

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1

COLLIN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
COLLIN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
JULY 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Parkway Municipal Management District No. 1
Collin County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of North Parkway Municipal Management District No. 1 (the "District") as of and for the year ended July 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 District's ability to continue as a going concern for twelve 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 District'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 District'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 and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
North Parkway Municipal Management District No. 1

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 13, 2023

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2022

Management's discussion and analysis of North Parkway Municipal Management District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the year ended July 31, 2022. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This financial report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's financial report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for developer advances as well as operating and administrative costs. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustment columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$12,644,189 as of July 31, 2022. The following is a comparative analysis of government-wide changes in net position:

**NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 72,150,852	\$ 1,800	\$ 72,149,052
Construction in Progress	12,014,380		12,014,380
Total Assets	<u>\$ 84,165,232</u>	<u>\$ 1,800</u>	<u>\$ 84,163,432</u>
Due to Developer	\$ 317,141	\$ 2,185	\$ (314,956)
Bonds Payable	94,604,336		(94,604,336)
Other Liabilities	1,887,944	34,956	(1,852,988)
Total Liabilities	<u>\$ 96,809,421</u>	<u>\$ 37,141</u>	<u>\$ (96,772,280)</u>
Net Position:			
Net Investment in Capital Assets	\$ (24,225,544)	\$	\$ (24,225,544)
Restricted	11,901,140		11,901,140
Unrestricted	(319,785)	(35,341)	(284,444)
Total Net Position	<u>\$ (12,644,189)</u>	<u>\$ (35,341)</u>	<u>\$ (12,608,848)</u>

The following table provides a summary of the District's operations for the year ending July 31, 2022 and the inception period ending July 31, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Investment and Contribution	\$ 8,381,678	\$	\$ 8,381,678
Expenses for Services	20,990,526	35,341	(20,955,185)
Change in Net Position	\$ (12,608,848)	\$ (35,341)	\$ (12,573,507)
Net Position, Beginning of Year	(35,341)		(35,341)
Net Position, End of Year	<u>\$ (12,644,189)</u>	<u>\$ (35,341)</u>	<u>\$ (12,608,848)</u>

**NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District has a combined fund balance in the amount of \$71,912,024 as of July 31, 2022, an increase of \$71,945,180 from the prior year.

The General Fund fund balance increased by \$30,512 due to developer advances and bond proceeds exceeding operating costs.

The Debt Service Fund was created in the current fiscal year with proceeds from the sale of bonds and had a fund balance of \$13,550,256 at fiscal year-end.

The Capital Projects Fund was created in the current fiscal year with proceeds from the sale of bonds and had a fund balance of \$58,364,412 at fiscal year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year and amended it to increase projected operating costs and developer advances. Actual revenues were \$384 more than budgeted revenues, actual expenditures were \$106,809 more than budgeted expenditures and other financing sources were \$136,937 more than budgeted. This resulted in a positive budget variance of \$30,512. See the budget to actual comparison for further information.

CAPITAL AND INTANGIBLE ASSETS

As of July 31, 2022, the District does not have any capital or intangible assets. Ongoing capital costs for public improvements are classified as construction in progress until the improvements are completed when they will be conveyed to the City of Celina, Texas for ownership and maintenance.

LONG TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$94,475,000. The changes in the debt position of the District during the fiscal year ended July 31, 2022, are summarized as follows:

Bond Debt Payable, August 1, 2021	\$ - 0 -
Add: Bond Sales	<u>94,475,000</u>
Bond Debt Payable, July 31, 2022	<u>\$ 94,475,000</u>

The District bonds are not rated.

**NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to North Parkway Municipal Management District No. 1, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 97,571	\$
Investments	138,613	13,550,256
Construction in Progress		
TOTAL ASSETS	\$ 236,184	\$ 13,550,256
 LIABILITIES		
Accounts Payable	\$ 238,828	\$
Accrued Interest Payable		
Due to Developer		
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 238,828	\$ -0-
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		13,550,256
Unassigned	(2,644)	
TOTAL FUND BALANCES	\$ (2,644)	\$ 13,550,256
 TOTAL LIABILITIES AND FUND BALANCES	\$ 236,184	\$ 13,550,256
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 97,571	\$	\$ 97,571
58,364,412	72,053,281		72,053,281
		<u>12,014,380</u>	<u>12,014,380</u>
<u>\$ 58,364,412</u>	<u>\$ 72,150,852</u>	<u>\$ 12,014,380</u>	<u>\$ 84,165,232</u>
\$	\$ 238,828	\$	\$ 238,828
		1,649,116	1,649,116
		317,141	317,141
		<u>94,604,336</u>	<u>94,604,336</u>
<u>\$ -0-</u>	<u>\$ 238,828</u>	<u>\$ 96,570,593</u>	<u>\$ 96,809,421</u>
\$ 58,364,412	\$ 58,364,412	\$ (58,364,412)	\$
	13,550,256	(13,550,256)	
	(2,644)	2,644	
<u>\$ 58,364,412</u>	<u>\$ 71,912,024</u>	<u>\$ (71,912,024)</u>	<u>\$ -0-</u>
<u>\$ 58,364,412</u>	<u>\$ 72,150,852</u>		
		\$ (24,225,544)	\$ (24,225,544)
		11,901,140	11,901,140
		<u>(319,785)</u>	<u>(319,785)</u>
		<u>\$ (12,644,189)</u>	<u>\$ (12,644,189)</u>

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JULY 31, 2022

Total Fund Balances - Governmental Funds \$ 71,912,024

Amounts reported for governmental activities in the Statement of Net Position are different because:

Construction in progress in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 12,014,380

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (317,141)	
Accrued Interest Payable	(1,649,116)	
Bonds Payable	<u>(94,604,336)</u>	<u>(96,570,593)</u>

Total Net Position - Governmental Activities \$ (12,644,189)

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

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NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2022

	General Fund	Debt Service Fund
REVENUES		
Investment Revenues	\$ 384	\$ 33,493
Contribution by Developer-Bonds		
TOTAL REVENUES	\$ 384	\$ 33,493
 EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 371,473	\$
Contracted Services	53,195	
Other	30,160	
Conveyance of Assets		
Capital Outlay		
Debt Service:		
Bond Interest		1,673,548
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 454,828	\$ 1,673,548
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (454,444)	\$ (1,640,055)
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$ 170,000	\$ 15,190,311
Bond Discount		
Bond Premium		
Developer Advances	314,956	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 484,956	\$ 15,190,311
NET CHANGE IN FUND BALANCES	\$ 30,512	\$ 13,550,256
CHANGE IN NET POSITION		
FUND BALANCES(DEFICIT)/NET POSITION - AUGUST 1, 2021	(33,156)	
FUND BALANCES(DEFICIT)/NET POSITION - JULY 31, 2022	\$ (2,644)	\$ 13,550,256

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 146,523	\$ 180,400	\$	\$ 180,400
<u>8,201,278</u>	<u>8,201,278</u>		<u>8,201,278</u>
\$ <u>8,347,801</u>	\$ <u>8,381,678</u>	\$ - 0 -	\$ <u>8,381,678</u>
\$	\$ 371,473		\$ 371,473
	53,195		53,195
	30,160		30,160
		4,833,180	4,833,180
16,847,560	16,847,560	(16,847,560)	
	1,673,548	1,645,784	3,319,332
<u>12,383,186</u>	<u>12,383,186</u>		<u>12,383,186</u>
\$ <u>29,230,746</u>	\$ <u>31,359,122</u>	\$ <u>(10,368,596)</u>	\$ <u>20,990,526</u>
\$ <u>(20,882,945)</u>	\$ <u>(22,977,444)</u>	\$ <u>10,368,596</u>	\$ <u>(12,608,848)</u>
\$ 79,114,689	\$ 94,475,000	\$ (94,475,000)	\$
(29,162)	(29,162)	29,162	
161,830	161,830	(161,830)	
	314,956	(314,956)	
\$ <u>79,247,357</u>	\$ <u>94,922,624</u>	\$ <u>(94,922,624)</u>	\$ <u>-0-</u>
\$ 58,364,412	\$ 71,945,180	\$ (71,945,180)	\$
		(12,608,848)	(12,608,848)
	(33,156)	(2,185)	(35,341)
\$ <u>58,364,412</u>	\$ <u>71,912,024</u>	\$ <u>(84,556,213)</u>	\$ <u>(12,644,189)</u>

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

**NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2022**

Net Change in Fund Balances - Governmental Funds	\$ 71,945,180
Amounts reported for governmental activities in the Statement of Activities are different because:	
In the Statement of Activities, conveyance of assets to other governmental activities is recorded as an expense.	(4,833,180)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets and intangible assets are increased by new purchases and the Statement of Activities is not affected.	16,847,560
Governmental funds report bond premiums and bond discounts as other financing sources or uses in the year received or paid. However, in the Statement of Net Position, the bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(132,668)
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(1,645,784)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(94,475,000)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.	<u>(314,956)</u>
Change in Net Position - Governmental Activities	<u>\$ (12,608,848)</u>

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

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 1. CREATION OF DISTRICT

North Parkway Municipal Management District No. 1 (the “District”) was created in 2019, through the acts of the 86th Texas Legislature. The District is empowered to facilitate the construction and continued maintenance of quality mixed-used residential and commercial development to benefit the residents of the City of Celina, Texas (the “City”) authorized under the legislation or Chapter 375, Local Government Code. The legislation empowers the District to levy special assessments to fund public improvements that benefit all or a substantial portion of the District. The Board of Directors held its organizational meeting on February 12, 2021. The first bonds were sold on October 28, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality.

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately appointed governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for developer advances, as well as operating and administrative costs.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital and Intangible Assets

The District will not own any capital assets. As public infrastructure is constructed, it will be conveyed to the City for ownership and maintenance and will be accounted for as intangible assets. See Notes 5 and 8.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund presents the original budget and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that the directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	<u>Contract Revenue Series 2021</u>	<u>Special Assessment Revenue Series 2021</u>
Amount Outstanding July 31, 2022	\$ 13,300,000	\$ 81,175,000
Interest Rates	3.00% - 4.25%	3.625% – 5.00%
Maturity Date	September 15, 2023/2051	September 15, 2024/2051
Interest Payment Dates	September 15/ March 15	September 15/ March 15
Callable Dates	September 15, 2031*	September 15, 2031*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2021 Contract Revenue term bonds maturing on September 15, 2026, 2031, 2041 and 2051 are subject to mandatory redemption beginning September 15, 2024, 2027, 2032 and 2042, respectively. Series 2021 Special Assessment Revenue term bonds maturing September 15, 2026, 2031, 2041, and 2051 are subject to mandatory redemption beginning September 15, 2024, 2027, 2032, and 2042, respectively.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2022:

	August 1, 2021	Additions	Retirements	July 31, 2022
Bonds Payable	\$	\$ 94,475,000	\$	\$ 94,475,000
Unamortized Discounts		(29,162)	(732)	(28,430)
Unamortized Premiums		161,830	4,064	157,766
Total Bonds Payable, Net	\$ -0-	\$ 94,607,668	\$ 3,332	\$ 94,604,336
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		94,604,336
		Bonds Payable, Net		\$ 94,604,336

As of July 31, 2022, the District had authorized but unissued bonds in the amount of \$96,608,185 for Utility Bonds, \$180,760,230 for Utility Refunding Bonds, \$111,193,200 for Road Bonds and \$198,991,500 for Road Refunding Bonds. The levy of ad valorem taxes to provide for the payment of all bonds has also been authorized. See Note 10 for further information on Contract Revenue Bonds and Special Assessment Revenue Bonds.

As of July 31, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$	\$ 4,397,644	\$ 4,397,644
2024	277,000	4,393,489	4,670,489
2025	1,715,000	4,359,140	6,074,140
2026	1,779,000	4,297,614	6,076,614
2027	1,845,000	4,233,779	6,078,779
2028-2032	10,448,000	19,959,335	30,407,335
2033-2037	13,082,000	17,378,869	30,460,869
2038-2042	16,627,000	13,947,323	30,574,323
2043-2047	21,268,000	9,442,433	30,710,433
2048-2052	27,434,000	3,503,023	30,937,023
	\$ 94,475,000	\$ 85,912,649	\$ 180,387,649

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$97,571 and the bank balance was \$38,892. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position as of July 31, 2022, as listed below:

	Cash
DEPOSITS - GENERAL FUND	\$ 97,571

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of July 31, 2022, the District had the following investments:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Wilmington Trust	\$ 138,613	\$ 138,613
<u>DEBT SERVICE FUND</u>		
Wilmington Trust	13,550,256	13,550,256
<u>CAPITAL PROJECTS FUND</u>		
Wilmington Trust	<u>58,364,412</u>	<u>58,364,412</u>
TOTAL INVESTMENTS	<u>\$72,053,281</u>	<u>\$72,053,281</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2022, the District's investments in the Wilmington Trust money market mutual funds were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in the Wilmington Trust money market mutual funds to have a maturity of less than one year due to the fact that the share positions can be redeemed per the terms of the Indenture of Trust Agreements, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 5. CAPITAL ASSETS AND INTANGIBLE ASSETS

The District currently has no capital assets or intangible assets. Ongoing capital costs for public improvements are classified as construction in progress until the improvements are completed when they will be conveyed to the City for ownership and maintenance.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 6. MAINTENANCE TAX

On November 2, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.20 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s facilities as well as any other lawfully authorized purpose. During the year ended July 31, 2022, the District did not levy a maintenance tax.

NOTE 7. DUE TO DEVELOPER

The District has executed agreements for the construction of improvements and reimbursement of advances with the Master Developer within the District. The agreement calls for the Master Developer to fund costs associated with water, wastewater, drainage, and road facilities and operating advances until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$317,141 has been recorded as a liability for operating advances.

The following table summarizes the current year activity related to unreimbursed developer costs for operating advances:

Due to Master Developer, August 1, 2021	\$	2,185
Additions		314,956
Due to Master Developer, July 31, 2022	\$	317,141

NOTE 8. DEVELOPMENT AGREEMENT

Dynavest Joint Venture, the predecessor Master Developer to MM Celina 3200, LLC, entered into a Development, Settlement and Annexation Agreement with the City effective September 8, 2020. The Agreement has been amended on August 2, 2021 and September 14, 2021. Pursuant to the Agreement, the Master Developer has agreed to construct certain public improvements for the benefit of the Development. The Agreement provides the scope of the public improvements to be constructed, sets forth conditions for the issuance of bonds by the District and rules and regulations for the construction of the public improvements and provides the process for the development of all property within the Development. The bonds will be issued to provide funds for the costs of the public improvements and the Master Developer will pay or be reimbursed for the costs of the public improvements from proceeds of the bonds.

The Agreement also requires the City to construction a certain water line and a wastewater treatment plant.

Pursuant to the Agreement, the City, District and Master Developer have agreed to set certain capital recovery fees for single-family residential lots and the City has created a tax increment reinvestment zone contiguous with the District.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 8. DEVELOPMENT AGREEMENT (Continued)

Upon completion, the public improvements will be conveyed to the City for ongoing operation and maintenance.

NOTE 9. PUBLIC IMPROVEMENT DISTRICT

The Legacy Hills Public Improvement District (the "PID") was created by the City pursuant to Resolution No. 2021-84R approved by the City Council of the City on September 14, 2021. The PID includes approximately 331.5 acres of land located within the District and was formed pursuant to the Public Improvement District Act, being Chapter 372 of the Texas Local Government Code, as amended (the "PID Act") and the Act, as amended, to finance certain local public improvements benefitting the property within the PID (the "PID Public Improvements"). The construction of the PID Public Improvements may be funded by MM Celina 294, LLC, a Texas limited liability company ("MM Celina 294") and MM Celina 40, LLC, a Texas limited liability company ("MM Celina 40" and collectively with MM Celina 294, the "PID Developers"), affiliates of the Developer, with reimbursement from assessment revenues or from the proceeds of assessment revenue bonds secured by the assessments.

The Legacy Hills Public Improvement District Service and Assessment Plan (the "Service and Assessment Plan") was prepared at the direction of the City Council of the City identifying the PID Public Improvements to be financed by the PID, as well as the estimated costs, the indebtedness to be incurred and the manner of assessing the property in the PID for such costs. The estimated costs of the PID Public Improvements is \$40,000,000.00. Pursuant to Sections 372.013, 372.014, and 372.016 of the PID Act, the update of the Service and Assessment Plan (the "Annual Service and Assessment Plan Update") includes an update to the service plan, an update to the assessment plan, and the assessment rolls identifying the assessments on each parcel, based on the method of assessment set forth in the Service and Assessment Plans and pursuant to the Annual Service Plans Update.

The City entered into two separate reimbursement agreements (the "City Reimbursement Agreements") with the District relating to utilization of assessments levied within the PID and the payment of costs of the PID Public Improvements. Pursuant to the City Reimbursement Agreements, the City has levied assessments (the "City PID Assessments") in the amount of \$13,300,000 on a portion of the land within the PID (consisting of approximately 154 acres located in the PID) (the "City PID Assessed Property") on October 12, 2021 to assist with funding the PID Public Improvements for the first phases of development within the PID on the City PID Assessed Property. The District has issued an initial series of contract revenue bonds in the amount of \$13,300,000 (the "District Contract Revenue Bonds") to provide upfront financing to fund the PID Public Improvements. The District Contract Revenue Bonds are secured by payments to be made under an interlocal agreement by and between the City and the District consisting primarily of the City PID Assessments.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 9. PUBLIC IMPROVEMENT DISTRICT (Continued)

It is expected that the District will issue one or more series of additional bonds (collectively, the “Future PID Contract Revenue Bonds”) to finance the cost of PID Public Improvements benefitting each distinct portion of the PID developed as an individual phase after the first phase (each a “Future Phase” and collectively, the “Future Phases”). Such Future PID Contract Revenue Bonds will be secured by a pledge of revenues to be received by the District under an interlocal agreement, which are expected to consist of separate assessments levied by the City pursuant to the PID Act on assessable property within the applicable Future Phase in the PID.

NOTE 10. INDENTURE OF TRUST AGREEMENTS

The District entered into separate Indenture of Trust Agreements (the “District Agreements”) for the Series 2021 Assessment Bonds, dated as of October 1, 2021, Series 2021 Contract Revenue Bonds, dated October 1, 2021, and Series 2022 Assessment Bonds (See Note 13) dated August 1, 2022 with Wilmington Trust, National Association, as Trustee (“Trustee”). The District Agreements were entered into with the Trustee for the purpose of establishing various funds and assigning and pledging the monies held by Trustee to provide for and secure the payment of principal and interest on the Series 2021 Assessment Bonds, Series 2021 Contract Revenue Bonds, and Series 2022 Assessment Bonds and payments of certain other related obligations. The Trustee is responsible for allocating certain available monies of the District in accordance with the terms of the District Agreements. The following are certain requirements and provisions of the Agreements.

The Public Finance Authority entered into an Indenture of Trust Agreement (the “PFA Agreement” and together with the District Agreements, the “Agreements”) for the Series 2021 Certificates of Participation, dated December 17, 2021 with the Trustee. The PFA Agreement was entered into with the Trustee for the purpose of establishing various funds and assigning and pledging the monies held by Trustee to provide for and secure the payment of principal and interest on the Series 2021 Certificates of Participation and payments of certain other related obligations. The Trustee is responsible for allocating certain available monies of the Public Finance Authority in accordance with the terms of the PFA Agreement. The debt for the Certificates and related obligations are the responsibility of the City, not the District.

The following are certain requirements and provisions of the Agreements:

Pledged Revenue Fund

Pursuant to the District Agreements, a separate Pledged Revenue Fund is established for the Series 2021 Assessment Bonds, Series 2021 Contract Revenue Bonds, and Series 2022 Assessment Bonds to be held by the Trustee.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 10. INDENTURE OF TRUST AGREEMENTS (Continued)

With respect to the Series 2021 Assessment Bonds and the Series 2022 Assessment Bonds, beginning with the first year in which Assessments are being collected, the District shall transfer to the Trustee the Pledged Revenues for deposit into the Pledged Revenue Fund. From amounts deposited to the Pledged Revenue Fund, the District shall transfer or cause to be transferred Assessment Revenue with the Trustee as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service, including Sinking Fund Installments, on the bonds next coming due, (ii) second, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, (iii) third, to the Additional Interest Reserve Account, amounts equal to the Additional Interest Reserve Requirement, and (iv) fourth, to pay other costs permitted or authorized by the Act. The Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such prepayments to the Redemption Fund. The Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Account of the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Parcel or Assessed Parcels to which the Foreclosure Proceeds relate, and second to the Redemption Fund. After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in the Reserve Account of the Reserve Fund or the Additional Interest Reserve Account, the Trustee, at the direction of the District, may apply any Pledged Revenues remaining for any lawful purpose for which Assessments may be used under the Act.

If, after the foregoing transfers and any transfer from the Reserve Fund, there are insufficient funds to make the payments provided above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Series 2021 Assessment Bonds and the Series 2022 Assessment Bonds.

With respect to the Series 2021 Contract Revenue Bonds, beginning with the first year in which Contract Revenues are received, the District shall transfer to the Trustee the Contract Revenues for deposit into the Pledged Revenue Fund. From amounts deposited to the Pledged Revenue Fund, the District shall transfer or cause to be transferred Pledged Revenues with the Trustee as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service, including Sinking Fund Installments, on the Bonds next coming due, (ii) second, to the Reserve Fund in an amount to cause the amount in the Reserve Fund to equal the Reserve Fund Requirement, and (iii) third, to pay other costs permitted or authorized by the Act and the PID Act. The Trustee shall deposit Contract Revenues derived from Prepayments, and identified as such by the Administrator, to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Contract Revenues to the Redemption Fund. The Trustee shall deposit Contract Revenues derived from Foreclosure Proceeds, and identified as such by the Administrator, to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Contract Revenues first to the Reserve Fund

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 10. INDENTURE OF TRUST AGREEMENTS (Continued)

to restore any transfers from the Reserve Fund made with respect to the Assessed Parcel or Assessed Parcels to which the Foreclosure Proceeds relate, and second to the Redemption Fund. After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in the Reserve Fund, the Trustee, at the direction of the District and the City, may apply any Pledged Revenues remaining for any lawful purpose for which Pledged Revenues may be used under the Act and the PID Act.

If, after the foregoing transfers and any transfer from the Reserve Fund, there are insufficient funds to make the payments provided above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Series 2021 Contract Revenue Bonds.

Pursuant to the PFA Agreement, a separate Pledged Revenue Fund is established for the Series 2021 Certificates of Participation to be held by the Trustee. The Trustee shall pay from the Pledged Revenue Fund (a) first, any authorized fees and expenses of the Trustee and any authorized fees and expenses of the Public Finance Authority including, without limitation, the Annual Fee and the Additional Payments when such fees are due and (b) second, on each Certificate Payment Date all of the Pledged Revenues (after the payments in clause (a), if any) in the Pledged Revenue Fund to each Owner in an amount equal to its Certificate Pro Rata Share. "Certificate Payment Date" means, with respect to each Certificate, (a) December 31 of each year, commencing on December 31, 2022, up until the Termination Date, and (b) the Termination Date. "Termination Date" means the earliest to occur of: (i) the date on which the City shall have remitted to the Pledged Revenue Fund collected Capital Recovery Fees for the first 2,011 single family residential lots within the Development, (ii) the date on which the amount of funds collected in the Pledged Revenue Fund from Capital Recovery Fees reaches an aggregate total amount of \$20,000,000 and (iii) December 17, 2061.

Reserve Fund

Pursuant to the District Agreements, a separate Reserve Fund is established for the benefit of the Series 2021 Assessment Bonds, Series 2021 Contract Revenue Bonds, and Series 2022 Assessment Bonds and held by the Trustee for each series of the bonds. Pursuant to the District Agreements, the "Reserve Account Requirement" for the Series 2021 Assessment Bonds and Series 2022 Assessment Bonds and the "Reserve Fund Requirement" for the Series 2021 Contract Revenue Bonds shall be the least of: (i) Maximum Annual Debt Service on the bonds as of the date of issuance, (ii) 125% of average Annual Debt Service on the bonds as of the date of issuance, or (iii) 10% of the proceeds (per section 148 of the Code) of the bonds; provided, however, that such amount shall be reduced as a result of an extraordinary, optional or mandatory sinking fund redemption of the bonds, such that the Reserve Account Requirement or Reserve Fund Requirement, as applicable, is reduced by a percentage equal to the pro rata principal amount of Bonds redeemed by such optional redemption divided by the total principal amount of the Outstanding Bonds prior to such redemption.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 10. INDENTURE OF TRUST AGREEMENTS (Continued)

If, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Series 2021 Assessment Bonds or the Series 2022 Assessment Bonds due on such date, the Trustee shall withdraw first from the Additional Interest Reserve Account of the Reserve Fund and second from the Reserve Account of the Reserve Fund, amounts to cover the amount of such insufficiency. If, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Series 2021 Contract Revenue Bonds due on such date, the Trustee shall withdraw from the Reserve Fund, amounts to cover the amount of such insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited to the Principal and Interest Account of the Bond Fund and transferred to the Paying Agent/Registrar.

The bond orders for the Series 2021 Assessment Bonds, Series 2021 Contract Revenue Bonds, and Series 2022 Assessment Bonds included forms of agreements that state that the District will provide continuing disclosure of certain financial information and operating data to each nationally recognized municipal securities information repository and the state information depository. This information, along with the audited annual financial statements, is to be provided no later than 10 business days before the expiration of six months after the end of each fiscal year.

NOTE 11. ECONOMIC DEPENDENCY AND DEFICIT FUND BALANCE

The District's Master Developer owns a substantial portion of the taxable property within the District. In addition, the District could be dependent upon the Developer for operating advances to meet its financial obligations. The Master Developer's ability to make full and timely payments of taxes and operating advances could directly affect the District's ability to meet its financial obligations.

As of July 31, 2022, the District's General Fund had a deficit fund balance of \$2,644. This deficit is expected to be eliminated in the next fiscal year with developer advances and/or maintenance tax collections.

NOTE 12. BOND SALES

On October 28, 2021, the District issued \$81,175,000 of Special Assessment Revenue Bonds, Series 2021. Proceeds from the bonds were used to reimburse the Master Developer for right of way acquisition costs and to fund ongoing road, water, sanitary sewer, storm drainage and District formation costs; provide for capitalized interest; and pay for issuance costs of the bonds.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

NOTE 12. BOND SALES (Continued)

On October 28, 2021, the District issued \$13,300,000 of Contract Revenue Bonds, Series 2021. Proceeds from the bonds, as well as an \$8,201,278 contribution from the City's PID Developers, are being used to fund Phase 1A and 1B improvements; provide for capitalized interest; and pay for issuance costs of the bonds.

NOTE 13. SUBSEQUENT EVENT – BOND SALE

On August 26, 2022, subsequent to year end, the District issued \$32,225,000 of Special Assessment Revenue Bonds, Series 2022. Proceeds from the bonds are being used to fund the ongoing major improvements for road, water, sanitary sewer, storm drainage and other soft and miscellaneous costs; provide for capitalized interest; and pay for issuance costs of the bonds.

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NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2022

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE F REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2022

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Investment Revenues	\$ -0-	\$ -0-	\$ 384	\$ 384
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 156,000	\$ 276,698	\$ 371,473	\$ (94,775)
Contracted Services	68,000	47,100	53,195	(6,095)
Other	<u>14,326</u>	<u>24,221</u>	<u>30,160</u>	<u>(5,939)</u>
TOTAL EXPENDITURES	<u>\$ 238,326</u>	<u>\$ 348,019</u>	<u>\$ 454,828</u>	<u>\$ (106,809)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (238,326)</u>	<u>\$ (348,019)</u>	<u>\$ (454,444)</u>	<u>\$ (106,425)</u>
OTHER FINANCING SOURCES(USES)				
Long-Term Debt Issued	\$	\$	\$ 170,000	\$ 170,000
Developer Advances	<u>238,326</u>	<u>348,019</u>	<u>314,956</u>	<u>(33,063)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 238,326</u>	<u>\$ 348,019</u>	<u>\$ 484,956</u>	<u>\$ 136,937</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ 30,512	\$ 30,512
FUND BALANCE(DEFICIT) - AUGUST 1, 2021	<u>(33,156)</u>	<u>(33,156)</u>	<u>(33,156)</u>	<u></u>
FUND BALANCE(DEFICIT) - JULY 31, 2022	<u>\$ (33,156)</u>	<u>\$ (33,156)</u>	<u>\$ (2,644)</u>	<u>\$ 30,512</u>

See accompanying independent auditor's report.

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NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2022

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2022

PROFESSIONAL FEES:	
Auditing	\$ 7,000
Engineering	139,111
Legal	<u>225,362</u>
TOTAL PROFESSIONAL FEES	<u>\$ 371,473</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,970
Bond Administrator	<u>34,225</u>
TOTAL CONTRACTED SERVICES	<u>\$ 53,195</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 12,750
Dues	700
Election Costs	2,750
Insurance	6,737
Office Supplies and Postage	2,083
Payroll Taxes	1,042
Training	900
Travel and Meetings	<u>3,198</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 30,160</u>
TOTAL EXPENDITURES	<u>\$ 454,828</u>

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
INVESTMENTS
JULY 31, 2022

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Wilmington Trust	XXXX2007	Varies	Daily	\$ 103,668	\$
Wilmington Trust	XXXX6007	Varies	Daily	34,945	
TOTAL GENERAL FUND				<u>\$ 138,613</u>	<u>\$ -0-</u>
<u>DEBT SERVICE FUND</u>					
Wilmington Trust	XXXX2004	Varies	Daily	\$ 5,602,969	\$
Wilmington Trust	XXXX2008	Varies	Daily	6,279,171	
Wilmington Trust	XXXX6000	Varies	Daily	38	
Wilmington Trust	XXXX6004	Varies	Daily	808,860	
Wilmington Trust	XXXX6009	Varies	Daily	859,218	
TOTAL DEBT SERVICE FUND				<u>\$ 13,550,256</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
Wilmington Trust	XXXX2003	Varies	Daily	\$ 41,844,563	\$
Wilmington Trust	XXXX2013	Varies	Daily	57,939	
Wilmington Trust	XXXX6003	Varies	Daily	96	
Wilmington Trust	XXXX6011	Varies	Daily	7,943,706	
Wilmington Trust	XXXX6012	Varies	Daily	2,980,953	
Wilmington Trust	XXXX6013	Varies	Daily	3,532,946	
Wilmington Trust	XXXX6014	Varies	Daily	1,987,197	
Wilmington Trust	XXXX6015	Varies	Daily	17,012	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 58,364,412</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 72,053,281</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JULY 31, 2022

S E R I E S - 2 0 2 1 C O N T R A C T R E V E N U E			
Due During Fiscal Years Ending July 31	Principal Due September 15	Interest Due September 15/ March 15	Total
2023	\$	\$ 529,866	\$ 529,866
2024	277,000	525,711	802,711
2025	285,000	517,281	802,281
2026	292,000	508,626	800,626
2027	300,000	499,746	799,746
2028	308,000	489,664	797,664
2029	318,000	478,318	796,318
2030	328,000	466,609	794,609
2031	339,000	454,519	793,519
2032	350,000	442,031	792,031
2033	361,000	428,468	789,468
2034	375,000	413,750	788,750
2035	388,000	398,488	786,488
2036	403,000	382,668	785,668
2037	418,000	366,248	784,248
2038	433,000	349,228	782,228
2039	449,000	331,588	780,588
2040	465,000	313,308	778,308
2041	483,000	294,348	777,348
2042	501,000	274,668	775,668
2043	519,000	253,619	772,619
2044	540,000	231,115	771,115
2045	561,000	207,719	768,719
2046	583,000	183,409	766,409
2047	607,000	158,121	765,121
2048	631,000	131,814	762,814
2049	656,000	104,465	760,465
2050	682,000	76,033	758,033
2051	710,000	46,453	756,453
2052	738,000	15,683	753,683
	\$ 13,300,000	\$ 9,873,564	\$ 23,173,564

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JULY 31, 2022

SERIES - 2021 SPECIAL ASSESSMENT

Due During Fiscal Years Ending July 31	Principal Due September 15	Interest Due September 15/ March 15	Total
2023	\$	\$ 3,867,778	\$ 3,867,778
2024		3,867,778	3,867,778
2025	1,430,000	3,841,859	5,271,859
2026	1,487,000	3,788,988	5,275,988
2027	1,545,000	3,734,033	5,279,033
2028	1,607,000	3,671,881	5,278,881
2029	1,680,000	3,602,033	5,282,033
2030	1,757,000	3,528,996	5,285,996
2031	1,838,000	3,452,603	5,290,603
2032	1,923,000	3,372,681	5,295,681
2033	2,011,000	3,284,056	5,295,056
2034	2,114,000	3,186,088	5,300,088
2035	2,222,000	3,083,108	5,305,108
2036	2,335,000	2,974,879	5,309,879
2037	2,455,000	2,861,116	5,316,116
2038	2,581,000	2,741,511	5,322,511
2039	2,713,000	2,615,779	5,328,779
2040	2,852,000	2,483,610	5,335,610
2041	2,998,000	2,344,673	5,342,673
2042	3,152,000	2,198,610	5,350,610
2043	3,314,000	2,040,900	5,354,900
2044	3,493,000	1,870,725	5,363,725
2045	3,681,000	1,691,375	5,372,375
2046	3,880,000	1,502,350	5,382,350
2047	4,090,000	1,303,100	5,393,100
2048	4,311,000	1,093,075	5,404,075
2049	4,544,000	871,700	5,415,700
2050	4,790,000	638,350	5,428,350
2051	5,049,000	392,375	5,441,375
2052	5,323,000	133,075	5,456,075
	<u>\$ 81,175,000</u>	<u>\$ 76,039,085</u>	<u>\$ 157,214,085</u>

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JULY 31, 2022

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$	\$	\$
2024	277,000	4,393,489	4,670,489
2025	1,715,000	4,359,140	6,074,140
2026	1,779,000	4,297,614	6,076,614
2027	1,845,000	4,233,779	6,078,779
2028	1,915,000	4,161,545	6,076,545
2029	1,998,000	4,080,351	6,078,351
2030	2,085,000	3,995,605	6,080,605
2031	2,177,000	3,907,122	6,084,122
2032	2,273,000	3,814,712	6,087,712
2033	2,372,000	3,712,524	6,084,524
2034	2,489,000	3,599,838	6,088,838
2035	2,610,000	3,481,596	6,091,596
2036	2,738,000	3,357,547	6,095,547
2037	2,873,000	3,227,364	6,100,364
2038	3,014,000	3,090,739	6,104,739
2039	3,162,000	2,947,367	6,109,367
2040	3,317,000	2,796,918	6,113,918
2041	3,481,000	2,639,021	6,120,021
2042	3,653,000	2,473,278	6,126,278
2043	3,833,000	2,294,519	6,127,519
2044	4,033,000	2,101,840	6,134,840
2045	4,242,000	1,899,094	6,141,094
2046	4,463,000	1,685,759	6,148,759
2047	4,697,000	1,461,221	6,158,221
2048	4,942,000	1,224,889	6,166,889
2049	5,200,000	976,165	6,176,165
2050	5,472,000	714,383	6,186,383
2051	5,759,000	438,828	6,197,828
2052	6,061,000	148,758	6,209,758
	<u>\$ 94,475,000</u>	<u>\$ 85,912,649</u>	<u>\$ 180,387,649</u>

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2022

Description	Original Bonds Issued	Bonds Outstanding August 1, 2021
North Parkway Municipal Management District No. 1 Contract Revenue Bonds - Series 2021	\$ 13,300,000	\$
North Parkway Municipal Management District No. 1 Special Assessment Revenue Bonds - Series 2021	<u>81,175,000</u>	<u> </u>
TOTAL	<u><u>\$ 94,475,000</u></u>	<u><u>\$ - 0 -</u></u>

Bond Authority:	Utility Bonds	Road Bonds	Utility Refunding Bonds
Amount Authorized by Voters	\$ 96,608,185	\$ 111,193,200	\$ 180,760,230
Amount Issued	<u> </u>	<u> </u>	<u> </u>
Remaining to be Issued	<u><u>\$ 96,608,185</u></u>	<u><u>\$ 111,193,200</u></u>	<u><u>\$ 180,760,230</u></u>

Debt Service Fund cash and investments balances as of July 31, 2022: \$ 13,550,256

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 6,012,922

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$ 13,300,000		\$ 201,644	\$ 13,300,000	Wilmington Trust, N.A. Dallas, TX
<u>81,175,000</u>		<u>1,471,904</u>	<u>81,175,000</u>	Wilmington Trust, N.A. Dallas, TX
<u>\$ 94,475,000</u>	<u>\$ - 0 -</u>	<u>\$ 1,673,548</u>	<u>\$ 94,475,000</u>	
 <u>Road Refunding Bonds</u> 				
\$ 198,991,500				
<u>\$ 198,991,500</u>				

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - TWO YEARS

	Amounts	
	2022	2021*
REVENUES		
Investment Revenues	\$ 384	\$ -0-
EXPENDITURES		
Professional Fees	\$ 371,473	\$ 27,714
Contracted Services	53,195	4,410
Other	<u>30,160</u>	<u>3,217</u>
TOTAL EXPENDITURES	<u>\$ 454,828</u>	<u>\$ 35,341</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (454,444)</u>	<u>\$ (35,341)</u>
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$ 170,000	\$
Developer Advances	<u>314,956</u>	<u>2,185</u>
TOTAL OTHER FINANCING SOURCES	<u>\$ 484,956</u>	<u>\$ 2,185</u>
NET CHANGE IN FUND BALANCE	\$ 30,512	\$ (33,156)
BEGINNING FUND BALANCE (DEFICIT)	<u>(33,156)</u>	<u></u>
ENDING FUND BALANCE (DEFICIT)	<u><u>\$ (2,644)</u></u>	<u><u>\$ (33,156)</u></u>

*Inception Period Ending July 31, 2021

See accompanying independent auditor's report.

Percentage of Total Revenues

<u>2022</u>		<u>2021*</u>	
<u>100.0</u>	%	<u>N/A</u>	%
96,737.8	%		%
13,852.9			
<u>7,854.2</u>		<u> </u>	
<u>118,444.9</u>	%	<u>N/A</u>	%
<u>(118,344.9)</u>	%	<u>N/A</u>	%

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - TWO YEARS

	Amounts	
	2022	2021*
REVENUES		
Investment Revenues	\$ 33,493	\$ -0-
EXPENDITURES		
Debt Service Interest and Fees	\$ 1,673,548	\$ -0-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,640,055)	\$ -0-
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$ 15,190,311	_____
NET CHANGE IN FUND BALANCE	\$ 13,550,256	\$ -0-
BEGINNING FUND BALANCE	_____	_____
ENDING FUND BALANCE	\$ 13,550,256	\$ -0-

*Inception Period Ending July 31, 2021

See accompanying independent auditor's report.

Percentage of Total Revenues

<u>2022</u>		<u>2021*</u>	
<u>100.0</u>	%	<u>N/A</u>	%
<u>4,996.7</u>	%	<u>N/A</u>	%
<u>(4,896.7)</u>	%	<u>N/A</u>	%

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2022

District Mailing Address - North Parkway Municipal Management District No. 1
c/o Winstead PC
2728 N. Harwood Street
Dallas, Texas 75201

District Telephone Number - (214) 745-5400

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for year ended <u>July 31, 2022</u>	Expense Reimbursements for year ended <u>July 31, 2022</u>	<u>Title</u>
Greg Leveling	08/21 06/25 (Appointed)	\$ 2,700	\$ 934	President
William Rogers	08/21 06/25 (Appointed)	\$ 2,400	\$ 385	Vice President
Rob Klarer	09/21 06/25 (Appointed)	\$ 2,850	\$ 433	Secretary
James Rose	08/21 06/23 (Appointed)	\$ 2,700	\$ 572	Assistant Secretary
Steve Mitchell	10/21 06/23 (Appointed)	\$ 2,250	\$ 771	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

See accompanying independent auditor's report.

NORTH PARKWAY MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2022

Consultants:	Date Hired	Fees for the year ended July 31, 2022	Title
Winstead PC	02/12/21	\$ 225,362 \$ 3,325,625	General Counsel Bond Related
McCall Gibson Swedlund Barfoot PLLC	10/06/21	\$ 7,000 \$ 6,500	Auditor Bond Related
Dye & Toverly, LLC	02/12/21	\$ 18,970	Bookkeeper
KFM Engineering & Design	08/02/21	\$ 2,725,629	Engineer
SAMCO Capital Markets	08/02/21	\$ 1,889,500	Financial Advisor
MuniCap, Inc.	08/02/21	\$ 104,225	Administrator

See accompanying independent auditor's report.

