FINANCIAL STATEMENT

FOR OTHER DEBT OF THE ISSUER OR RELATED REPORTS, SEE SEPARATE TEXAS MUNICIPAL REPORTS:
JOSEPHINE, CITY OF (GENERAL OBLIGATION DEBT)
JOSEPHINE, CITY OF (MORGAN FARMS PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA # 1)

FINANCIAL STATEMENT (As of April 30, 2026)

Special Obligation Debt	
Senior Lien	$3,873,000
Special Fund Balances	
Reserve Account of the Reserve Fund	$267,502
Capitalized Interest Account of the Bond Fund	$79,546

PAYMENT RECORD

The City of Josephine has never defaulted.

DETAILS OF OUTSTANDING DEBT

Details of Senior Lien Debt (Outstanding 4/30/2026)

Special Assessment Revenue Bonds Series 2026 (Josephine Public Improvement District # 1 Improvement Area # 1 Project)

Lien: Senior
Tax Treatment: Tax Exempt
Original Issue Amount $3,873,000.00
Dated Date: 04/30/2026
Sale Date: 04/13/2026
Delivery Date: 04/30/2026
Sale Type: Negotiated
NIC: 5.6651%
Record Date: MSRB
Bond Form: BE
Denomination $25,000
Interest pays Semi-Annually: 03/15, 09/15
1st Coupon Date: 09/15/2026

Trustee: BOKF, N.A., Dallas, TX
Bond Counsel: McCall, Parkhurst & Horton L.L.P., Dallas, TX
Financial/Municipal Advisor: Hilltop Securities Inc., Dallas, TX
Lead Manager: FMSbonds, Inc.
Underwriter's Counsel: Greenberg Traurig, LLP

Use of Proceeds: Public Improvements.

Maturity	Amount	Coupon	Orig Reoffering Price/Yield
09/15/2036T	769,000.00	4.3750%	4.400%
09/15/2056T	3,104,000.00	5.7500%	100.00%
	$3,873,000.00		

Call Option: Term bonds maturing on 09/15/2036 and 09/15/2056 callable in whole or in part on any date beginning 09/15/2034 @ par.
The Bonds are subject to Extraordinary Optional Redemption as further described in the authorizing resolution.

Term Call: Term bonds maturing on 09/15/2036 subject to mandatory redemption as follows:

Redemption Date	Principal Amount
09/15/2027	$66,000
09/15/2028	$68,000
09/15/2029	$70,000
09/15/2030	$73,000
09/15/2031	$75,000
09/15/2032	$78,000
09/15/2033	$81,000
09/15/2034	$83,000
09/15/2035	$86,000
09/15/2036	$89,000
	$769,000

Term bonds maturing on 09/15/2056 subject to mandatory redemption as follows:

Redemption Date	Principal Amount
09/15/2037	$92,000
09/15/2038	$97,000
09/15/2039	$102,000
09/15/2040	$107,000
09/15/2041	$112,000
09/15/2042	$118,000
09/15/2043	$124,000
09/15/2044	$130,000
09/15/2045	$137,000
09/15/2046	$144,000
09/15/2047	$152,000
09/15/2048	$160,000
09/15/2049	$168,000
09/15/2050	$177,000
09/15/2051	$187,000
09/15/2052	$197,000
09/15/2053	$207,000
09/15/2054	$219,000
09/15/2055	$231,000
09/15/2056	$243,000
	$3,104,000

Grand Total ===============> $3,873,000.00

Bond Debt Service

Period Ending	Principal	Interest	Debt Service
09/30/26	0.00	79,546.43	79,546.43
09/30/27	66,000.00	212,123.76	278,123.76
09/30/28	68,000.00	209,236.26	277,236.26
09/30/29	70,000.00	206,261.26	276,261.26
09/30/30	73,000.00	203,198.76	276,198.76
09/30/31	75,000.00	200,005.00	275,005.00
09/30/32	78,000.00	196,723.76	274,723.76
09/30/33	81,000.00	193,311.26	274,311.26
09/30/34	83,000.00	189,767.50	272,767.50
09/30/35	86,000.00	186,136.26	272,136.26
09/30/36	89,000.00	182,373.76	271,373.76
09/30/37	92,000.00	178,480.00	270,480.00
09/30/38	97,000.00	173,190.00	270,190.00
09/30/39	102,000.00	167,612.50	269,612.50
09/30/40	107,000.00	161,747.50	268,747.50
09/30/41	112,000.00	155,595.00	267,595.00
09/30/42	118,000.00	149,155.00	267,155.00
09/30/43	124,000.00	142,370.00	266,370.00
09/30/44	130,000.00	135,240.00	265,240.00
09/30/45	137,000.00	127,765.00	264,765.00
09/30/46	144,000.00	119,887.50	263,887.50
09/30/47	152,000.00	111,607.50	263,607.50
09/30/48	160,000.00	102,867.50	262,867.50
09/30/49	168,000.00	93,667.50	261,667.50
09/30/50	177,000.00	84,007.50	261,007.50
09/30/51	187,000.00	73,830.00	260,830.00
09/30/52	197,000.00	63,077.50	260,077.50
09/30/53	207,000.00	51,750.00	258,750.00
09/30/54	219,000.00	39,847.50	258,847.50
09/30/55	231,000.00	27,255.00	258,255.00

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09/30/56	243,000.00	13,972.50	256,972.50
	3,873,000.00	4,231,609.01	8,104,609.01

COMPUTED ON BASIS OF MANDATORY REDEMPTION

Debt Amortization Rates

Period Ending	Principal	% of Principal Retired
09/30/2026	0.00	00.00%
09/30/2027	66,000.00	01.70%
09/30/2028	68,000.00	03.46%
09/30/2029	70,000.00	05.27%
09/30/2030	73,000.00	07.15%
09/30/2031	75,000.00	09.09%
09/30/2032	78,000.00	11.10%
09/30/2033	81,000.00	13.19%
09/30/2034	83,000.00	15.34%
09/30/2035	86,000.00	17.56%
09/30/2036	89,000.00	19.86%
09/30/2037	92,000.00	22.23%
09/30/2038	97,000.00	24.74%
09/30/2039	102,000.00	27.37%
09/30/2040	107,000.00	30.13%
09/30/2041	112,000.00	33.02%
09/30/2042	118,000.00	36.07%
09/30/2043	124,000.00	39.27%
09/30/2044	130,000.00	42.63%
09/30/2045	137,000.00	46.17%
09/30/2046	144,000.00	49.88%
09/30/2047	152,000.00	53.81%
09/30/2048	160,000.00	57.94%
09/30/2049	168,000.00	62.28%
09/30/2050	177,000.00	66.85%
09/30/2051	187,000.00	71.68%
09/30/2052	197,000.00	76.76%
09/30/2053	207,000.00	82.11%
09/30/2054	219,000.00	87.76%
09/30/2055	231,000.00	93.73%
09/30/2056	243,000.00	100.00%

PERTINENT PROVISIONS

PERTINENT PROVISIONS OF THE REVENUE BOND INDENTURE

1. NATURE OF PLEDGE: The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), an ordinance adopted by the City Council of the City (the "City Council") on April 13, 2026, and an Indenture of Trust, dated as of April 15, 2026 (the "Indenture"), entered into by and between the City and the Trustee. The Bonds, when issued and delivered, will constitute valid and binding special, limited obligations of the City secured by a pledge and lien upon the Trust Estate, consisting primarily of revenue from Assessments levied against assessable properties in Improvement Area #1 of the District in accordance with a Service and Assessment Plan and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein. The Bonds are not payable from funds raised or to be raised from taxation.

"Pledged Revenues" means, collectively, the (i) Assessment Revenues (excluding the portion of the Assessments and Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs, as set forth in the Service and Assessment Plan), (ii) the moneys held in any of the Pledged Funds and (iii) any additional revenues that the City may pledge to the payment of the Bonds.

"Annual Installment" means, with respect to each Parcel of Assessed Property, each annual payment of: (i) the principal of and interest on the Assessments as shown on the Assessment Roll or in an Annual Service Plan Update, and as shown in Exhibit F-2 to the Service and Assessment Plan, and calculated as provided in Section VI of the Service and Assessment Plan, (ii) Annual Collection Costs and (iii) the Additional Interest.

2. ASSESSMENTS: Assessments, together with interest, penalties, and expense of collection and reasonable attorneys' fees, as permitted by the Texas Tax Code, shall be a first and prior lien against the property assessed, superior to all other liens and claims, except liens or claims for State, county, school district or municipality ad valorem taxes and shall be a personal liability of and charge against the owner of the property regardless of whether the owners are named. The lien for Assessments and penalties and interest begins on the effective date of the Assessment Ordinance and continues until the Assessments are paid or until all Bonds are finally paid.

3. SPECIAL FUNDS CREATED BY INDENTURE:

Pledged Revenue Fund: To receive the assessment revenues from the City.

Bond Fund: Used to pay principal and interest on the bonds. 79,546.41 was deposited into the capitalized interest Account of the Bond Fund from bond proceeds.

Reserve Fund: The Reserve Account will be held by the Trustee for the benefit of the Bonds, and initially funded with proceeds of the Bonds in the amount of the Reserve Account Requirement. "Reserve Account Requirement" means 100% of average Annual Debt Service on the Bonds as of the date of issuance; however, that such amount shall be reduced by the amount of any transfers made to the Redemption Fund as a result of Prepayments; and provided further that as a result of (1) an optional redemption or (2) an extraordinary optional redemption, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata principal amount of Bonds redeemed by such redemption divided by the total principal amount of the Outstanding Bonds prior to such redemption. As of the Closing Date, the Reserve Account Requirement is $267,502.09.

Delinquency & Prepayment Reserve Account: The Trustee will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Delinquency and Prepayment Reserve Account on March 1 of each year, commencing March 15, 2027, an amount the City confirms to the Trustee is equal to the Additional Interest until the Delinquency and Prepayment Reserve Requirement has been accumulated in the Delinquency and Prepayment Reserve Account. "Delinquency and Prepayment Reserve Requirement" means an amount equal to 5.5% of the principal amount of the Outstanding Bonds to be funded from the Additional Interest deposited to the Pledged Revenue Fund and transferred to the Delinquency and Prepayment Reserve Account.

4. CONDITIONS FOR ISSUANCE OF ADDTIONAL BONDS: The City reserves the right, subject to the provisions contained in the Indenture, to issue Other Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from the Trust Estate, or any portion thereof. Other than Refunding Bonds issued to refund all or a portion of the Bonds, or subordinate lien obligations permitted under the Indenture, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be done or omit to be done any matter or things whatsoever whereby the lien of the Indenture or the priority thereof might or could be lost or impaired.

5. RATE COVENANT: N/A

OPERATING DATA

VALUE TO LIEN ANALYSIS, ASSESSMENT ALLOCATION, EQUIVALENT TAX RATE AND LEVERAGE PER UNIT IN IMPROVEMENT AREA #1 OF THE DISTRICT

Lot type	Planned No. of Units	Estimated Finished lot Value/unit	Projected Average Home Value	Maximum Assessment	Average Annual Instal.	Tax Rate Equiv. of $100 Lot

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			per unit	per unit	per unit	Value
Lot Type 1						
(50')	124	$70,000	$310,000	$31,233.87	$2,801.13	$4.0016
Total	124					

100 YEAR FLOOD PLAIN As shown on Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map ("FIRM") No. 48085C0455J, effective June 2, 2009, approximately 11.507 acres of property in the District, all of which is located in Improvement Area #1, is within the 100-year flood plain. Approximately 1.975 acres, which is expected to comprise 14 lots, is expected to be reclaimed from the floodplain and the remainder is expected to be used for open space. The Developer has applied for a letter of map revision ("LOMR") to remove the 14 lots from the floodplain. The approval process for the LOMR is expected to take approximately 6 months, and that the LOMR will be received in or about September 2026.

OVERLAPPING DEBT

The District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within the District as well as the City debt secured by the Assessments.

Taxing Body	Debt Amount	As Of	%Ovlpg	Ovlpg Amt
Collin Co	$910,405,000 *	05/31/26	0.01	$91,041
Collin Co CCD	425,787,806	12/31/25	0.01	42,579
Community ISD	410,550,286	06/30/25	0.24	985,321
Josephine, City of	10,272,362	09/30/24	2.09	214,692

Total Overlapping Debt:				$1,333,632
Josephine, City of (Josephine Public Improvement District # 1 Improvement Area # 1)		04/30/26		$3,873,000

* Gross Debt

ECONOMIC BACKGROUND

The District was created by the Creation Resolution for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Improvement Area #1 Projects, authorized by the PID Act and approved by the City Council that confer a special benefit on the District property being developed. The District is not a separate political subdivision of the State and is governed by the City Council.

The Development is an approximately 55.033-acre master-planned community to be known as "Morningside." The Development is located within the corporate limits of the City. The Development is near the intersection and Farm to Market Road 547 and Hubbard Road, nine miles west of IH 30. The Development is located approximately 14 miles west of the City of Greenville, Texas, 14 miles south of the City of Farmersville, Texas, 24 miles east of the City of Garland, Texas and 39 miles east of the City of Dallas, Texas, as well as 53 miles northeast of Dallas Fort Worth International Airport and 45 miles northeast of Dallas Love Field Airport.

Improvement Area #1 of the District includes approximately 36.681 acres, and consists of 124 50' lots. Construction of the Improvement Area #1 Improvements and Major Improvements began in November 2024 and was completed in February 2026. The costs of the Improvement Area #1 Improvements were approximately $4,654,639 and the costs of the Major Improvements (including the costs of the Major Improvements allocable to the Future Improvement Area) were approximately $1,032,176, all of which were financed with corporate cash. Home construction in Improvement Area #1 began in March 2026. As of March 31, 2026, three homes, including one model home, are under construction and no homes are under contract in Improvement Area #1. The Developer expects the first home closings in Improvement Area #1 to occur in August 2026.

DRB Group is majority owned by Sumitomo Forestry Co. Ltd., the parent company of Sumitomo Forestry America, Inc. Brightland Homes was converted into DRB Group in December 2025.

The City is a political subdivision and type A general-law municipality of the State. The City operates under a Council/Administrator form of government with a City Council comprised of the Mayor and five Council members.

COUNTY CHARACTERISTICS

Collin County was created in 1846 from Fannin County. Many residents commute to jobs in Dallas, Garland, and Richardson. Popular recreational attractions include water sports on Lake Lavon, the McKinney Historical District, and the South Fork Ranch of the "Dallas" television series.

COUNTY SEAT: McKinney

2020 census: 1,064,465 increasing 36.1% since 2010
2010 census: 782,341 increasing 59.1% since 2000
2000 census: 491,675

ECONOMIC BASE
Mineral: Insignificant.

Industry: wholesale center, retail/service, manufacturing plants and government.

Agricultural: wheat, nurseries, hay, grain sorghum, corn and cattle.

EMPLOYMENT DATA (Texas Workforce Commission)

	2025		2024		2023	
	Employed	Earnings	Employed	Earnings	Employed	Earnings
1st Q:	552,249	$14.0B	535,836	$12.7B	520,270	$11.8B
2nd Q:	561,177	$12.1B	541,931	$11.4B	528,486	$10.4B
3rd Q:	561,839	$12.4B	547,728	$11.6B	529,990	$10.5B
4th Q:	571,010	$13.3B	557,118	$12.5B	538,791	$11.4B

Starting Q4 2021 includes Federal Data

MAJOR COLLEGES AND UNIVERSITIES: Collin County Community College District

COLLEGES AND UNIVERSITIES

Year	Total	Fall Enrollment
2024	1	38,266
2023	1	36,296
2022	1	33,728

FINANCE CONNECTED OFFICIALS

Mayor
Jason Turney
201 S. Main St.
Josephine, TX 75173
Phone: 214-326-4908
jturney@cityofjosephinetx.com

City Administrator
Lisa Palomba
201 S. Main St.
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City Secretary
Patti Brooks

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SVL

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