



LITTLE ELM

**SPIRITAS RANCH PUBLIC IMPROVEMENT
DISTRICT**

TOWN OF LITTLE ELM, TEXAS

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

CUSIP NUMBER:

537098BM6

SPIRITAS RANCH PUBLIC IMPROVEMENT DISTRICT

ANNUAL FINANCIAL STATEMENTS SEPTEMBER 30, 2023 (AUDITED) AND 2022 (UNAUDITED)

TABLE OF CONTENTS

I.	INDEPENDENT AUDITOR’S REPORT	1
II.	MANAGEMENT’S DISCUSSION AND ANALYSIS	3
III.	FINANCIAL STATEMENTS	
	Statements of Net Position	7
	Statements of Revenues, Expenses, And Changes In Net Position.....	8
	Statements of Cash Flows	9
IV.	NOTES TO THE FINANCIAL STATEMENTS	
	Note 1—Financial Reporting Entity.....	10
	Note 2—Summary of Significant Accounting Policies	10
	Note 3—Cash and Cash Equivalents.....	12
	Note 4—Capital Assets	13
	Note 5—Long-Term Obligations	14
	Note 6—Revenues.....	15
	Note 7—Arbitrage	16
	Note 8—Subsequent Events.....	16



14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254

P 972.702.8262 / F 972.702.0673

forvis.com

Independent Auditor's Report

The Honorable Mayor and Members of the Town Council
Spiritas Ranch Public Improvement District
Little Elm, Texas

Opinion

We have audited the financial statements of the Spiritas Ranch Public Improvement District (PID), as of and for the year ended September 30, 2023, 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 the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Matter

Management is responsible for the accompanying 2022 statement of net position and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We did not audit, review or compile the 2022 financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

FORVIS,LLP

**Dallas, Texas
May 30, 2024**

II. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the financial performance of the Spiritas Ranch Public Improvement District (the "PID") provides an overall review of the PID's financial activities for the fiscal 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 Texas Local Government Code, Chapter 372, Public Improvement Assessment Act (the "PID Act") and Resolution No. 0202202101, which was passed and approved by the Town Council of the Town of Little Elm, Texas (the "Town Council") on February 2, 2021, to finance the costs of certain public improvements for the benefit of property in the PID.
2. On May 28, 2021, the PID issued the \$43,200,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2021, Spiritas Ranch Public Improvement District Improvement Area #1 Projects and Major Improvement Area Projects (the "Bonds") to fund a portion of the costs of improvements projects for the benefit of the PID, to pay a portion of the interest on the Bonds during construction, to fund a reserve fund, to pay costs incidental to the organization of the PID, and to pay the costs of issuing the Bonds
3. The PID's Bonds will be paid solely through the collection of assessments imposed on the assessed properties benefiting from the public improvements.
4. Net position at September 30, 2023 and September 30, 2022 totaled (\$16,216,928) and (\$3,937,013), respectively.
5. Capital assets, representing Improvement Area #1 and Major Improvement Area, totaled \$16,369,077 and \$18,979,160 at September 30, 2023 and September 30, 2022, respectively. Public improvements valued at \$12,547,896 for the Phase #1 Bonds were accepted by the Town of Little Elm (the "Town") and Mustang Special Utility District (the "MSUD") in fiscal year 2023. As of September 30, 2023, Phase 1G and Phase 1M, of the Phase #1 Bonds were awaiting acceptance by the Town and MSUD.
6. Annual installments of \$1,935,050 were imposed on the property owners for collection in fiscal year 2023. As of September 30, 2023, all the 2022-2023 annual installments had been collected and remitted to the PID. There were no annual installments imposed on the property owners for fiscal year 2022. Debt service on the Bonds for fiscal years 2020-2022 was funded from the Capitalized Interest account, and administrative expenses for fiscal years 2020-2022 were funded by Bonds proceeds deposited at closing into the Administrative Expense account.

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	\$ 10,239,648	\$ 26,386,377	\$ 40,574,995
Capital assets	16,369,077	18,979,160	1,621,114
Total assets	<u>26,608,725</u>	<u>45,365,537</u>	<u>42,196,109</u>
Liabilities:			
Current liabilities	960,653	6,752,550	746,724
Long-term debt	41,865,000	42,550,000	43,200,000
Total Liabilities	<u>42,825,653</u>	<u>49,302,550</u>	<u>43,946,724</u>
Net Position			
Net investment in capital assets	(16,251,892)	(3,775,635)	(1,006,558)
Restricted	221,621	-	-
Unrestricted	(186,657)	(161,378)	(744,057)
Total Net Position	<u>\$ (16,216,928)</u>	<u>\$ (3,937,013)</u>	<u>\$ (1,750,615)</u>

PID Bond proceeds were used to finance the construction of improvements and administrative costs of the PID. The increase in the negative net position in 2023 was the result of the donation of Phase #1 capital assets to the Town and MSUD.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 1,935,036	\$ -	\$ -
Operating Expenses	(73,367)	(50,717)	(11,512)
Operating Income (Loss)	<u>1,861,669</u>	<u>(50,717)</u>	<u>(11,512)</u>
Non-operating Revenues/(Expenses)	(1,593,688)	(2,135,681)	(1,739,103)
Donated capital assets	(12,547,896)	-	-
Change in Net Position	<u>\$ (12,279,915)</u>	<u>\$ (2,186,398)</u>	<u>\$ (1,750,615)</u>

As noted above, the large increase in the negative net position in 2023 was the result of the donation of Phase #1 capital assets to the Town and MSUD.

Capital Assets

Capital assets, representing Improvement Area #1 and Major Improvement Area, totaled \$16,369,077 and \$18,979,160 at September 30, 2023, and 2022, respectively. The Town and MSUD accepted public improvements worth \$12,547,896 for the Phase #1 Bonds in fiscal year 2023. As of September 30, 2023, Phase 1G and Phase 1M of the Phase #1 Bonds were still pending acceptance by the Town and MSUD. The public improvements consist of roadway, water distribution, sanitary sewer and storm drainage improvements that will benefit the PID.

Long-Term Debt

The \$43,200,000, Series 2021 Special Assessment Revenue Bonds Area #1 Projects and Major Improvement Area Projects were issued on May 28, 2021, bearing interest at 5.375% with a final maturity of September 1, 2051.

The Bonds 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 Indenture of Trust (the "Indenture"), entered into between the Town of Little Elm (the "Town") and Wilmington Trust, National Association (the "Trustee") on May 1, 2021.

The PID's debt will be paid through the collection of assessments imposed on the assessed properties benefiting from the public improvements.

The proceeds from the Bonds are being used to finance construction of certain public infrastructure improvements within the PID, to pay a portion of the interest on the Bonds during and after the period of acquisition and construction of the improvements, to fund a debt service reserve fund, to pay costs of issuing the Bonds, and to pay the initial administrative expenses of the PID.

Mandatory sinking fund payments began on September 1, 2023, from bond proceeds and special assessment revenues received by the PID after the payment of administrative expenses.

Pledged Revenues

Pledged Revenues consist of assessments paid by the benefitted property owners. Annual installments of assessments are imposed and collected to pay debt service and operating costs of the PID.

Annual installments of \$1,935,050 were billed to the property owners for 2022-2023. As of September 30, 2023, all annual installments had been collected and remitted to the PID. There were no annual assessments imposed on the property owners for the 2021-2022 assessment year to be collected in fiscal year 2022. Obligations for 2021-2022 were funded from the Capitalized Interest account and other sources.

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 its 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

**SPIRITAS RANCH PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
As of September 30,**

	<u>2023</u>	<u>2022 (Unaudited)</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 10,196,306	\$ 26,336,392
Accrued interest receivable	43,342	49,985
Total Current Assets	<u>10,239,648</u>	<u>26,386,377</u>
Noncurrent Assets		
Capital assets	<u>16,369,077</u>	<u>18,979,160</u>
Total Noncurrent Assets	<u>16,369,077</u>	<u>18,979,160</u>
Total Assets	<u>26,608,725</u>	<u>45,365,537</u>
Liabilities		
Current Liabilities		
Accounts payable	39,410	17,863
Accrued liabilities	45,654	5,891,187
Accrued interest payable	190,589	193,500
Current portion of long-term debt	685,000	650,000
Total Current Liabilities	<u>960,653</u>	<u>6,752,550</u>
Noncurrent Liabilities		
Long-term debt	<u>41,865,000</u>	<u>42,550,000</u>
Total Noncurrent Liabilities	<u>41,865,000</u>	<u>42,550,000</u>
Total Liabilities	<u>42,825,653</u>	<u>49,302,550</u>
Net Position		
Net investment in capital assets	(16,251,892)	(3,775,635)
Restricted	221,621	-
Unrestricted	<u>(186,657)</u>	<u>(161,378)</u>
Net Position	<u>\$ (16,216,928)</u>	<u>\$ (3,937,013)</u>

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

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

	<u>2023</u>	<u>2022 (Unaudited)</u>
Operating Revenues		
Annual assessment revenues	\$ 1,935,036	\$ -
Total Operating Revenues	1,935,036	-
Operating Expenses		
Administrative fees	67,367	46,717
Accounting and audit fees	6,000	4,000
Total Operating Expenses	73,367	50,717
Operating Income (Loss)	1,861,669	(50,717)
Non-Operating Revenues/(Expenses)		
Interest and dividend income	725,401	186,319
Interest expense	(2,319,089)	(2,322,000)
Total Non-Operating Revenues/(Expenses)	(1,593,688)	(2,135,681)
Donated capital assets	(12,547,896)	-
Change in Net Position	(12,279,915)	(2,186,398)
Net Position, Beginning of Year	(3,937,013)	(1,750,615)
Net Position, End of Year	\$ (16,216,928)	\$ (3,937,013)

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

SPIRITAS RANCH PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending September 30,

	<u>2023</u>	<u>2022 (Unaudited)</u>
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 1,935,036	\$ -
Cash payments for administrative fees	(51,820)	(36,672)
Net Cash Provided By (Used in) Operating Activities	<u>1,883,216</u>	<u>(36,672)</u>
Cash Flows from Investing Activities		
Interest and dividends received on investments	732,044	136,668
Net Cash Provided by Investing Activities	<u>732,044</u>	<u>136,668</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(15,783,346)	(12,013,932)
Principal paid on bonds	(650,000)	-
Interest paid on bonds	(2,322,000)	(2,322,000)
Net Cash Used in Capital and Related Financing Activities	<u>(18,755,346)</u>	<u>(14,335,932)</u>
Net decrease in Cash and Cash Equivalents	(16,140,086)	(14,235,936)
Cash and Cash Equivalents, Beginning of Year	<u>26,336,392</u>	<u>40,572,328</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,196,306</u>	<u>\$ 26,336,392</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:		
Operating Income (Loss)	\$ 1,861,669	\$ (50,717)
Adjustments		
Increase in accounts payable	21,547	11,712
Decrease in prepaid expenses	-	2,333
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,883,216</u>	<u>\$ (36,672)</u>
Supplemental Information		
Donated Capital Assets	<u>\$ 12,547,896</u>	<u>\$ -</u>
Construction in progress in accrued liabilities	<u>\$ 45,654</u>	<u>\$ 5,891,187</u>

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 Spiritas Ranch Public Improvement District (the “PID”) was created pursuant to Texas Local Government Code, Chapter 372, Public Improvement Assessment Act (the “PID Act”) and Resolution No.0202202101, which was passed and approved by the Town Council of the Town of Little Elm, Texas (the “Town Council”) on February 2, 2021.

The \$43,200,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2021, Spiritas Ranch Public Improvement District Improvement Area #1 Projects and Major Improvement Area Projects (the “Bonds”) were issued on May 28, 2021 pursuant to the PID Act, and an ordinance adopted by the Town Council on May 11, 2021 and an Indenture of Trust, (the “Indenture”) dated as of May 1, 2021, by and between the Town of Little Elm (the “Town”) and Wilmington Trust, National Association (the “Trustee”). The Bonds were issued to finance certain infrastructure improvement projects provided for the benefit of the PID. The property in the PID is proposed to be developed in multiple phases.

The PID is presently located partially within the Town and partially within the extraterritorial jurisdiction of the Town and contains approximately 545 acres of land. At completion, the PID is expected to consist of approximately 2,156 single family residential units, landscaping, and infrastructure necessary to provide roadways, drainage and utilities to the PID. The land in the PID is being developed by MM Little Elm 548, LLC, a Texas limited liability company (the “Developer”).

The Bonds are intended to be paid primarily from special assessments imposed and collected by the DCTAC from the properties benefiting from the public improvements of the PID.

The PID’s management believes these financial statements present all activities for which the PID is financially accountable.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The PID’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The PID uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, financial position and changes in net position, and cash flows.

B. Measurement Focus and Basis of Accounting

The PID's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the PID are included 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 Town or Mustang Special Utility District upon completion or 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 special assessments. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the PID. All revenues and expenses not meeting this definition are reported as non-operating.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Income Taxes

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

I. Future Accounting Standards

GASB has issued new standards that will become effective in future fiscal years. The PID will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

J. 2022 Information

The 2022 information presented within the footnotes and the accompanying financial statements has not been audited.

NOTE 3—CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 10,196,306	\$ 26,336,392
Total	<u>\$ 10,196,306</u>	<u>\$ 26,336,392</u>

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

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the PID's deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance is required to be invested in accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "Investment Act") and as authorized by the Town'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 Town’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 Indenture specifies that money in any fund or account will be invested by the Trustee as directed by the Town. If the Town does not give the Trustee written or timely instructions with respect to investment of funds, the Trustee will invest cash balances in the Wilmington U.S. Government Money Market Fund, provided, however, that money required to be expended from any fund or account will be available at the proper time. For purposes of maximizing investment returns, to the extent permitted by law, money in such funds or accounts may be invested in common investments 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 Indenture.

All funds held in the accounts created by the Indenture, which are on deposit with any bank, will be continuously secured in the manner required by the Town’s investment policy 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:

	Beginning Balance	Additions	Reductions	Ending Balance
2023				
Construction in Progress	\$ 18,979,160	\$ 9,937,813	\$ (12,547,896)	\$ 16,369,077
Total Capital Assets	<u>\$ 18,979,160</u>	<u>\$ 9,937,813</u>	<u>\$ (12,547,896)</u>	<u>\$ 16,369,077</u>
2022				
Construction in Progress	\$ 1,621,114	\$ 17,358,046	\$ -	\$ 18,979,160
Total Capital Assets	<u>\$ 1,621,114</u>	<u>\$ 17,358,046</u>	<u>\$ -</u>	<u>\$ 18,979,160</u>

Construction in Progress represents costs from Improvement Area #1 and Major Improvement Area.

Public improvements valued at \$12,547,896 for Phase #1 Bonds were accepted by the Town and MSUD in fiscal year 2023. As of September 30, 2023, Phase 1G and Phase 1M, of the Phase #1 Bonds valued at \$5,657,433 were awaiting acceptance.

NOTE 5—LONG-TERM OBLIGATIONS

The PID’s long-term obligations activity for the years ended September 30, 2023, and 2022 was as follows:

	Balance			Balance	Due in
2023	October 1, 2022	Increase	Decrease	September 30, 2023	one year
Series 2021 Bonds Area #1	\$ 43,200,000	\$ -	\$ (650,000)	\$ 42,550,000	\$ 685,000
Total Long-Term Debt	\$ 43,200,000	\$ -	\$ (650,000)	\$ 42,550,000	\$ 685,000

	Balance			Balance	Due in
2022	October 1, 2021	Increase	Decrease	September 30, 2022	one year
Series 2021 Bonds Area #1	\$ 43,200,000	\$ -	\$ -	\$ 43,200,000	\$ 650,000
Total Long-Term Debt	\$ 43,200,000	\$ -	\$ -	\$ 43,200,000	\$ 650,000

A. Special Assessment Revenue Bonds, Series 2021

On May 28, 2021, the PID issued the \$43,200,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2021, Spiritas Ranch Public Improvement District Improvement Area #1 Projects and Major Improvement Area Projects to fund a portion of the costs of improvement projects for the benefit of the PID, to pay a portion of the interest on the Bonds during construction, to fund a reserve fund, to pay costs incidental to the organization of the PID, and to pay the costs of issuing the Bonds.

The Bonds are special obligations of the Town payable solely from and secured by a pledge of assessments. They are not payable from funds raised or to be raised from taxation.

The Bonds represent 100% of the long-term debt balance, and are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the Indenture. Principal payments began on September 1, 2023, according to the mandatory sinking fund schedule.

Interest on the Bonds is payable according to the terms specified by the Indenture semiannually on March 1 and September 1 of each year commencing on September 1, 2021. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Interest payments totaled \$2,322,000 for the years ended September 30, 2023, and 2022.

B. 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, 2026, at the redemption dates and prices noted below:

<u>Redemption Date</u>	<u>Redemption Price</u>
On or after September 1, 2026	103%
On or after September 1, 2027	102%
On or after September 1, 2028	101%
On or after September 1, 2029	100%

C. Extraordinary Optional Redemption

The Bonds are subject to extraordinary optional redemption by the Town prior to their scheduled maturity, on the first day of any month, at the redemption price of 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. There were no extraordinary optional redemptions in fiscal years 2022 or 2023.

D. Mandatory Sinking Fund Redemption

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

For year ending September 30:	Series 2021 Bonds Area #1	
	Principal	Interest
2024	\$ 685,000	\$ 2,287,063
2025	725,000	2,250,244
2026	765,000	2,211,275
2027	805,000	2,170,156
2028	845,000	2,126,888
2029-2033	4,970,000	9,900,750
2034-2038	6,455,000	8,414,025
2039-2043	8,375,000	6,483,594
2044-2048	10,885,000	3,977,231
2049-2051	8,040,000	879,350
Total	<u>\$ 42,550,000</u>	<u>\$ 40,700,576</u>

NOTE 6—REVENUES

Annual installments of the special assessments are to be imposed and collected on all properties within the PID benefiting from the public improvements (excepting those for which the assessment lien has been prepaid), to pay debt service and operating costs of the PID. The amount billed, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) other amounts

available for the payment of such debt service and expense. In addition, the annual payment includes a 0.50% additional interest rate to fund the prepayment and delinquency reserve as described in the Service and Assessment Plan (the “SAP”).

Annual installments of \$1,935,050 were billed to the property owners for assessment year 2022-2023. As of September 30, 2023, all annual installments for fiscal year 2023, had been collected and remitted to the PID. There were no annual installments imposed on the property owners for the 2021-2022 assessment year. Obligations were funded from the Capitalized Interest account and other sources.

NOTE 7—ARBITRAGE

When applicable, arbitrage calculations are performed on the PID’s funds to determine any arbitrage rebate or yield restriction liability. The first required IRS arbitrage report will be computed as of May 28, 2026.

NOTE 8—SUBSEQUENT EVENTS

A. Annual Assessments

There were annual installments of \$3,816,832 imposed on the property owners for the 2023-2024 assessment year to be collected in fiscal year 2024. According to the Billing and Collection report, as of January 22, 2024, there were no delinquencies.

B. City Acceptance

The Town and MSUD accepted Phase 1G of the Phase #1 Bonds on January 23, 2024, and Phase 1M was accepted on January 24, 2024.

C. Bond Issuance

The \$7,000,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2024 Future Improvement Area Projects will be issued on June 18, 2024.