

**SPIRITAS RANCH  
PUBLIC IMPROVEMENT DISTRICT  
TOWN OF LITTLE ELM, TEXAS**

**ANNUAL SERVICE PLAN UPDATE  
(ASSESSMENT YEAR 9/1/22 - 8/31/23)**

**AS APPROVED BY TOWN COUNCIL ON:  
AUGUST 16, 2022**

**PREPARED BY:**

**MUNICAP, INC.**  
— PUBLIC FINANCE —

# **SPIRITAS RANCH PUBLIC IMPROVEMENT DISTRICT**

## **ANNUAL SERVICE PLAN UPDATE (ASSESSMENT YEAR 9/1/22 – 8/31/23)**

### **TABLE OF CONTENTS**

|  |  |           |
|--|--|-----------|
| <b>I.</b>  | <b>INTRODUCTION.....</b>   | <b>1</b>  |
| <b>II.</b>   | <b>UPDATE OF THE SERVICE PLAN .....</b>                            | <b>3</b>  |
| <b>A.</b>  | <b>UPDATED SOURCES AND USES FOR PUBLIC IMPROVEMENTS .....</b>      | <b>3</b>  |
| <b>B.</b>  | <b>FIVE YEAR SERVICE PLAN .....</b>                                | <b>5</b>  |
| <b>C.</b>  | <b>STATUS OF DEVELOPMENT .....</b>                                 | <b>6</b>  |
| <b>D.</b>  | <b>ANNUAL BUDGET – IMPROVEMENT AREA #1 .....</b>                   | <b>7</b>  |
| <b>E.</b>  | <b>ANNUAL INSTALLMENTS PER UNIT - IMPROVEMENT AREA #1.....</b>     | <b>10</b> |
| <b>F.</b>  | <b>ANNUAL BUDGET – MAJOR IMPROVEMENT AREA .....</b>                | <b>10</b> |
| <b>G.</b>  | <b>ANNUAL INSTALLMENTS PER UNIT - MAJOR IMPROVEMENT AREA .....</b> | <b>13</b> |
| <b>H.</b>  | <b>BOND REDEMPTION RELATED UPDATES .....</b>                       | <b>14</b> |
| <b>III.</b>  | <b>UPDATE OF THE ASSESSMENT PLAN .....</b>                         | <b>16</b> |
| <b>IV.</b>   | <b>UPDATE OF THE ASSESSMENT ROLL.....</b>                          | <b>17</b> |
| <b>A.</b>  | <b>PARCEL UPDATES.....</b>   | <b>17</b> |
| <b>B.</b>  | <b>PREPAYMENT OF ASSESSMENTS .....</b>                             | <b>17</b> |
| <b>APPENDIX A - SPIRITAS RANCH PID MAP</b>                           |  |           |
| <b>APPENDIX B - PREPAID PARCELS</b>                                  |  |           |
| <b>APPENDIX C - ASSESSED VALUE BY PHASE</b>                          |  |           |
| <b>APPENDIX D - IMPROVEMENT AREA #1 ASSESSMENT ROLL - 2022-23</b>    |  |           |
| <b>APPENDIX E - MAJOR IMPROVEMENT AREA ASSESSMENT ROLL – 2022-23</b> |  |           |
| <b>APPENDIX F - PID ASSESSMENT NOTICE</b>                            |  |           |

---

## ***I. INTRODUCTION***

---

The Spiritas Ranch Public Improvement District (the “PID”) was created pursuant to the PID Act and Resolution No. 0202202101 approved by the Town Council of Little Elm, Texas (the “Town Council”) on February 2, 2021, to finance certain public improvement projects for the benefit of the property in the PID.

On May 11, 2021, the Town of Little Elm, Texas (the “Town”) approved issuance of the 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 “Series 2021 Bonds”) in the aggregate principal amount of \$43,200,000, to finance, refinance, provide or otherwise assist in the acquisition, construction and maintenance of the public improvements provided for the benefit of the property in the PID.

A service and assessment plan (the “Service and Assessment Plan”) was prepared at the direction of the Town identifying the public improvements (the “Authorized Improvements”) to be provided by the PID, the costs of the Authorized Improvements, the indebtedness to be incurred for the Authorized Improvements, and the manner of assessing the property in the PID for the costs of the Authorized Improvements. Pursuant to the PID Act, the Service and Assessment Plan must be reviewed and updated annually. This document is the annual update of the Service and Assessment Plan for 2022-23 (the “Annual Service Plan Update”).

The Town also adopted the Improvement Area #1 Assessment Roll and the Major Improvement Area Assessment Roll attached as Appendix G and Appendix F, respectively, to the Service and Assessment Plan, identifying the assessments on each Parcel within the PID, based on the method of assessment identified in the Service and Assessment Plan. This Annual Service Plan Update also updates the Assessment Rolls for 2022-23.

The Texas legislature passed House Bill 1543 as an amendment to the PID Act, requiring, among other things, (i) all Service and Assessment Plans and Annual Service Plan Updates be approved through Town ordinance or order to be filed with the county clerk of each county in which all or part of the PID is located within seven days and (ii) include a copy of the notice form required by Section 5.014 of the Texas Property Code (the “PID Assessment Notice”) as disclosure of the obligation to pay PID Assessments. In light of these amendments to the PID Act, this Annual Service Plan Update includes a copy of the PID Assessment Notice as Appendix F and copy of this Annual Service Plan Update will be filed with the county clerk in each county in which all or a part of the PID is located not later than seven (7) days after the date the governing body of the Town approves this Annual Service Plan Update.

Section 372.013 of the PID Act, as amended, stipulates that a person who proposes to sell or otherwise convey real property that is located in the PID, except in certain situation described in the PID Act, shall first give to the purchaser of the property a copy of the completed PID Assessment Notice. The PID Assessment Notice shall be given to a prospective purchase before the execution of a binding contract of purchase and sale, either separately or as an addendum or

paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller provided the required notice, the purchaser, subject to certain exceptions described in the PID act, is entitled to terminate the contract.

The PID Assessment Notice shall be executed by the seller and must be filed in the real property records of the County in which the property is located at the closing of the purchase and sale of the property.

Capitalized terms shall have the meanings set forth in the Service and Assessment Plan unless otherwise defined herein.

*(remainder of this page is intentionally left blank)*

---

## ***II. UPDATE OF THE SERVICE PLAN***

---

### **A. UPDATED SOURCES AND USES FOR PUBLIC IMPROVEMENTS**

#### ***Improvement Area #1 Improvements Sources and Uses***

Pursuant to the original Service and Assessment Plan adopted on May 11, 2021, the initial total estimated costs of the Improvement Area #1 Improvements, including the proportional share of the Major Improvement Area costs were equal to \$28,521,686. According to the Developer, there has been no change to the total initial estimated costs as provided in draw request #11, which was approved by the Town on June 23, 2022.

Table II-A-1 on the following page summarizes the budget line-item changes and updated sources and uses of funds required to (1) construct the Improvement Area #1 Improvements, including the proportional share of the Major Improvement costs, (2) establish the PID, and (3) issue the Series 2021 Bonds.

*(remainder of this page is intentionally left blank)*

**Table II-A-1**  
**Sources and Uses – Improvement Area #1**

| Sources of Funds                                  | Initial<br>Estimated<br>Budget | Budget<br>Revisions | Updated<br>Budget <sup>1</sup> | Amount<br>Spent to<br>Date <sup>1</sup> | Remaining<br>Balance |
|---|--------------------------------|---------------------|--------------------------------|---|----------------------|
| Par amount  | \$32,920,000                   | \$0                 | \$32,920,000                   | \$14,513,280                            | \$18,406,720         |
| <i>Other funding sources</i>                      |                                |                     |                                |   |                      |
| Developer contributions                           | \$2,906,073                    | \$0                 | \$2,906,073                    | \$0                                     | \$2,906,073          |
| <i>Subtotal: Other funding sources</i>            | <i>\$2,906,073</i>             | <i>\$0</i>          | <i>\$2,906,073</i>             | <i>\$0</i>                              | <i>\$2,906,073</i>   |
| <b>Total Sources</b>                              | <b>\$35,826,073</b>            | <b>\$0</b>          | <b>\$35,826,073</b>            | <b>\$14,513,280</b>                     | <b>\$21,312,793</b>  |
| <b>Uses of Funds</b>                              |                                |                     |                                |   |                      |
| <i>Improvement Area #1 Improvements</i>           |                                |                     |                                |   |                      |
| Roadway Improvements                              | \$7,677,642                    | \$265,518           | \$7,943,160                    | \$356,015                               | \$7,587,145          |
| Water Improvements                                | \$2,143,135                    | \$74,117            | \$2,217,252                    | \$1,367,114                             | \$850,138            |
| Sewer Improvements                                | \$3,728,596                    | \$128,947           | \$3,857,543                    | \$578,728                               | \$3,278,815          |
| Storm Drainage Improvements                       | \$4,456,317                    | \$154,114           | \$4,610,431                    | \$1,427,205                             | \$3,183,226          |
| Parks, Landscaping, and Hardscaping               | \$0                            | \$0                 | \$0                            | \$0                                     | \$0                  |
| Other Soft and Miscellaneous Costs                | \$3,288,389                    | \$113,724           | \$3,402,113                    | \$2,227,479                             | \$1,174,633          |
| <i>Subtotal: Improvement Area #1 Improvements</i> | <i>\$21,294,079</i>            | <i>\$736,420</i>    | <i>\$22,030,499</i>            | <i>\$5,956,542</i>                      | <i>\$16,073,957</i>  |
| <i>Major Improvements</i>                         |                                |                     |                                |   |                      |
| Roadway Improvements                              | \$1,941,333                    | (\$260,403)         | \$1,680,930                    | \$6,948                                 | \$1,673,982          |
| Water Improvements                                | \$298,757                      | (\$66,106)          | \$232,651                      | \$209,386                               | \$23,265             |
| Sewer Improvements                                | \$1,024,701                    | (\$128,680)         | \$896,021                      | \$806,419                               | \$89,602             |
| Storm Drainage Improvements                       | \$265,777                      | (\$127,835)         | \$137,941                      | \$642                                   | \$137,299            |
| Parks, Landscaping, and Hardscaping               | \$1,319,206                    | (\$0)               | \$1,319,206                    | \$0                                     | \$1,319,206          |
| Other Soft and Miscellaneous Costs                | \$2,377,833                    | (\$153,395)         | \$2,224,438                    | \$228,956                               | \$1,995,482          |
| <i>Subtotal: Major Improvements</i>               | <i>\$7,227,607</i>             | <i>(\$736,420)</i>  | <i>\$6,491,187</i>             | <i>\$1,252,351</i>                      | <i>\$5,238,836</i>   |
| <i>Bond Issuance Costs</i>                        |                                |                     |                                |   |                      |
| Cost of Issuance                                  | \$1,552,615                    | \$0                 | \$1,552,615                    | \$1,552,615                             | \$0                  |
| Capitalized Interest                              | \$3,243,992                    | \$0                 | \$3,243,992                    | \$3,243,992                             | \$0                  |
| Reserve Fund                                      | \$2,268,179                    | \$0                 | \$2,268,179                    | \$2,268,179                             | \$0                  |
| Administrative Expense                            | \$75,000                       | \$0                 | \$75,000                       | \$75,000                                | \$0                  |
| Placement Agent's Fee                             | \$164,600                      | \$0                 | \$164,600                      | \$164,600                               | \$0                  |
| <i>Subtotal: Bond Issuance Costs</i>              | <i>\$7,304,387</i>             | <i>\$0</i>          | <i>\$7,304,387</i>             | <i>\$7,304,387</i>                      | <i>\$0</i>           |
| <b>Total Uses</b>                                 | <b>\$35,826,073</b>            | <b>\$0</b>          | <b>\$35,826,073</b>            | <b>\$14,513,280</b>                     | <b>\$21,312,793</b>  |

1 – According to Draw Request #11 approved by the Town on June 23, 2022.

#### Improvement Area #1 Improvement Cost Variances

As stated in Table II-A-1 above, there are no significant variances to the Improvement Area #1 Improvement aggregate budget.

#### Major Improvements Sources and Uses

Pursuant to the original Service and Assessment Plan adopted on May 11, 2021, the initial total estimated costs of the Phases #2-4 Major Improvements were equal to \$7,687,918. According to

the Developer, there has been no change to the total initial estimated costs as provided in draw request #1, which was approved by the Town on June 23, 2022.

Table II-A-2 below summarizes the updated sources and uses of funds required to (1) construct the Phases #2-4 Major Improvements, (2) establish the PID, and (3) issue the Series 2021 Bonds.

**Table II-A-2**  
**Updated Sources and Uses – Phases #2-4 Major Improvements**

| Sources of Funds                       | Initial<br>Estimated<br>Budget | Budget<br>Revisions | Updated<br>Budget <sup>1</sup> | Amount<br>Spent to<br>Date <sup>1</sup> | Remaining<br>Balance |
|--|--------------------------------|---------------------|--------------------------------|---|----------------------|
| Par amount                             | \$10,280,000                   | \$0                 | \$10,280,000                   | \$4,788,475                             | \$5,491,525          |
| <u>Other funding sources</u>           |                                |                     |                                |   |                      |
| Developer contributions                | \$0                            | \$0                 | \$0                            | \$0                                     | \$0                  |
| <i>Subtotal: Other funding sources</i> | <i>\$0</i>                     | <i>\$0</i>          | <i>\$0</i>                     | <i>\$0</i>                              | <i>\$0</i>           |
| <b>Total Sources</b>                   | <b>\$10,280,000</b>            | <b>\$0</b>          | <b>\$10,280,000</b>            | <b>\$4,788,475</b>                      | <b>\$5,491,525</b>   |
| <b>Uses of Funds</b>                   |                                |                     |                                |   |                      |
| <u>Major Improvements</u>              |                                |                     |                                |   |                      |
| Roadway Improvements                   | \$2,064,973                    | \$0                 | \$2,064,973                    | 7,389.88                                | \$2,057,583          |
| Water Improvements                     | \$317,784                      | \$0                 | \$317,784                      | \$286,006                               | \$31,778             |
| Sewer Improvements                     | \$1,089,962                    | \$0                 | \$1,089,962                    | \$980,966                               | \$108,996            |
| Storm Drainage Improvements            | \$282,703                      | \$0                 | \$282,703                      | \$683                                   | \$282,020            |
| Parks, Landscaping, and Hardscaping    | \$1,403,224                    | \$0                 | \$1,403,224                    | \$0                                     | \$1,403,224          |
| Other Soft and Miscellaneous Costs     | \$2,529,272                    | \$0                 | \$2,529,272                    | \$921,348                               | \$1,607,924          |
| <i>Subtotal: Major Improvements</i>    | <i>\$7,687,918</i>             | <i>\$0</i>          | <i>\$7,687,918</i>             | <i>\$2,196,392</i>                      | <i>\$5,491,525</i>   |
| <u>Bond Issuance Costs</u>             |                                |                     |                                |   |                      |
| Cost of Issuance                       | \$784,385                      | \$0                 | \$784,385                      | \$784,385                               | \$0                  |
| Capitalized Interest                   | \$1,013,008                    | \$0                 | \$1,013,008                    | \$1,013,008                             | \$0                  |
| Reserve Fund                           | \$708,289                      | \$0                 | \$708,289                      | \$708,289                               | \$0                  |
| Administrative Expense                 | \$35,000                       | \$0                 | \$35,000                       | \$35,000                                | \$0                  |
| Placement Agent's Fee                  | \$51,400                       | \$0                 | \$51,400                       | \$51,400                                | \$0                  |
| <i>Subtotal: Bond Issuance Costs</i>   | <i>\$2,592,082</i>             | <i>\$0</i>          | <i>\$2,592,082</i>             | <i>\$2,592,082</i>                      | <i>\$0</i>           |
| <b>Total Uses</b>                      | <b>\$10,280,000</b>            | <b>\$0</b>          | <b>\$10,280,000</b>            | <b>\$4,788,475</b>                      | <b>\$5,491,525</b>   |

1 – According to Draw Request #1 approved by the Town on June 23, 2022.

#### Phases #2-4 Major Improvement Area Cost Variances

As stated in Table II-A-2 above, there are no significant variances to the Phases #2-4 Major Improvement aggregate budget.

## **B. FIVE YEAR SERVICE PLAN**

According to the PID Act, a service plan must cover a period of five years.

All of the Authorized Improvements are expected to be built within a period of five years. The anticipated budget for the Authorized Improvements over a period of five years, and the Annual Installments expected to be collected for these costs is shown by Table II-B-1 below.

**Table II-B-1**  
**Annual Indebtedness and Projected Annual Installments (2021-2028)**

| <b>Assessment<br/>Year ending<br/>09/01<sup>1</sup></b> | <b>Annual<br/>Projected Cost</b> | <b>Annual Projected<br/>Indebtedness</b> | <b>Sources other<br/>than PID Series<br/>2021 Bonds</b> | <b>Major Improvement<br/>Annual Installments</b> | <b>Phase #1 Annual<br/>Installments</b> |
|---|----------------------------------|--|---|--|---|
| 2021-22   | \$46,106,073                     | \$43,200,000                             | \$2,906,073   | \$0  | \$0                                     |
| 2023  | \$0                              | \$0                                      | \$0   | \$461,634  | \$1,473,416                             |
| 2024  | \$0                              | \$0                                      | \$0   | \$796,258  | \$2,502,999                             |
| 2025  | \$0                              | \$0                                      | \$0   | \$797,292  | \$2,504,009                             |
| 2026  | \$0                              | \$0                                      | \$0   | \$792,754  | \$2,508,289                             |
| 2027  | \$0                              | \$0                                      | \$0   | \$792,937  | \$2,505,544                             |
| 2028  | \$0                              | \$0                                      | \$0   | \$792,547  | \$2,501,068                             |
| <b>Total</b>  | <b>\$46,106,073</b>              | <b>\$43,200,000</b>                      | <b>\$2,906,073</b>                                      | <b>\$4,433,421</b>                               | <b>\$13,995,325</b>                     |

1 - Annual Installments for Assessment Years ending 2021-23 represent actual amounts billed and include applicable credits. Assessment Years ending 2024-2028 represent projected amounts and will be updated in future Annual Service Plan Updates.

### **C. STATUS OF DEVELOPMENT**

#### **Improvement Area #1**

According to the Developer's Quarterly Improvement Implementation Report dated March 31, 2022, the expected completion date for the Improvement Area #1 Improvements is the second quarter of 2023.

According to the Developer's Quarterly Improvement Implementation Report dated March 31, 2022, the early grading permit was issued July 14, 2021.

According to the Developer's Quarterly Improvement Implementation Report dated March 31, 2022, the full civil engineering for Phase #1 and Phase #1L. Phases #1G and #1M are anticipated to be approved by the second quarter of 2022.

According to the Developer's Quarterly Improvement Implementation Report dated March 31, 2022, excavation is complete for Phases #1 and #1L, and is 60% complete for Phases #1M.

According to the Developer's Quarterly Improvement Implementation Report dated March 31, 2022, the wet utilities for Phase #1 and Spiritas Parkway are 50% complete.



### Major Improvement Area

According to the Developer's Quarterly Improvement Implementation Report dated March 31, 2022, the expected completion date for the Improvement Area #1 Improvements is the second quarter of 2023.

According to the Developer's Quarterly Improvement Implementation Report dated March 31, 2022, the early grading permit was issued July 14, 2021.

According to the Developer's Quarterly Improvement Implementation Report dated March 31, 2022, the wet utilities for Major Improvement Area are 40% complete.

See Appendix C for 2022 assessed values of all Parcels within the PID.

### **D. ANNUAL BUDGET – IMPROVEMENT AREA #1**

#### Improvement Area #1 - Annual Installments – 2022-23

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty Annual Installments of principal and interest beginning with the tax year following the issuance of the Series 2021 Bonds, of which twenty-nine (29) Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the Series 2021 Bonds commencing with the issuance of the Series 2021 Bonds. The effective interest rate on the Series 2021 Bonds for 2022-23 is 5.38 percent. Pursuant to Section 372.018 of the PID Act, the interest rate for that assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the effective interest rate on the Series 2021 Bonds (5.38 percent) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the "Annual Installments" of the Assessments, shall be billed by the Town in 2022 and will be delinquent on February 1, 2023.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2022-23, and the Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro-rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under applicable documents including the Service and Assessment Plan and Trust Indenture such as capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

### Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the Improvement Area #1 portion of the Series 2021 Bonds from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments. The additional interest collected with the Annual Installments will be used to pay the prepayment and delinquency reserve amounts as described in the Service and Assessment Plan and applicable Trust Indenture.

### Improvement Area #1 Annual Installments to be Collected for 2022-23

The budget for Improvement Area #1 of the PID will be paid from the collection of Annual Installments collected for 2022-23 as shown in Table II-D-1 below.

**Table II-D-1**  
**Budget for the Improvement Area #1 Annual Installments**  
**to be Collected for 2022-23**

|   | <b>Improvement Area #1<br/>portion of the Series<br/>2021 Bonds</b> |
|---|---|
| Interest payment on March 1, 2023                     | \$884,725   |
| Interest payment on September 1, 2023                 | \$884,725   |
| Principal payment on September 1, 2023                | \$495,000   |
| <i>Subtotal - Debt Service Payments</i>               | <i>\$2,264,450</i>  |
| Administrative Expenses                               | \$76,500  |
| Excess Interest for Prepayment & Delinquency Reserves | \$164,600   |
| <i>Subtotal Expenses</i>                              | <i>\$2,505,550</i>  |
| Available Reserve Fund Income                         | \$0   |
| Available Capitalized Interest Funds                  | (\$1,017,434)   |
| Available Administrative Expense Funds                | (\$14,700)  |
| <i>Subtotal funds available</i>                       | <i>(\$1,032,134)</i>  |
| <b>Annual Installments</b>                            | <b>\$1,473,416</b>  |

### Debt Service Payments

Annual Installments to be collected for principal and interest include interest due on March 1, 2023 in the amount of \$884,725 and on September 1, 2023 in the amount of \$884,725, which equal interest on the outstanding Improvement Area #1 Assessments balance of \$32,920,000 for six months each and an effective interest rate of 5.38 percent. Annual Installments to be collected include a principal payment of \$495,000 due on September 1, 2023 for Improvement Area #1's portion of the Series 2021 Bonds. As a result, total principal and interest due for the Improvement Area #1 Assessments portion of the Series 2021 Bonds for 2022-23 is estimated to be \$2,264,450.

### Administrative Expenses

Administrative expenses include the Town, PID Administrator, auditor, Trustee, and contingency fees. As shown in Table II-D-2 below, the total Improvement Area #1 administrative expenses to be collected for 2022-23 are estimated to be \$76,500.

**Table II-D-2**  
**Administrative Budget Breakdown**

| <b>Description</b> | <b>2022-23 Estimated<br/>Budget (9/1/22-8/31/23)</b> |
|--------------------|--|
| Town               | \$10,000   |
| PID Administrator  | \$45,200   |
| Audit              | \$6,000  |
| Trustee            | \$4,000  |
| Contingency        | \$11,300   |
| <b>Total</b>       | <b>\$76,500</b>                                      |

### Excess Interest for Prepayment and Delinquency Reserve

Annual Installments to be collected for excess interest for prepayment and delinquency reserves in the amount of \$164,600, which equals 0.5 percent interest on the outstanding Improvement Area #1's portion of the Series 2021 Bonds balance of \$32,920,000.

### Available Reserve Fund Income

As of June 30, 2022, there is not a significant excess balance in the Reserve Fund. As a result, there is no Reserve Fund income anticipated to be available to reduce the Improvement Area #1's portion of the 2022-23 Annual Installment.

### Available Capitalized Interest Account

Pursuant to Section 6.4 (c) of the Trust Indenture, \$1,017,434 should be used to pay interest on Improvement Area #1's portion of the Series 2021 Bonds on the semi-annual interest payment date of March 1, 2023. As a result, there are \$1,017,434 in funds anticipated to be available to pay Improvement Area #1's portion of the Series 2021 Bonds debt service for Assessment Year ending September 1, 2023.

### Available Administrative Expense Account

As of June 30, 2022, the balance in the Administrative Expense Fund was \$89,613. Approximately, \$59,613 are anticipated to be used until January 31, 2023. As a result, there is \$14,700 anticipated to be available in the Administrative Expense Fund to reduce Improvement Area #1's portion of the 2022-23 Annual Installment.

## **E. ANNUAL INSTALLMENTS PER UNIT - IMPROVEMENT AREA #1**

According to the Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the Improvement Area #1 portion of the Series 2021 Bonds, to fund the Prepayment Reserve and Delinquency Reserve described in the Service and Assessment Plan, and to cover Administrative Expenses of Improvement Area #1.

According to the Service and Assessment Plan, 1,057 units, representing 824.33 total Equivalent Units, are anticipated to be built within Improvement Area #1 of the PID. Accordingly, the net principal, interest, and prepayment and delinquency reserve portion of Annual Installment to be collected from each Equivalent Unit will be \$1,712.44 (i.e.  $(\$2,264,450 - \$1,017,434 + \$164,600) \div 824.33 = \$1,712.44$ ) and the net Administrative Expenses to be collected from each Equivalent Unit will be \$74.97 (i.e.  $(\$76,500 - \$14,700) \div 824.33 = \$74.97$ ). As a result, the total Annual Installment to be collected from each Equivalent Unit within Improvement Area #1 will be \$1,787.41. The Annual Installment to be collected from each Parcel within Improvement Area #1 is calculated by multiplying the Annual Installment for each Equivalent Unit of \$1,787.41 by the total estimated Equivalent Units for each Parcel in Improvement Area #1.

The Annual Installment due to be collected from each Land Use Class in Improvement Area #1 for 2022-23 is shown in Table II-E-1 below.

**Table II-E-1**  
**Annual Installment Per Unit – Improvement Area #1**

| <b>Land Use Class</b> | <b>Annual Installment Per Equivalent Unit</b> | <b>Equivalent Unit Factor</b> | <b>Annual Installment Per Unit</b> |
|-----------------------|---|-------------------------------|------------------------------------|
| 60 FT                 | \$1,787.41                                    | 1.00                          | \$1,787.41                         |
| 50 FT                 | \$1,787.41                                    | 0.83                          | \$1,483.55                         |
| 40 FT                 | \$1,787.41                                    | 0.67                          | \$1,197.57                         |

The list of Parcels within Improvement Area #1 of the PID, the number of units to be developed on the current residential Parcels, the corresponding total Equivalent Units, the total outstanding Assessment, the annual principal and interest, the Administrative Expenses, and the Annual Installment to be collected for 2022-23 are shown in the Assessment Roll Summary attached hereto as Appendix D.

## **F. ANNUAL BUDGET – MAJOR IMPROVEMENT AREA**

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty annual installments of principal and interest beginning with the tax year following the issuance of the Series 2021 Bonds, of which twenty-nine (29) Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the Series 2021 Bonds commencing with the issuance of the Series 2021 Bonds. The effective interest rate on the Series 2021 Bonds for 2022-23 is 5.38 percent. Pursuant to Section 372.018 of the PID Act, the interest rate for that Assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the effective interest rate on the Series 2021 Bonds (5.38 percent) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the Town in 2022 and will be delinquent on February 1, 2023.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2022-23 and the Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under an applicable Trust Indenture capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

#### Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the Major Improvement Area portion of the Series 2021 Bonds from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments. The additional interest collected with the Annual Installments will be used to pay the prepayment and delinquency reserve amounts as described in the Service and Assessment Plan and applicable Trust Indenture.

#### Phases #2-4 Major Improvement Area Annual Installments to be Collected for 2022-23

The budget for the Major Improvement Area of the PID will be paid from the collection of Annual Installments collected for 2022-23 as shown in Table II-F-1 on the following page.

**Table II-F-1**  
**Budget for the Major Improvement Area**  
**Annual Installments to be Collected for 2022-23**

|   | <b>Major Improvement Area<br/>portion of the Series 2021<br/>Bonds</b> |
|---|--|
| Interest payment on March 1, 2023                     | \$276,275  |
| Interest payment on September 1, 2023                 | \$276,275  |
| Principal payment on September 1, 2023                | \$155,000  |
| <i>Subtotal - Debt Service Payments</i>               | <i>\$707,550</i>   |
| Administrative Expenses                               | \$35,700   |
| Excess Interest for Prepayment & Delinquency Reserves | \$51,400   |
| <i>Subtotal Expenses</i>                              | <i>\$794,650</i>   |
| Available Reserve Fund Income                         | \$0  |
| Available Capitalized Interest Funds                  | (\$317,716)  |
| Available Administrative Expense Funds                | (\$15,300)   |
| <i>Subtotal funds available</i>                       | <i>(\$333,016)</i>   |
| <b>Annual Installments</b>                            | <b>\$461,634</b>   |

*Debt Service Payments*

Annual Installments to be collected for principal and interest include interest due on March 1, 2023 in the amount of \$276,275 and on September 1, 2023 in the amount of \$276,275, which equal interest on the outstanding Major Improvement Area Assessments balance of \$10,280,000 for six months each and an effective interest rate of 5.38 percent. Annual Installments to be collected include a principal payment of \$155,000 due on September 1, 2023 for the Major Improvement Area portion of the Series 2021 Bonds. As a result, total principal and interest due for the Major Improvement Area Assessments portion of the Series 2021 Bonds for 2022-23 is estimated to be \$707,550.

*Administrative Expenses*

Administrative expenses include the Town, Trustee, Administrator, auditor, dissemination agent and contingency fees. As shown in Table II-F-2 on the following page, the total Major Improvement administrative expenses to be collected for 2022-23 are estimated to be \$35,700.

**Table II-F-2**  
**Administrative Budget Breakdown**

| Description       | 2022-23 Estimated<br>Budget (9/1/22-8/31/23) |
|-------------------|--|
| Town              | \$4,600                                      |
| PID Administrator | \$24,000                                     |
| Audit             | \$2,500                                      |
| Trustee           | \$0  |
| Contingency       | \$4,600                                      |
| <b>Total</b>      | <b>\$35,700</b>                              |

1- The Trustee fee is fully funded through the Improvement Area #1's portion of administrative expenses.

*Excess Interest for Prepayment and Delinquency Reserve*

Annual Installments to be collected for excess interest for prepayment and delinquency reserves in the amount of \$51,400, which equals 0.5 percent interest on the outstanding Major Improvement Area's portion of the Series 2021 Bonds balance of \$10,280,000.

*Available Reserve Fund Income*

As of June 30, 2022, there is not a significant excess balance in the Reserve Fund. As a result, there is no Reserve Fund income anticipated to be available to reduce the Major Improvement Area's portion of the 2022-23 Annual Installment.

*Available Capitalized Interest Account*

Pursuant to Section 6.4 (c) of the Trust Indenture, \$317,716 should be used to pay interest on the Major Improvement Area's portion of the Series 2021 Bonds on the semi-annual interest payment date of March 1, 2023. As a result, there are \$317,716 anticipated to be available to pay the Major Improvement Area's portion of the Series 2021 Bonds debt service for Assessment Year ending September 1, 2023.

*Available Administrative Expense Account*

As of June 30, 2022, the balance in the Administrative Expense Fund was \$89,613. Approximately, \$59,613 are anticipated to be used until January 31, 2023. As a result, there are \$15,300 anticipated to be available in the Administrative Expense Fund to reduce the Major Improvement Area's portion of the 2022-23 Annual Installment.

**G. ANNUAL INSTALLMENTS PER UNIT - MAJOR IMPROVEMENT AREA**

According to the Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the Major Improvement Area portion of the

Series 2021 Bonds, to fund the Prepayment Reserve and Delinquency Reserve described in the Service and Assessment Plan, and to cover Administrative Expenses of the Major Improvement Area.

According to the Service and Assessment Plan, 1,099 units representing 876.83 total Equivalent Units are anticipated to be built within the Major Improvement Area of the PID. Accordingly, the net principal, interest, and prepayment and reserve portion of Annual Installments to be collected from each Equivalent Unit will be \$503.21 (i.e.  $(\$707,550 - \$317,716 + \$51,400) \div 876.83 = \$503.21$ ) and the Administrative Expenses to be collected from each Equivalent Unit will be \$23.27 (i.e.  $(\$35,700 - \$15,300) \div 876.83 = \$23.27$ ). As a result, the total Annual Installment to be collected from each Equivalent Unit within the Major Improvement Area will be \$526.48 for each Parcel within the Major Improvement Area. The Annual Installment to be collected from each Parcel within the Major Improvement Area is calculated by multiplying the Annual Installment for each Equivalent Unit of \$526.48 by the total estimated Equivalent Units for each Parcel in the Major Improvement Area.

The Annual Installment due to be collected from each Land Use Class in the Major Improvement Area for 2022-23 is shown in Table II-G-1 below.

**Table II-G-1**  
**Annual Installment Per Unit – Phases #2-4 Major Improvement Area**

| <b>Land Use Class</b> | <b>Annual Installment per Equivalent Unit</b> | <b>Equivalent Unit Factor</b> | <b>Annual Installment Per Unit</b> |
|-----------------------|---|-------------------------------|------------------------------------|
| 60 Ft                 | \$526.48                                      | 1.00                          | \$526.48                           |
| 50 Ft                 | \$526.48                                      | 0.83                          | \$436.98                           |
| 40 Ft                 | \$526.48                                      | 0.67                          | \$352.74                           |

The list of Parcels within the Major Improvement Area of the PID, the estimated number of units to be developed on the current residential Parcels, the total Assessment, the Annual Assessment, the Administrative Expenses and the Annual Installment to be collected for 2022-23 are shown in the assessment roll summary attached hereto as Appendix E.

## **H. BOND REDEMPTION RELATED UPDATES**

The Series 2021 Bonds were issued in 2021. Pursuant to Section 4.3 of the Trust Indenture, the Town reserves the right and option to redeem the Series 2021 Bonds before their scheduled maturity dates, in whole or in part, on any date on or after **September 1, 2026**, such redemption date or dates to be fixed by the Town, at the redemption prices and dates shown in the applicable Trust Indenture.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent PID bond refunding transactions, and other relevant factors. Based on this



preliminary evaluation, the Administrator believes a refunding of the Series 2021 Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable PID bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the Town accordingly.

*(remainder of this page is intentionally left blank)*

---

### ***III. UPDATE OF THE ASSESSMENT PLAN***

---

The Service and Assessment Plan adopted by the Town Council describes that the Authorized Improvement costs shall be allocated to the Assessed Property equally based on the equivalent number of residential dwelling units anticipated to be built on each Parcel once such property is fully developed, and that such method of allocation will result in the imposition of equal shares of the Authorized Improvement costs to Parcels similarly benefited.

#### ***Assessment Methodology***

This method of assessing property, as updated in prior Annual Service Plan Updates, has not been changed and Assessed Property will continue to be assessed as provided for in the Service and Assessment Plan.

*(remainder of this page is intentionally left blank)*

---

## ***IV. UPDATE OF THE ASSESSMENT ROLL***

---

Pursuant to the original Service and Assessment Plan, the Assessment Rolls shall be updated each year to reflect:

- (i) the identification of each Parcel (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by the Service and Assessment Plan or in the PID Act;
- (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.I of the Service and Assessment Plan.

The summary of updated Assessment Rolls is shown in Appendix D and Appendix E of this report. Each Parcel in the PID is identified, along with the Assessment on each Parcel and the Annual Installment to be collected from each Parcel. Assessments are to be reallocated for the subdivision of any Parcels.

### **A. PARCEL UPDATES**

According to the Service and Assessment Plan, upon the subdivision of any Parcel, the Administrator shall reallocate the Assessment for the Parcel prior to the subdivision among the new subdivided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for each new subdivided Parcel.
- B = the Assessment for the Parcel prior to subdivision.
- C = the estimated Equivalent Units to be built on each newly subdivided Parcel
- D = the sum of the estimated Equivalent Units to be built on all of the new subdivided Parcels

The calculation of the estimated number of units to be built on a Parcel shall be performed by the Administrator and confirmed by the Town Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

### **B. PREPAYMENT OF ASSESSMENTS**

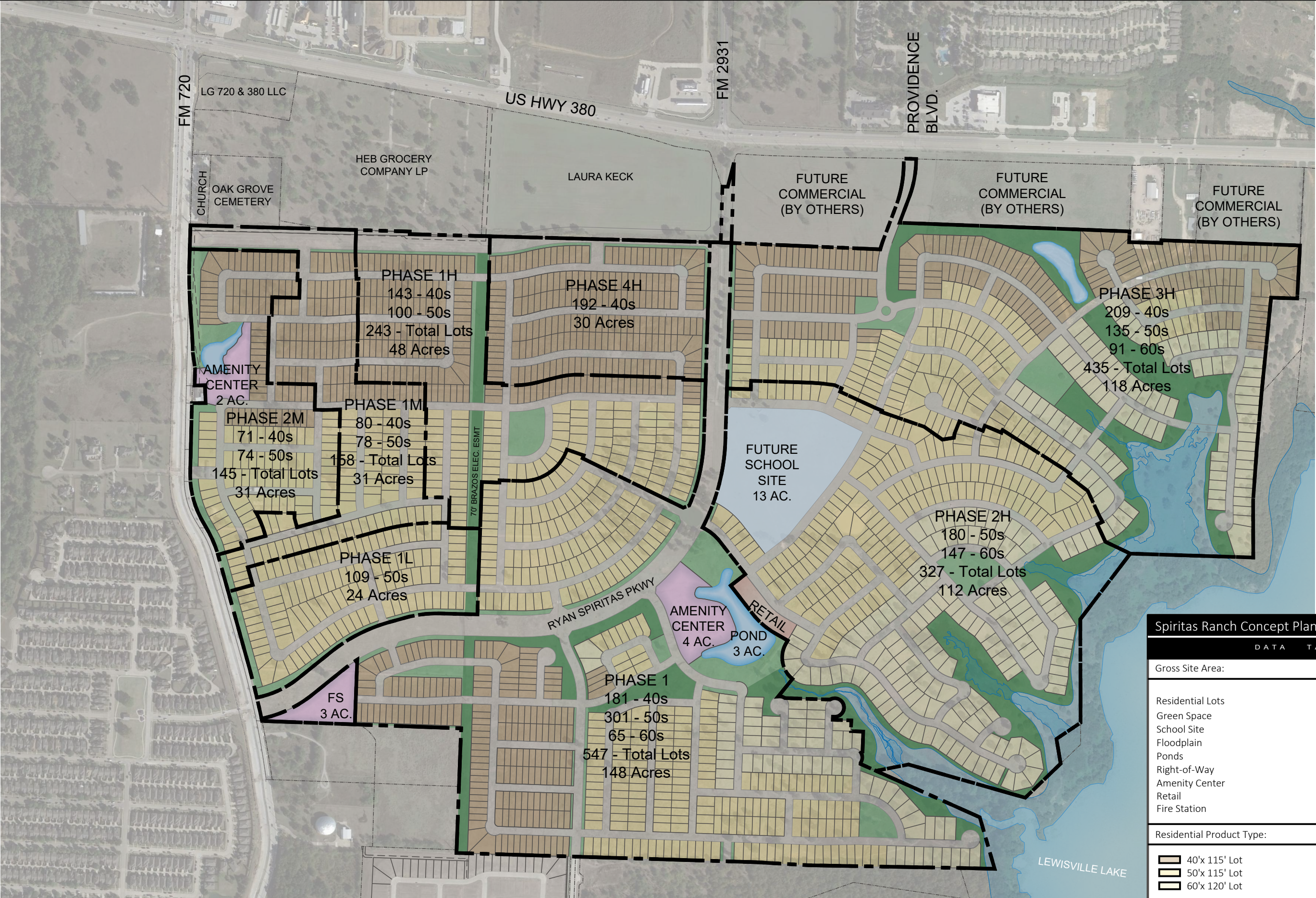
As of July 31, 2022 there have been no prepayment of Assessments for any Parcel within the PID.

The complete Assessment Roll is available for review at the Little Elm Town Hall, located at 100 W. Eldorado Parkway, Little Elm, Texas 75068.

**APPENDIX A**  
**SPIRITAS RANCH PID MAP**



S:\2019\2019017-00 Spiritas Ranch\CAD\EXHIBITS\201901700LP28SpiritasRanchConceptPlan 03292021.dwg Mar 29, 2021 - 11:17 am charcock



| Spiritas Ranch Concept Plan 28 |       |         |              |
|--------------------------------|-------|---------|--------------|
| DATA TABLE                     |       |         |              |
| Gross Site Area:               |       | 545+/-  |              |
| Residential Lots               | Acres | 433     | Gross % 80%  |
| Green Space                    | 49    |         | 9%           |
| School Site                    | 13    |         | 2%           |
| Floodplain                     | 16    |         | 3%           |
| Ponds                          | 5     |         | 1%           |
| Right-of-Way                   | 17    |         | 3%           |
| Amenity Center                 | 7     |         | 1%           |
| Retail                         | 2     |         | 0.5%         |
| Fire Station                   | 3     |         | 0.5%         |
| Residential Product Type:      |       | Phase 1 | Future Total |
| 40'x 115' Lot                  | 404   | 472     | 876          |
| 50'x 115' Lot                  | 588   | 389     | 977          |
| 60'x 120' Lot                  | 65    | 238     | 303          |
| Total Lots                     | 1,057 | 1,099   | 2,156        |
| Total Acres                    | 251   | 294     | 545          |



**APPENDIX B**  
**PREPAID PARCELS**

## **APPENDIX B**

As of July 31, 2022 there has been no prepayment of Assessments for any Parcel within the PID.

**APPENDIX C**  
**ASSESSED VALUE BY PHASE**



**SPIRITAS RANCH PID**  
**2022 Preliminary Value**

| <b>Phase</b>                                      | <b>Parcels<sup>1</sup></b> | <b>2022 Preliminary<br/>Value<sup>1</sup></b> |
|---|----------------------------|---|
| Improvement Area #1 and<br>Major Improvement Area | 14                         | \$26,008,078                                  |
| <b>Total</b>                                      | <b>14</b>                  | <b>\$26,008,078</b>                           |

1 - Parcel preliminary assessed values reflect 2022 values, inclusive of applicable exemptions, in accordance with Denton Central Appraisal District records.

**APPENDIX D**  
**IMPROVEMENT AREA #1 ASSESSMENT ROLL – 2022-23**

**SPIRITAS RANCH PID**  
**Improvement Area #1 Assessment Roll Summary**  
**2022-23**

| Parcel ID  | Equivalent Units | Outstanding Assessments | Principal           | Interest            | Excess Interest for Reserves | Administrative Expenses | 2022-23 Annual Installment |
|--|------------------|-------------------------|---------------------|---------------------|------------------------------|-------------------------|----------------------------|
| 38076, 38089, 38226,<br>111275, 465354,<br>746126, 967339,<br>983733, 983734 | 824.33           | \$32,920,000            | \$495,000.00        | \$752,016.25        | \$164,600.00                 | \$61,800.00             | \$1,473,416.25             |
| <b>Total</b>   | <b>824.33</b>    | <b>\$32,920,000</b>     | <b>\$495,000.00</b> | <b>\$752,016.25</b> | <b>\$164,600.00</b>          | <b>\$61,800.00</b>      | <b>\$1,473,416.25</b>      |

**APPENDIX E**  
**MAJOR IMPROVEMENT ASSESSMENT ROLL – 2022-23**

**SPIRITAS RANCH PID**  
**Major Improvement Area Assessment Roll Summary**  
**2022-23**

| Parcel ID  | Equivalent Units | Outstanding Assessments | Principal           | Interest            | Excess Interest for Reserves | Administrative Expenses | 2022-23 Annual Installment |
|--|------------------|-------------------------|---------------------|---------------------|------------------------------|-------------------------|----------------------------|
| 38076, 38089, 38094,<br>38102, 38191, 38193,<br>38226, 111275, 465354,<br>967339, 967340 | 876.83           | \$10,280,000            | \$155,000.00        | \$234,833.75        | \$51,400.00                  | \$20,400.00             | \$461,633.75               |
| <b>Total</b>   | <b>876.83</b>    | <b>\$10,280,000</b>     | <b>\$155,000.00</b> | <b>\$234,833.75</b> | <b>\$51,400.00</b>           | <b>\$20,400.00</b>      | <b>\$461,633.75</b>        |

**APPENDIX F**  
**PID ASSESSMENT NOTICE**

**Appendix F**

**Form of Homebuyer Disclosure**

NOTICE OF OBLIGATION TO PAY PUBLIC IMPROVEMENT DISTRICT ASSESSMENT  
TO  
THE TOWN OF LITTLE ELM, TEXAS  
CONCERNING THE FOLLOWING PROPERTY

[insert property address]

As the purchaser of the real property described above, you are obligated to pay assessments to the Town of Little Elm, Texas (the "Town"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within the Spiritas Ranch Public Improvement District (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the Town. The exact amount of each annual installment will be approved each year by the Town Council in the Annual Service Plan Update for the District. More information about the assessments, including the amounts and due dates, may be obtained from the Town or MuniCap, Inc., the District Administrator for the Town, located at 600 E. John Carpenter Fwy, Suite 150, Irving, Texas 75062 and available by telephone at (469) 490-2800 or (866) 648-8482 (toll free) and email at [txpid@municap.com](mailto:txpid@municap.com).

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Signature of Purchaser

STATE OF TEXAS

§  
§  
§

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me by \_\_\_\_\_ and \_\_\_\_\_, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed, in the capacity stated and as the act and deed of the above-referenced entities as an authorized signatory of said entities.

Given under my hand and seal of office on this \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Notary Public, State of Texas