



**LAKESIDE ESTATES PUBLIC IMPROVEMENT DISTRICT
NO. 2 PROJECT
TOWN OF LITTLE ELM, TEXAS**

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

CUSIP NUMBERS:

537098AL9

537098AM7

**LAKESIDE ESTATES
PUBLIC IMPROVEMENT DISTRICT
NO. 2 PROJECT
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, AND 2022**

TABLE OF CONTENTS

I.	AUDITOR’S OPINION.....	1
II.	MANAGEMENT’S DISCUSSION AND ANALYSIS	3
III.	FINANCIAL STATEMENTS.....	7
	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.....	10
	Note 1—Financial Reporting Entity	10
	Note 2—Summary of Significant Accounting Policies	10
	Note 3—Cash and Cash Equivalents	12
	Note 4—Receivables.....	13
	Note 5—Capital Assets	13
	Note 6—Long-Term Obligations	14
	Note 7—Revenues.....	16
	Note 8—Arbitrage.....	17
	Note 9—Subsequent Events.....	17



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
Lakeside Estates Public Improvement District No. 2 Project
Little Elm, Texas

Opinion

We have audited the financial statements of the Lakeside Estates Public Improvement District No. 2 Project (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 Lakeside Estates Public Improvement District No. 2 Project (the "PID") provides an overall review of the PID's financial activities for the years ended September 30, 2023, and 2022. The intent of this discussion and analysis is to look at the PID's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the PID's financial performance.

Financial Highlights

1. The Lakeside Estates Public Improvement District No. 2 Project (the "District") was created pursuant to Texas Local Government Code, Chapter 372, Public Improvement District Assessment Act (the "PID Act") and Resolution No. 08151703, which was passed and approved by the Town Council of the Town of Little Elm (the "Town Council") on August 15, 2017, to finance certain infrastructure improvement projects provided for the benefit of the property in the PID.
2. On December 28, 2017, the PID issued the \$4,700,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds Series 2017, (the "Bonds") to fund a portion of the costs of construction of improvements to the benefit of the District, 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 District, and to pay the costs of issuing the Bonds.
3. The PID's debt will be paid through the collection of assessments imposed on the chargeable properties benefiting from the public improvements.
4. Net position at September 30, 2023 and 2022 totaled (\$3,817,905) and (\$3,964,867), respectively.
5. The improvements constructed in the PID consisted of roadway, water distribution, sanitary sewer collection, and storm drainage collection system improvements and were donated and accepted by the Town of Little Elm on May 1, 2018. The authorized improvements totaled \$3,778,569 and were recorded as donated assets as of September 30, 2020.
6. Annual installments of \$382,500 and \$371,239 were imposed on the property owners in 2022-2023 and 2021-2022, respectively. The annual installments are remitted to the PID monthly as they are received by the Denton County Tax Assessor Collector (the "Tax Collector"). As of September 30, 2023, all of the 2022-2023 annual installments, and all of the 2021-2022 annual installments had been collected and remitted to the PID.
7. Annual installments of \$371,368 were imposed on the property owners in 2023-2024. As of December 31, 2023, \$293,568 in assessments due have been remitted to the PID.

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>
Assets:		
Current and other assets	\$ 510,144	\$ 441,523
Total assets	<u>510,144</u>	<u>441,523</u>
Liabilities:		
Current liabilities	146,561	124,423
Long-term debt	<u>4,181,488</u>	<u>4,281,967</u>
Total Liabilities	<u>4,328,049</u>	<u>4,406,390</u>
Net Position		
Restricted	508,144	440,727
Unrestricted	<u>(4,326,049)</u>	<u>(4,405,594)</u>
Total Net Position	<u>\$ (3,817,905)</u>	<u>\$ (3,964,867)</u>

Bond proceeds were used to finance the construction of improvements and administrative costs of the PID. The negative net position is due primarily to the donation of assets to the Town.

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

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 400,103	\$ 371,435
Operating Expenses	<u>59,558</u>	<u>39,832</u>
Operating Income	340,545	331,603
Non-operating Revenues/(Expenses)	<u>(193,583)</u>	<u>(214,528)</u>
Change in Net Position	<u>\$ 146,962</u>	<u>\$ 117,075</u>

The change in net position increased due primarily to the increase in annual installments and lower bond interest expenses.

Capital Assets

Capital assets totaling \$3,778,569 were completed and accepted by the Town of Little Elm on May 1, 2018. The donation of assets was recorded as of September 30, 2020.

Long-Term Debt

The \$4,700,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2017 were issued on December 28, 2017, bearing term interest rates of 4.5% and 5.0% with final maturity on September 1, 2047.

The PID 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 Trust Indenture.

The PID's debt will be paid through the collection of annual installments of assessments imposed on the chargeable 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 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, 2019, from annual installments of assessment revenues after the payment of administrative expenses.

Revenues

Annual installments of assessments are to be imposed and collected on all properties within the PID benefiting from the public improvements to pay debt service and operating costs of the PID. The annual installments are remitted to the PID monthly as they are received by the Tax Collector. Annual installments of \$382,500 and \$371,239 were billed to the property owners for 2022-2023

and 2021-2022, respectively. As of September 30, 2023, all annual installments had been collected and remitted to the PID in full.

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 PID's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the PID's finances and to reflect the PID's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the PID's administrator, MuniCap, Inc., at 600 E. John Carpenter Freeway, Suite 150, Irving, TX 75062.

III. FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

As of September 30,

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 508,144	\$ 440,727
Accrued interest receivable	2,000	796
Total Current Assets	<u>510,144</u>	<u>441,523</u>
Total Assets	<u>510,144</u>	<u>441,523</u>
Liabilities		
Current Liabilities		
Accounts payable	28,944	11,450
Accrued interest payable	17,617	17,973
Current portion of long-term debt	<u>100,000</u>	<u>95,000</u>
Total Current Liabilities	<u>146,561</u>	<u>124,423</u>
Noncurrent Liabilities		
Long-term debt	4,170,000	4,270,000
Premium/(discount) on long-term debt, net	<u>11,488</u>	<u>11,967</u>
Total Noncurrent Liabilities	<u>4,181,488</u>	<u>4,281,967</u>
Total Liabilities	<u>4,328,049</u>	<u>4,406,390</u>
Net Position		
Restricted	508,144	440,727
Unrestricted	<u>(4,326,049)</u>	<u>(4,405,594)</u>
Net Position	<u>\$ (3,817,905)</u>	<u>\$ (3,964,867)</u>

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending September 30,

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Annual assessment revenues	\$ 382,499	\$ 371,435
Prepayment revenues	17,604	-
Total Operating Revenues	<u>400,103</u>	<u>371,435</u>
Operating Expenses		
Administrative fees	46,058	33,832
Accounting and audit fees	13,500	6,000
Total Operating Expenses	<u>59,558</u>	<u>39,832</u>
Operating Income	<u>340,545</u>	<u>331,603</u>
Non-Operating Revenues/(Expenses)		
Interest and dividend income	20,471	3,266
Penalties and interest income	786	1,115
Interest expense	(214,840)	(218,909)
Total Non-Operating Revenues/(Expenses)	<u>(193,583)</u>	<u>(214,528)</u>
Change in Net Position	146,962	117,075
Net Position, Beginning of Year	<u>(3,964,867)</u>	<u>(4,081,942)</u>
Net Position, End of Year	<u><u>\$ (3,817,905)</u></u>	<u><u>\$ (3,964,867)</u></u>

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

STATEMENTS OF CASH FLOWS
For the Years Ending September 30,

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 400,102	\$ 371,434
Cash payments for administrative fees	(42,064)	(26,270)
Cash payments for accounting and audit fees	-	(6,000)
Net Cash Provided by Operating Activities	<u>358,038</u>	<u>339,164</u>
Cash Flows from Investing Activities		
Interest and dividends received on investments	<u>19,268</u>	<u>2,474</u>
Net Cash Provided by Investing Activities	<u>19,268</u>	<u>2,474</u>
Cash Flows from Capital and Related Financing Activities		
Penalties and interest on delinquent assessments	786	1,115
Principal paid on bonds	(95,000)	(90,000)
Interest paid on bonds	<u>(215,675)</u>	<u>(219,725)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(309,889)</u>	<u>(308,610)</u>
Change in Cash Balance	67,417	33,028
Cash, Beginning of Year	<u>440,727</u>	<u>407,699</u>
Cash, End of Year	<u><u>\$ 508,144</u></u>	<u><u>\$ 440,727</u></u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 340,545	\$ 331,603
Adjustments		
Increase in accounts payable	<u>17,493</u>	<u>7,561</u>
Net Cash Provided by Operating Activities	<u><u>\$ 358,038</u></u>	<u><u>\$ 339,164</u></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 Lakeside Estates Public Improvement District No. 2 Project (the “PID”) was created pursuant to Texas Local Government Code Chapter 372, Public Improvement District (the “PID Act”) and Resolution No. 08151703, which was passed and approved by the Town Council of the Town of Little Elm (the “Town Council”) on August 15, 2017, to finance certain infrastructure improvement projects provided for the benefit of the property in the PID.

The \$4,700,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2017 (the “Bonds”) were issued on December 28, 2017 pursuant to the PID Act and an ordinance adopted by the Town Council on December 5, 2017 and an Indenture of Trust (“the Indenture”) dated as of December 1, 2017 by and between the Town of Little Elm (the “Town”) and the Bank of New York Mellon Trust Company, National Association (the “Trustee”). The Bonds were issued to fund a portion of the costs of construction of improvements to benefit 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 Town is located in Denton County. The land in the PID is being developed by Little Elm Lakeside Development L.P. (the “Developer”). The PID consists of approximately seventy acres and is projected to consist of 214 residential lots and the infrastructure necessary to provide roadways, drainage, and utilities to the PID.

The Bonds are intended to be paid primarily from assessments imposed and collected by the Town against the properties benefiting from the public improvements of the PID. If an assessment is not paid in full, the PID Act authorizes the Town to collect interest and collections costs on the outstanding assessment. The Town covenanted in the Indenture that it will take and pursue all actions permissible under applicable laws to cause the assessments to be collected and any resulting liens enforced.

The 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 on 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 fair market value on the date that they will be donated. The PID does not maintain a capitalization threshold or depreciate capital assets as all assets will be donated to the Town upon completion/acquisition.

E. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. 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.

NOTE 3—CASH AND CASH EQUIVALENTS

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 44,623	\$ 20,390
Money market funds	<u>463,521</u>	<u>420,337</u>
Total cash and cash equivalents	<u>\$ 508,144</u>	<u>\$ 440,727</u>

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.

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.

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. 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 Indenture 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—RECEIVABLES

Receivables at September 30, 2023 and 2022 consist of interest and dividends on investments, which are considered collectible in full within one year.

NOTE 5—CAPITAL ASSETS

The PID had no capital assets as of September 30, 2023 and 2022.

Public improvements funded by the Bonds included storm drainage, wastewater construction and installation, waterlines and mains, and road improvements that benefit the PID. Improvements totaling \$3,778,569 were dedicated and accepted by the Town on May 1, 2018, and recorded as "donated capital assets".

NOTE 6—LONG-TERM OBLIGATIONS

Long term debt consisted of the following at September 30:

<u>2023</u>	Balance October 1, 2022	Increase	Decrease	Balance September 30, 2023	Due in one year
Series 2017 Bonds, Term 2027	\$ 515,000	\$ -	\$(95,000)	\$ 420,000	\$ 100,000
Series 2017 Bonds, Term 2047	3,850,000	-	-	3,850,000	-
Bond Premium	11,967	-	(479)	11,488	-
Total Bonds Payable	\$ 4,376,967	\$ -	\$(95,479)	\$ 4,281,488	\$ 100,000

<u>2022</u>	Balance October 1, 2021	Increase	Decrease	Balance September 30, 2022	Due in one year
Series 2017 Bonds, Term 2027	\$ 605,000	\$ -	\$(90,000)	\$ 515,000	\$ 95,000
Series 2017 Bonds, Term 2047	3,850,000	-	-	3,850,000	-
Bond Premium	12,446	-	(479)	11,967	-
Total Bonds Payable	\$ 4,467,446	\$ -	\$(90,479)	\$ 4,376,967	\$ 95,000

A. Special Assessment Revenue Bonds, Series 2017

On December 28, 2017, the PID issued \$4,700,000 in Special Assessment Revenue Bonds, Series 2017 to finance construction of certain public infrastructure improvements within the respective areas, to pay a portion of the costs of the authorized improvements, to pay interest on the Bonds during and after the period of acquisition and construction of the authorized improvements, to fund a reserve fund for payment of principal and interest on the Bonds, to pay a portion of the costs incidental to the organization of the PID, and to pay costs of issuance.

The Bonds are intended to be paid primarily from assessments imposed and collected by the Town against the properties benefiting from the public improvements. If an assessment is not paid in full, the PID Act authorizes the Town to collect interest and collections costs on the outstanding assessment. The Town covenanted in the Indenture that it will take and pursue all actions permissible under applicable laws to cause the assessments to be collected and any resulting liens enforced.

The 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 were issued in two terms as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>	<u>Premium</u>
Term 2027	\$ 850,000	4.500%	September 1, 2027	\$ 4,786.80
Term 2047	\$ 3,850,000	5.000%	September 1, 2047	\$ 9,573.70

The premium on the Bonds, as listed above, are being amortized over the life of each term of Bonds on a straight-line method.

The Bonds described above 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. Principal payments on the Bonds are due each September 1 and began on September 1, 2019, according to the mandatory sinking fund redemption 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 March 1, 2018. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. The Bonds' interest payments totaled \$215,675 and \$219,725 for the years ended September 30, 2023, and 2022.

1. Optional Redemption

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

2. Extraordinary Optional Redemption

The Bonds are subject to extraordinary optional redemption by the Town prior to their scheduled maturity on the first day of any month after the required notice of redemption, at a redemption price equal to 100% of the principal amount of the bonds, or portions thereof, to be redeemed, plus accrued interest to the redemption date from amounts on deposit in the redemption fund as a result of assessment prepayments, unexpended proceeds transferred from the project fund to the redemption fund, foreclosure proceeds, and transfers to the redemption fund from the delinquency reserve account and the prepayment reserve account. No extraordinary optional redemptions were made in the fiscal years ending September 30, 2023, or 2022.

B. Mandatory Sinking Fund Redemption

The Bonds are required to be redeemed prior to maturity in part at a price of 100% of the principal amount thereof plus accrued interest to the redemption date, on each September 1, as follows:

For the period ending September 30:	Series 2017 Bonds Term 2027		Series 2017 Bonds Term 2047	
	Principal	Interest	Principal	Interest
2024	\$ 100,000	\$ 18,900	\$ -	\$ 192,500
2025	105,000	14,400	-	192,500
2026	105,000	9,675	-	192,500
2027	110,000	4,950	-	192,500
2028	-	-	115,000	192,500
2029-2033	-	-	680,000	868,750
2034-2038	-	-	860,000	682,000
2039-2043	-	-	1,100,000	443,750
2044-2047	-	-	1,095,000	140,250
Total	\$ 420,000	\$ 47,925	\$ 3,850,000	\$ 3,097,250

For the period ending September 30:	Series 2017 Bonds Total	
	Principal	Interest
2024	\$ 100,000	\$ 211,400
2025	105,000	206,900
2026	105,000	202,175
2027	110,000	197,450
2028	115,000	192,500
2029-2033	680,000	868,750
2034-2038	860,000	682,000
2039-2043	1,100,000	443,750
2044-2047	1,095,000	140,250
Total	\$ 4,270,000	\$ 3,145,175

NOTE 7—REVENUES

Annual installments of the assessments are to be imposed and collected on all properties within the PID benefiting from the public improvements (excepting those for which the assessment lien has been prepaid) to pay debt service and operating costs of the PID. The annual installments are remitted to the PID as they are received by the Town. The amount assessed, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) other amounts available for the payment of such debt service and expense. In addition, the annual payment includes a 0.20% additional collections rate for the prepayment reserve and a 0.30% additional collections rate for the delinquency reserve as described in the Indenture. Annual installments of assessments are payable to the Town no later than February 1 of each year. Annual installments to be collected were \$382,500 and \$371,239 for the 2023 and 2022 tax years, respectively. All of the 2023 and 2022 annual installments had been collected and remitted to the PID as of September 30, 2023.

Prepaid assessments collected in fiscal year 2023 totaled \$17,604 which will be used to redeem Bonds in the future.

NOTE 8—ARBITRAGE

When applicable, arbitrage calculations are performed on the PID's funds to determine any arbitrage rebate or yield restriction liability. No liabilities for arbitrage rebate or yield restriction were identified in the fiscal years ending September 30, 2023, and 2022.

NOTE 9—SUBSEQUENT EVENTS

Annual assessments imposed on the PID for the 2023 tax year for collection in fiscal year 2024 were \$371,638. As of December 31, 2023, \$293,568 in assessments due have been remitted to the PID.