. Principal payments on the 2015 Bonds are due each September 1 and began on September 1, 2018, for the NIA #1 Bonds and September 1, 2019, for the NIA #2-5 Bonds according to the mandatory sinking fund redemption schedule.

Interest on the 2015 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, 2016. Interest on the 2015 Bonds is calculated based on a 360-day year comprised of twelve 30-day months. NIA #1 Bonds’ interest payments totaled \$764,150 and \$782,094 for the years ended September 30, 2023, and 2022, respectively. NIA #2-5 Bonds’ interest payments totaled \$1,277,925 and \$1,308,863 for the years ended September 30, 2023, and 2022, respectively.

1. Optional Redemption

The 2015 Bonds are subject to redemption, in whole, or in part, prior to stated maturity, at the option of the City, on any date on or after March 1, 2023, such redemption date or dates to be fixed by the City, at the prices shown below (expressed as a percentage of par), plus accrued interest to the redemption date.

<u>Redemption Date</u>	<u>Redemption Price</u>
On or After March 1, 2023	103%
On or After March 1, 2024	102%
On or After March 1, 2025	101%
On or After March 1, 2026	100%

2. Extraordinary Optional Redemption

The 2015 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, or portions thereof to be redeemed, plus accrued interest to the redemption date from amounts on deposit in the Redemption Fund as a result of assessment prepayments before the due date, 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 in fiscal year 2023. There was a \$90,000 redemption from prepaid assessments on the NIA #1 Bonds in the fiscal year ending September 30, 2022.

B. Special Assessment Revenue Bonds, Series 2019

On October 3, 2019, the PID issued \$6,355,000 in Special Assessment Revenue Bonds, Series 2019 NIA #2-3 Bonds to replace the NIA # 2 and NIA #3 Reimbursement Agreements.

The City and the Developer entered into the NIA #2 Reimbursement Agreement on August 28, 2019 and the NIA #3 Reimbursement Agreement on June 11, 2019 to develop public improvements in the PID. The NIA #2-3 Bonds were issued to reimburse the developer under the reimbursement agreements and move the burden of the costs of the public improvements onto the PID.

The NIA #2-3 Bonds are intended to be paid primarily from annual installments of 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 NIA #2-3 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 NIA #2-3 Bonds are special obligations of the City payable solely from and secured by a pledge of assessments. They are not payable from funds raised or to be raised from taxation.

The NIA #2-3 Bonds were issued in two series as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2039	\$ 410,000	4.125%	September 1, 2039
Term 2049	\$ 5,945,000	4.250%	September 1, 2049

The NIA #2-3 Bonds described above represent 11% of the PID Bonds' current outstanding long-term debt balance, and are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the NIA#2-3 Indenture. Principal payments on the NIA #2-3 Bonds are due each September 1 and began on September 1, 2021, according to the mandatory sinking fund redemption schedule.

Interest on the NIA #2-3 Bonds is payable according to the terms specified by the NIA #2-3 Indenture semiannually on March 1 and September 1 of each year commencing on March 1, 2020. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. NIA #2-3 Bonds' interest payments totaled \$266,213 and \$268,786 for the years ending September 30, 2023, and 2022, respectively.

The NIA #2-3 Bonds were issued at a net discount of \$49,997. The discount will be amortized over the life of the NIA #2-3 Bonds on straight-line method over the life of each series/term of Bonds. Amortization of \$1,667 and \$1,667 was recorded in fiscal year 2023 and 2022, respectively.

1. Optional Redemption

The City reserves the right and option to redeem the Bonds before their scheduled maturity date, in whole or in part, on any date on or after September 1, 2029, at the price of par plus accrued interest to the date of redemption.

2. Extraordinary Optional Redemption

The NIA #2-3 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, or portions thereof, to be redeemed, plus accrued interest to the redemption date from amounts on deposit in the Redemption Fund as a result of assessment prepayments before the due date, 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 was an extraordinary optional redemption of \$55,000 made from prepaid assessments on the NIA #2-3 Bonds in the fiscal year ending September 30, 2022. There were no extraordinary optional redemptions made in the fiscal year ending September 30, 2023.

C. Special Assessment Revenue Bonds, Series 2020

On September 29, 2020, the PID issued \$4,000,000 in Special Assessment Revenue Bonds, Series 2020 NIA #4 Bonds (the "NIA #4 Bonds") to finance construction of certain public infrastructure improvements within the respective area, to pay a portion of the interest on the bonds during and after the period of acquisition and construction of the NIA #4 improvements, to fund a reserve fund for payment of the principal and interest on the bonds, to pay a portion of the costs incidental to the organization of the PID, and to pay costs of issuance.

The NIA #4 Bonds are intended to be paid primarily from annual installments of 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 NIA #4 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 NIA #4 Bonds are special obligations of the City payable solely from and secured by a pledge of assessments. They are not payable from funds raised or to be raised from taxation.

The NIA #4 Bonds were issued as follows:

<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
\$ 4,000,000	4.125%	September 1, 2050

The NIA #4 Bonds described above represent 7% of the PID Bonds' current outstanding long-term debt balance, and are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the NIA #4 Indenture. Principal payments on the NIA #4 Bonds are due each September 1 and began on September 1, 2022, according to the mandatory sinking fund redemption schedule.

Interest on the NIA #4 Bonds is payable according to the terms specified by the NIA #4 Indenture semiannually on March 1 and September 1 of each year commencing on March 1, 2021. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. NIA #4 Bonds' interest payments totaled \$164,794 and \$165,000 for the years ending September 30, 2023, and 2022, respectively.

1. Optional Redemption

The City reserves the right and option to redeem the Bonds before their scheduled maturity date, in whole or in part, on any date on or after September 1, 2030, at the price of par plus accrued interest to the date of redemption.

2. Extraordinary Optional Redemption

The NIA #4 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, or portions thereof, to be redeemed, plus accrued interest to the redemption date from amounts on deposit in the Redemption Fund as a result of assessment prepayments before the due date, 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.

D. Special Assessment Revenue Bonds, Series 2022

On January 12, 2022, the PID issued \$20,784,000 in Special Assessment Revenue Bonds, Series 2022 NIA #5 Bonds (the "NIA #5 Bonds") to finance construction of certain public infrastructure improvements within the respective area, to pay a portion of the interest on the bonds during and after the period of acquisition and construction of the NIA #5 improvements, to fund a reserve fund for payment of the principal and interest on the bonds, to pay a portion of the costs incidental to the organization of the PID, and to pay costs of issuance.

The NIA #5 Bonds are intended to be paid primarily from annual installments of 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 NIA #5 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 NIA #5 Bonds are special obligations of the City payable solely from and secured by a pledge of assessments. They are not payable from funds raised or to be raised from taxation. The NIA #5 Bonds were issued as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>
Term 2027	\$ 863,000	2.875%	September 1, 2027
Term 2032	\$ 998,000	3.250%	September 1, 2032
Term 2042	\$ 4,563,000	3.500%	September 1, 2042
Term 2051	\$ 14,360,000	4.000%	September 1, 2051

The NIA #5 Bonds described above represent 37% of the PID's Bonds' current outstanding long-term debt balance, and are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the NIA #5 Indenture. Principal payments on the NIA #5 Bonds are due each September 1 and will begin on September 1, 2023, according to the mandatory sinking fund redemption schedule.

Interest on the NIA #5 Bonds is payable according to the terms specified by the NIA #5 Indenture semiannually on March 1 and September 1 of each year commencing on September 1, 2022. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. NIA #5 Bonds' interest payments totaled \$791,351 and \$503,387 for the year ending September 30, 2023 and 2022, respectively.

The NIA #5 Bonds were issued at a net premium of \$310,894. The premium will be amortized over the life of the NIA #5 Bonds on straight-line method over the life of each term of Bonds. Amortization of \$10,490 and \$7,518 was recorded in fiscal years 2023 and 2022, respectively.

1. Optional Redemption

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

2. Extraordinary Optional Redemption

The NIA #5 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, or portions thereof, to be redeemed, plus accrued interest to the redemption date from amounts on deposit in the Redemption

Fund as a result of assessment prepayments before the due date, unexpended proceeds transferred from the Project Fund to the Redemption Fund, or any other transfers to the Redemption Fund under the terms of the Indenture. There were no extraordinary optional redemptions made in the fiscal years ending September 30, 2023, and 2022.

D. 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,	NIA #1 Bonds		NIA #2-5 Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 210,000	\$ 750,013	\$ 435,000	\$ 1,244,513
2025	220,000	734,788	475,000	1,208,625
2026	235,000	718,838	510,000	1,169,438
2027	255,000	701,800	555,000	1,127,363
2028	270,000	683,313	600,000	1,081,575
2029-2033	1,670,000	3,093,575	3,830,000	4,577,926
2034-2038	2,380,000	2,392,863	5,690,000	2,715,901
2039-2043	3,385,000	1,393,088	2,990,000	374,963
2044-2045	1,720,000	188,863	-	-
Total	\$ 10,345,000	\$ 10,657,141	\$ 15,085,000	\$ 13,500,304

For the period Ending September 30,	NIA #2-3 Bonds		NIA #4 Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 20,000	\$ 265,388	\$ 5,000	\$ 164,588
2025	20,000	264,563	5,000	164,381
2026	20,000	263,738	5,000	164,175
2027	20,000	262,913	5,000	163,969
2028	20,000	262,088	5,000	163,763
2029-2033	105,000	1,298,063	25,000	815,719
2034-2038	130,000	1,274,344	25,000	810,563
2039-2043	1,765,000	1,178,706	1,015,000	765,807
2044-2048	3,390,000	607,325	1,980,000	441,376
2049-2050	765,000	32,513	920,000	57,338
Total	\$ 6,255,000	\$ 5,709,641	\$ 3,990,000	\$ 3,711,679

For the period Ending September 30,	NIA #5 Bonds		Total Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 169,000	\$ 786,666	\$ 839,000	\$ 3,211,168
2025	172,000	781,807	892,000	3,154,164
2026	178,000	776,861	948,000	3,093,050
2027	181,000	771,744	1,016,000	3,027,789
2028	187,000	766,541	1,082,000	2,957,280
2029-2033	1,032,000	3,737,542	6,662,000	13,522,825
2034-2038	1,237,000	3,548,725	9,462,000	10,742,396
2039-2043	4,446,000	3,213,705	13,601,000	6,926,269
2044-2048	7,618,000	2,019,920	14,708,000	3,257,484
2049-2050	5,401,000	438,160	7,086,000	528,011
Total	\$ 20,621,000	\$ 16,841,671	\$ 56,296,000	\$ 50,420,436

NOTE 7—DEVELOPER ESCROW DEPOSIT

At bond issuance of the NIA #5 Bonds, the Developer deposited \$8,322,457 with the trustee to be held in escrow and used to fund costs of the public improvements in excess of the funds available from the proceeds of the Bonds. Any funds remaining at the completion of the public improvements will be returned to the Developer. As of September 30, 2023, \$6,889,682 was drawn on the developer’s escrow deposit and reported as income to the PID. In fiscal year 2022, there were draws on the developer’s escrow deposit totaling \$900,722.

NOTE 8—ANNUAL ASSESSMENTS

Annual installments of assessments are to be imposed and collected on all properties within the PID benefiting from the public improvements (excepting those for which the assessment 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 DCTO. The amount assessed, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) other amounts available for the payment of such debt service and expenses. The other amounts available include TIRZ contributions paid by the City to reduce the annual installment, the amount of which is calculated each year based on the Service and Assessment Plan (the “SAP”). In addition, the annual payment 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 to the DCTO no later than February 1 of each year. The annual installments were billed as follows:

Annual Installments	2023	2022
NIA #1 Bonds	\$ 915,277	\$ 960,045
NIA #2-5 Bonds	1,721,745	1,754,600
NIA #2-3 Bonds	357,386	365,119
NIA #4 Bonds	225,469	225,000
NIA #5 Bonds	1,172,986	-
Total	\$ 4,392,863	\$ 3,304,764

As of September 30, 2023, \$7,121 of the 2023 annual assessments levy is delinquent. All 2022 annual assessments have been remitted to the PID.

Assessment prepayments collected from property owners in the 2023 and 2022 fiscal years totaled \$39,820 and \$133,188, respectively. In fiscal year 2022, \$145,000 was used to redeem PID Bonds.

TIRZ contributions are collected by the DCTO from each parcel of assessed property that pays County taxes in a given year. A portion of the taxes paid on each individual parcel (TIRZ contribution percentage) is 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 Bonds.

TIRZ contributions paid were as follows:

TIRZ Contribution	2023	2022
NIA #1 Bonds	\$ 129,873	\$ 95,389
NIA #2-5 Bonds	65,608	33,588
Total	\$ 195,480	\$ 128,977

NOTE 9—RESTATEMENT OF FISCAL YEAR 2022 RESULTS

During fiscal year 2023, it was discovered that the funds deposited by the Developer at the issuance of the NIA #5 Bonds totaling \$8,322,457 were refundable to the Developer at the completion of the public improvements. This deposit had been reported as income to the PID at September 30, 2022. The deposit has been restated as a liability to the PID as of September 30, 2022. As a result of this correction, liabilities increased by \$7,421,735 and changes in net position and net position decreased by the same amount.

NOTE 10—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 year ending September 30, 2023, and 2022.

NOTE 11—SUBSEQUENT EVENTS

The annual assessments for 2024 have been billed to property owners as follows:

<u>Annual Installments</u>	<u>2024</u>
NIA #1 Bonds	\$ 859,457
NIA #2-5 Bonds	1,605,689
NIA #2-3 Bonds	352,319
NIA #4 Bonds	219,107
NIA #5 Bonds	<u>1,125,054</u>
Total	<u>\$ 4,161,626</u>

As of April 30, 2024, the DCTO has collected \$4,138,101 of annual installments for the 2023-2024 tax year. For the 2022-2023 fiscal year, \$2,973 is delinquent and the remaining amounts had been collected and remitted to the PID.