



**SPIRITAS EAST 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 NUMBERS:**

**537098BS3**

**537098BT1**

**537098BU8**

**537098BV6**

**SPIRITAS EAST**  
**PUBLIC IMPROVEMENT DISTRICT**  
**ANNUAL FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 (AUDITED) AND 2022 (UNAUDITED)**

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## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the financial statements of the Spiritas East 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**

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## ***II. MANAGEMENT'S DISCUSSION AND ANALYSIS***

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The Management's Discussion and Analysis of the financial performance of the Spiritas East Public Improvement District (the "PID" or "District") 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. 1116202103, which was passed and approved by the Town Council of the Town of Little Elm, Texas (the "Town") on November 16, 2021, to finance the costs of certain public improvements for the benefit of property in the PID.
2. On January 14, 2022, the Town issued the \$4,650,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022, Spiritas East Public Improvement District Project (the "Bonds") to fund a portion of the costs of improvements for 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 and administration 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 2022 totaled (\$287,993) and (\$517,029), respectively.
5. Capital assets, consisting of construction in progress of roadway, water, sewer and drainage improvements, totaled \$3,691,482 and \$1,113,422 as of September 30, 2023, and 2022, respectively. As of September 30, 2023, approximately 86% of the total public improvements budget has been spent.
6. Annual assessments totaling \$50,298 were imposed on the property owners for the 2022-2023 assessment year paid in fiscal year 2023. The annual assessments are remitted to the PID monthly as they are received by the Denton County Tax Assessor Collector (the "DCTAC"). No annual assessments were imposed on property owners for the 2021-2022 assessment year. Obligations for fiscal years 2022 and 2023 were funded from bond proceeds.
7. Annual assessments totaling \$353,253 were imposed on the property owners for assessment year 2023-2024. All annual assessments have been collected by the DCTAC.

## **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 Statements of Net Position:**

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 2,327,200	\$ 4,201,095
Capital assets	<u>3,691,482</u>	<u>1,113,422</u>
Total assets	<u>6,018,682</u>	<u>5,314,517</u>
Liabilities:		
Current liabilities	1,399,373	535,656
Long-term debt	<u>4,907,302</u>	<u>5,295,890</u>
Total Liabilities	<u>6,306,675</u>	<u>5,831,546</u>
Net Position		
Net investment in capital assets	(268,018)	(504,873)
Restricted	21,853	1,545
Unrestricted	<u>(41,828)</u>	<u>(13,701)</u>
Total Net Position	<u>\$ (287,993)</u>	<u>\$ (517,029)</u>

Proceeds from the issuance of the Bonds are being used to finance the construction of improvements and administrative costs of the PID.

## Summary Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 50,298	\$ -
Operating Expenses	<u>(58,869)</u>	<u>(13,922)</u>
Operating Loss	(8,571)	(13,922)
Non-operating Revenues/(Expenses)	<u>237,607</u>	<u>(503,107)</u>
Change in Net Position	<u>\$ 229,036</u>	<u>\$ (517,029)</u>

Net position increased from fiscal year 2022 to fiscal year 2023 due to the collection of annual assessments, increases in investment earnings and developer contributions, and the one-time bond issuance costs in fiscal year 2022.

### **Capital Assets**

Capital assets, consisting of construction in progress of roadway, water, sewer, and drainage improvements, totaled \$3,691,482 and \$1,113,422 as of September 30, 2023, and 2022, respectively. This represents approximately 86% and 26% of the public improvement budget as of September 30, 2023, and 2022, respectively.

### **Long-Term Debt**

The \$4,650,000 Series 2022, Special Assessment Revenue Bonds were issued on January 14, 2022, in four terms bearing interest at rates from 3.25% to 4.00% with a final maturity of September 1, 2051.

The Bonds represents 93% of the PID's long-term debt balance as of September 30, 2023, 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 and Wilmington Trust, National Association (the "Trustee") on January 1, 2022.

At bond issuance, the Developer deposited \$664,005 with the Trustee to be held in escrow and used to fund costs of the public improvements in excess of the funds available from the proceeds of the Bonds (the "Developer's escrow deposit"). Any funds remaining at the completion of the public improvements will be returned to the Developer. As of September 30, 2023, \$287,970 was drawn on the Developer's escrow deposit and reported as "developer's contribution" (non-operating revenue) to the PID. There were no draws on the Developer's escrow deposit in fiscal year 2022. The Developer's escrow deposit represents 17% of the PID's long-term debt balance as of September 30, 2023.

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, along with the Developer's escrow deposit, are being used to finance construction of certain public infrastructure improvements within the District, 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 will begin on September 1, 2024, from bond proceeds and special assessment revenues received by the PID after the payment of administrative expenses.

### **Pledged Revenues**

Annual assessments are to be imposed and collected on all properties within the District benefiting from the public improvements to pay debt service and operating costs of the PID. The annual assessments are remitted to the PID monthly as they are received by the DCTAC.

Annual assessments totaling \$50,298 were imposed on property owners for the 2022-2023 assessment year. As of September 30, 2023, all annual assessments had been collected and remitted to the PID.

Annual assessments totaling \$353,253 have been imposed on property owners for the 2023-2024 assessment year.

### **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.



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### ***III. FINANCIAL STATEMENTS***

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

	<u><b>2023</b></u>	<u><b>2022 (Unaudited)</b></u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 2,316,395	\$ 4,192,263
Accrued interest receivable	9,784	7,957
Prepaid expenses	1,021	875
Total Current Assets	<u>2,327,200</u>	<u>4,201,095</u>
Noncurrent Assets		
Capital assets	<u>3,691,482</u>	<u>1,113,422</u>
Total Noncurrent Assets	<u>3,691,482</u>	<u>1,113,422</u>
Total Assets	<u>6,018,682</u>	<u>5,314,517</u>
Liabilities		
Current Liabilities		
Accounts payable	37,988	7,888
Accrued liabilities	1,244,740	513,123
Accrued interest payable	14,645	14,645
Current portion of long-term debt	102,000	-
Total Current Liabilities	<u>1,399,373</u>	<u>535,656</u>
Noncurrent Liabilities		
Long-term debt	4,924,035	5,314,005
Discount on long-term debt, net	<u>(16,733)</u>	<u>(18,115)</u>
Total Noncurrent Liabilities	<u>4,907,302</u>	<u>5,295,890</u>
Total Liabilities	<u>6,306,675</u>	<u>5,831,546</u>
Net Position		
Net investment in capital assets	(268,018)	(504,873)
Restricted	21,853	1,545
Unrestricted	<u>(41,828)</u>	<u>(13,701)</u>
Net Position	<u>\$ (287,993)</u>	<u>\$ (517,029)</u>

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

**SPIRITAS EAST PUBLIC IMPROVEMENT DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the years ending September 30,**

	<u><b>2023</b></u>	<u><b>2022 (Unaudited)</b></u>
Operating Revenues		
Annual assessment revenues	\$ 50,298	\$ -
Total Operating Revenues	<u>50,298</u>	<u>-</u>
Operating Expenses		
Administrative fees	52,869	13,922
Accounting and audit fees	<u>6,000</u>	<u>-</u>
Total Operating Expenses	<u>58,869</u>	<u>13,922</u>
Operating Loss	<u>(8,571)</u>	<u>(13,922)</u>
Non-Operating Revenues/(Expenses)		
Interest and dividend income	126,764	17,936
Developer contribution	287,970	-
Interest expense	(177,127)	(126,445)
Bond issuance costs	<u>-</u>	<u>(394,598)</u>
Total Non-Operating Revenues/(Expenses)	<u>237,607</u>	<u>(503,107)</u>
Change in Net Position	229,036	(517,029)
Net Position, Beginning of Year	<u>(517,029)</u>	<u>-</u>
Net Position, End of Year	<u><u>\$ (287,993)</u></u>	<u><u>\$ (517,029)</u></u>

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

**SPIRITAS EAST PUBLIC IMPROVEMENT DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For the years ending September 30,**

	<u><b>2023</b></u>	<u><b>2022 (Unaudited)</b></u>
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 50,297	\$ -
Cash payments for administrative fees	(28,915)	(6,909)
Net Cash Provided by (Used in) Operating Activities	<u>21,382</u>	<u>(6,909)</u>
Cash Flows from Investing Activities		
Interest and dividends received on investments	124,938	9,979
Net Cash Provided by Investing Activities	<u>124,938</u>	<u>9,979</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from bond issuance	-	4,630,902
Developer escrow deposit	-	664,005
Acquisition and construction of capital assets	(1,846,443)	(600,300)
Interest paid on bonds	(175,745)	(110,817)
Bond issuance costs paid	-	(394,597)
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(2,022,188)</u>	<u>4,189,193</u>
Change in Cash and Cash Equivalents	(1,875,868)	4,192,263
Cash and Cash Equivalents, Beginning of Year	<u>4,192,263</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,316,395</u></u>	<u><u>\$ 4,192,263</u></u>
Adjustments to Reconcile Operating Loss to Net Cash		
Provided by (Used in) Operating Activities:		
Operating Loss	\$ (8,571)	\$ (13,922)
Adjustments		
Increase in accounts payable	30,100	7,888
Increase in prepaid expenses	(147)	(875)
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 21,382</u></u>	<u><u>\$ (6,909)</u></u>
Supplemental Information:		
Developer contribution	<u><u>\$ 287,970</u></u>	<u><u>\$ -</u></u>
Construction in progress in accrued liabilities	<u><u>\$ 1,244,740</u></u>	<u><u>\$ 513,123</u></u>

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

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## ***IV. NOTES TO THE FINANCIAL STATEMENTS***

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### **NOTE 1—FINANCIAL REPORTING ENTITY**

The Spiritas East 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. 1116202103, which was passed and approved by the Town Council of the Town of Little Elm, Texas (the “Town Council”) on November 16, 2021.

The \$4,650,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022, Spiritas East Public Improvement District Improvement Project (the “Bonds”) were issued on January 14, 2022, pursuant to the PID Act, an ordinance adopted by the Town Council on November 16, 2021, and an Indenture of Trust, (the “Indenture”) dated as of January 1, 2022, 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 PID is located within the Town and contains approximately thirty-eight acres of land. At completion, the PID is expected to consist of approximately 146 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 43, LLC, a Texas limited liability company (the “Developer”).

The Bonds are intended to be paid primarily from annual assessments imposed by the Town and collected by the DCTAC from 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 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 entirely of investments in money market accounts as of September 30, 2023, and 2022. 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:

<b><u>2023</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>
Construction in Progress				
Roadway	\$ -	\$ 1,384,039	\$ -	\$ 1,384,039
Water	-	379,922	-	379,922
Sanitary Sewer	480,737	99,043	-	579,780
Storm Drainage	-	613,117	-	613,117
Soft Costs	632,685	101,939	-	734,624
Total Capital Assets	<u>\$ 1,113,422</u>	<u>\$ 2,578,060</u>	<u>\$ -</u>	<u>\$ 3,691,482</u>
<b><u>2022</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>
Construction in Progress				
Roadway	\$ -	\$ -	\$ -	\$ -
Water	-	-	-	-
Sanitary Sewer	-	480,737	-	480,737
Storm Drainage	-	-	-	-
Soft Costs	-	632,685	-	632,685
Total Capital Assets	<u>\$ -</u>	<u>\$ 1,113,422</u>	<u>\$ -</u>	<u>\$ 1,113,422</u>

Construction in progress consists of roadway, water distribution, sanitary sewer, and storm drainage system improvements that will benefit the PID. The proceeds of the Bonds plus the developer's escrow deposit are to be used to fund a portion of the costs of these public improvements.

As of September 30, 2023, approximately 86% of the funds available for the public improvements had been spent. According to the Developer, the public improvements are estimated to be completed by March 31, 2024, and subsequently donated to the Town or the Mustang Special Utility District.



## NOTE 5—LONG-TERM OBLIGATIONS

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

<b>2023</b>	Balance October 1, 2022	Increase	Decrease	Balance September 30, 2023	Due in one year
Series 2022 Bonds, Term 2027	\$ 428,000	\$ -	\$ -	\$ 428,000	\$ 102,000
Series 2022 Bonds, Term 2032	615,000	-	-	615,000	-
Series 2022 Bonds, Term 2042	1,588,000	-	-	1,588,000	-
Series 2022 Bonds, Term 2051	2,019,000	-	-	2,019,000	-
Total Series 2022 Bonds	4,650,000	-	-	4,650,000	102,000
Bond Discount	(18,115)	-	1,382	(16,733)	-
Developer's escrow deposit	664,005	-	(287,970)	376,035	-
<b>Total Long-term Debt</b>	<b>\$ 5,295,890</b>	<b>\$ -</b>	<b>\$ (286,588)</b>	<b>\$ 5,009,302</b>	<b>\$ 102,000</b>

<b>2022</b>	Balance October 1, 2021	Increase	Decrease	Balance September 30, 2022	Due in one year
Series 2022 Bonds, Term 2027	\$ -	\$ 428,000	\$ -	\$ 428,000	\$ -
Series 2022 Bonds, Term 2032	-	615,000	-	615,000	-
Series 2022 Bonds, Term 2042	-	1,588,000	-	1,588,000	-
Series 2022 Bonds, Term 2051	-	2,019,000	-	2,019,000	-
Total Series 2022 Bonds	-	4,650,000	-	4,650,000	-
Bond Discount	-	(19,098)	983	(18,115)	-
Developer's escrow deposit	-	664,005	-	664,005	-
<b>Total Long-term Debt</b>	<b>\$ -</b>	<b>\$ 5,294,907</b>	<b>\$ 983</b>	<b>\$ 5,295,890</b>	<b>\$ -</b>

### A. Special Assessment Revenue Bonds, Series 2022

On January 14, 2022, the PID issued the \$4,650,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022, Spiritas East Public Improvement District Project 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.

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 four terms as follows:

	<u>Par Value</u>	<u>Rate</u>	<u>Final Maturity</u>	<u>Discount</u>
Term 2027	\$ 428,000	3.250%	September 1, 2027	\$ -
Term 2032	\$ 615,000	3.500%	September 1, 2032	\$ (3,266)
Term 2042	\$ 1,588,000	3.750%	September 1, 2042	\$ (15,832)
Term 2051	\$ 2,019,000	4.000%	September 1, 2051	\$ -

The Bonds represent 93% of the current long-term debt balance, and are subject to mandatory sinking fund, optional, and extraordinary optional redemption requirements as specified in the Indenture. Principal payments will begin on September 1, 2024, 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, 2023. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Interest payments totaled \$175,745 and \$110,817 for the years ended September 30, 2023, and 2022, respectively.

The Bonds were issued at a total discount of \$19,098 which is being amortized using the straight-line method over the life of each term of Bonds. Amortization totaled \$1,382 and \$983 for fiscal years 2023 and 2022, respectively.

### **1. Optional Redemption**

The Town reserves the right and option to redeem the Bonds maturing on or after September 1, 2042, before their scheduled maturity date, in whole or in part, on any date on or after September 1, 2032, at the redemption price.

### **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, 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 from assessment prepayments or unexpended construction funds. No extraordinary optional redemptions have occurred.

### 3. 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 the year ending September 30:	Series 2022 Bonds Term 2027		Series 2022 Bonds Term 2032	
	Principal	Interest	Principal	Interest
2024	\$ 102,000	\$ 27,820	\$ -	\$ 19,988
2025	105,000	21,190	-	19,988
2026	109,000	14,365	-	19,988
2027	112,000	7,280	-	19,988
2028	-	-	115,000	19,988
2029-2033	-	-	500,000	41,275
Total	<u>\$ 428,000</u>	<u>\$ 70,655</u>	<u>\$ 615,000</u>	<u>\$ 141,215</u>

For the year ending September 30:	Series 2022 Bonds Term 2042		Series 2022 Bonds Term 2051	
	Principal	Interest	Principal	Interest
2024	\$ -	\$ 51,610	\$ -	\$ 65,618
2025	-	51,610	-	65,618
2026	-	51,610	-	65,618
2027	-	51,610	-	65,618
2028	-	51,610	-	65,618
2029-2033	135,000	258,050	-	328,088
2034-2038	751,000	188,988	-	328,088
2039-2043	702,000	58,078	192,000	328,088
2044-2048	-	-	1,076,000	229,613
2049-2051	-	-	751,000	49,433
Total	<u>\$ 1,588,000</u>	<u>\$ 763,166</u>	<u>\$ 2,019,000</u>	<u>\$ 1,591,400</u>

For the year ending September 30:	Series 2022 Bonds Total	
	Principal	Interest
2024	\$ 102,000	\$ 165,036
2025	105,000	158,406
2026	109,000	151,581
2027	112,000	144,496
2028	115,000	137,216
2029-2033	635,000	627,413
2034-2038	751,000	517,076
2039-2043	894,000	386,166
2044-2048	1,076,000	229,613
2049-2051	751,000	49,433
Total	<u>\$ 4,650,000</u>	<u>\$ 2,566,436</u>

## **B. Developer’s Escrow Deposit**

At bond issuance, the Developer deposited \$664,005 with the Trustee to be held in escrow and used to fund costs of the public improvements in excess of the funds available from the proceeds of the Bonds. Any funds remaining at the completion of the public improvements will be returned to the Developer. As of September 30, 2023, \$287,970 was drawn on the Developer’s escrow deposit and reported as “developer’s contribution” (non-operating revenue) to the PID. There were no draws on the Developer’s escrow deposit in fiscal year 2022.

## **NOTE 6—REVENUES**

Annual 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 assessments are remitted to the PID as they are received by the Denton County Tax Assessor Collector (the “DCTAC”). 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 Indenture. Annual assessments are payable to the DCTAC no later than February 1 of each year.

Annual assessments totaling \$50,298 were billed to property owners for collection in fiscal year 2023. As of September 30, 2023, all annual assessments had been collected and remitted to the PID. There were no annual assessments billed for collection in fiscal year 2022.

## **NOTE 7—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 for fiscal years ending September 30, 2023, and 2022.

## **NOTE 8—SUBSEQUENT EVENTS**

### **A. Annual Assessments**

Annual assessments imposed on the property owners for the 2023-2024 assessment year to be collected in fiscal year 2024 total \$353,253. According to the DCTAC, all annual assessments for fiscal year 2024 have been collected and remitted to the PID.

### **B. Status of Public Improvements**

As of April 10, 2024, both the Town and Mustang Special Utility District have accepted the public improvements.