

**HERITAGE SHORES
SPECIAL DEVELOPMENT DISTRICT
TOWN OF BRIDGEVILLE, DELAWARE**

**UNAUDITED FINANCIAL STATEMENTS
AS OF JUNE 30, 2023, and 2022**

CUSIP NUMBERS:

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November 15, 2023

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I. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the financial performance of the Heritage Shores Special Development District (the "District") provides an overall review of the District's financial activities for the years ended June 30, 2023, and 2022. The intent of this discussion and analysis is to look at the District'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 District's financial performance.

Financial Highlights

1. The District incurred long term debt of \$28,447,000 in Special Obligation Bonds, Series 2005A and Series 2005B on July 28, 2005, bearing interest from 5.125% to 5.45% per annum with maturities ranging from 2008 to 2035. The Series 2005B Bonds were fully redeemed on July 1, 2014, with funds received from prepaid special taxes and Reserve Fund credits. The Series 2005A Bonds were fully redeemed on December 14, 2020, from the issuance of the Series 2020 Special Obligation Refunding Bonds.
2. On November 23, 2020, the Series 2020 Special Obligation Refunding Bonds totaling \$12,295,000 bearing interest at 2% to 4% per annum with maturities ranging from 2022 to 2035 were issued to fully-redeem the Series 2005A Bonds. The District's debt will be paid through the collection of special taxes collected from the taxable parcels within the District. See Note 6 for more details.
3. Net assets at June 30, 2023 and 2022 totaled (\$9,302,125) and (\$10,615,726), respectively, due primarily to the acceptance and subsequent donation of the completed public improvements. See Item 4 for more details.
4. In fiscal year 2011, the Town of Bridgeville, Delaware (the "Town") accepted the completed public improvements totaling \$26,673,961.
5. Special taxes of \$1,222,447 and \$1,057,760 were levied on the parcels in the District for the years ending June 30, 2023, and 2022, respectively. The Town reports that all the special taxes have been collected.
6. The District collected \$246,080 in prepaid special taxes on the Bonds during the year ending June 30, 2023. These prepayments, along with Reserve Fund credits totaling \$30,199, were used to redeem \$289,000 of the Series 2020 Bonds from prepaid special taxes during the year ending June 30, 2023. An additional \$244,000 in Bonds were redeemed on July 1 and October 1, 2023, from prepaid special taxes and Reserve Fund credits.
7. The District is in the process of issuing additional bonds expected to be issued by the end of the year. The total bond authorization is for \$65,000,000, out of which, roughly \$37,000,000 remains authorized to be issued. The bond proceeds are expected to be used for additional public improvements.

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 District and provides information about the activities of the District, 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 of the District. The Statement of Cash Flows reflects how the District 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.

Summary Statement of Net Position

	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 2,592,460	\$ 2,216,227
Total Assets	<u>2,592,460</u>	<u>2,216,227</u>
Liabilities:		
Current liabilities	784,608	774,492
Long-term debt	<u>11,109,977</u>	<u>12,057,461</u>
Total Liabilities	<u>11,894,585</u>	<u>12,831,953</u>
Net Position		
Net investment in capital assets	(11,657,977)	(12,585,461)
Restricted	2,582,482	2,214,789
Unrestricted	<u>(226,630)</u>	<u>(245,054)</u>
Total Net Position	<u>\$ (9,302,125)</u>	<u>\$ (10,615,726)</u>

The net deficit for fiscal years 2023 and 2022 is due primarily to the donation to the Town of completed public improvements financed by the Series 2005 Bonds partially offset by collection of special taxes, debt service, and operating expenses.

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

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 1,654,703	\$ 1,473,218
Operating Expenses	<u>78,208</u>	<u>76,945</u>
Operating Income	1,576,495	1,396,273
Non-operating Revenues/(Expenses)	<u>(262,894)</u>	<u>(356,271)</u>
Change in Net Position	<u>\$ 1,313,601</u>	<u>\$ 1,040,002</u>

The increase in the fiscal year 2023 net position is primarily due to special tax revenues, prepayment revenues and interest income exceeding debt service.

Capital Assets

The District's capital assets totaling \$26,673,961 were completed in 2009 and were accepted and subsequently donated to the Town in fiscal year 2011.

Long-Term Debt

The District issued Special Obligation Bonds, Series 2005A and Series 2005B, dated July 28, 2005, with a final maturity of July 1, 2035. On July 1, 2014, the Series 2005B Bonds were fully redeemed from prepaid special taxes and Reserve Fund credits. On December 14, 2020, the Series 2005A Bonds were fully redeemed from the issuance of the Series 2020 Special Obligation Refunding Bonds.

On November 23, 2020, the Town issued \$12,295,000 in Special Obligation Refunding Bonds, Series 2020, for the primary purpose of redeeming the Series 2005A Bonds in several terms at interest rates from 2.00% to 4.00% with a final maturity of July 1, 2035. This bond issuance represents 100% of the District's long-term debt as of June 30, 2023.

The proceeds from the Series 2005A Bonds were used to finance construction of certain public infrastructure improvements within the District including construction of roads, water and sewer improvements, storm drains and water management ponds, lighting, landscaping, and signage.

The debt service is paid annually by the income received from the special taxes levied on the property owners within the District.

The District is currently in the process of issuing additional bonds expected to be issued by the end of 2023.

Special Taxes

Special taxes of \$1,222,447 and \$1,057,760 were imposed for collection in fiscal years 2023 and 2022, respectively. According to the Town, property owners have paid all special taxes for fiscal years 2023 and 2022. All special tax collections have been remitted to the Trustee.

Economic Factors and Future Outlook

Presently, the District is not aware of any significant changes in conditions that would have a significant effect on the administrative expenses in the near future.

Contacting District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District'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 District's administrator, MuniCap, Inc., at 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

II. FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION As of June 30,

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 2,582,482	\$ 2,214,789
Accrued interest receivable	9,978	1,438
Total Current Assets	<u>2,592,460</u>	<u>2,216,227</u>
Liabilities		
Current Liabilities		
Accounts payable	14,215	13,039
Accrued interest payable	221,720	232,780
Current portion of long-term debt	548,000	528,000
Deferred revenues	673	673
Total Current Liabilities	<u>784,608</u>	<u>774,492</u>
Noncurrent Liabilities		
Long-term debt, net of bond premium	<u>11,109,977</u>	<u>12,057,461</u>
Total Noncurrent Liabilities	<u>11,109,977</u>	<u>12,057,461</u>
Total Liabilities	<u>11,894,585</u>	<u>12,831,953</u>
Net Position		
Net investment in capital assets	(11,657,977)	(12,585,461)
Restricted	2,582,482	2,214,789
Unrestricted	<u>(226,630)</u>	<u>(245,054)</u>
Net Position	<u>\$ (9,302,125)</u>	<u>\$ (10,615,726)</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 June 30,

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Prepayment revenues	\$ 246,080	\$ 288,899
Special tax revenues	<u>1,408,623</u>	<u>1,184,319</u>
Total Operating Revenues	<u>1,654,703</u>	<u>1,473,218</u>
Operating Expenses		
Administrative fees	<u>78,208</u>	<u>76,945</u>
Total Operating Expenses	<u>78,208</u>	<u>76,945</u>
Operating Income	<u>1,576,495</u>	<u>1,396,273</u>
Non-Operating Revenues/(Expenses)		
Interest and dividend income	75,682	2,476
Interest expense	<u>(338,576)</u>	<u>(358,747)</u>
Total Non-Operating Revenues/(Expenses)	<u>(262,894)</u>	<u>(356,271)</u>
Change in Net Position	1,313,601	1,040,002
Net Position, Beginning of Year	<u>(10,615,726)</u>	<u>(11,655,728)</u>
Net Position, End of Year	<u>\$ (9,302,125)</u>	<u>\$ (10,615,726)</u>

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

STATEMENTS OF CASH FLOWS
For the Years Ending June 30,

	2023	2022
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 1,654,703	\$ 1,481,025
Cash payments for administrative fees	(77,032)	(98,591)
Net Cash Provided by Operating Activities	1,577,671	1,382,434
Cash Flows from Investing Activities		
Interest and dividends received on investments	67,142	1,072
Net Cash Provided by Investing Activities	67,142	1,072
Cash Flows from Capital and Related Financing Activities		
Principal paid on bonds	(817,000)	(288,000)
Interest paid on bonds	(460,120)	(527,068)
Bond issuance costs paid	-	(4,304)
Net Cash Used in Capital and Related Financing Activities	(1,277,120)	(819,372)
Change in Cash Balance	367,693	564,134
Cash, Beginning of Year	2,214,789	1,650,655
Cash, End of Year	\$ 2,582,482	\$ 2,214,789
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,576,495	\$ 1,396,273
Adjustments		
Decrease in due from primary government	-	7,808
Increase (decrease) in accounts payable	1,176	(21,647)
Net Cash Provided by Operating Activities	\$ 1,577,671	\$ 1,382,434

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

III. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—REPORTING ENTITY

The Heritage Shores Special Development District (the “District”) was established pursuant to and under the provisions of Title 22 of the Delaware Code, Chapter 18 and Section 29A of 51 Delaware Laws, Chapter 237, as amended (collectively, the “Act”). The Act provides the Town of Bridgeville, Delaware, (the “Town”) with a method of financing certain public infrastructure improvements in the Town through the creation of special development districts. In accordance with the Act, the Commissioners of the Town (the “Commissioners”) adopted a Resolution on March 22, 2005, creating the Heritage Shores Special Development District within the Town. Pursuant to the Act, and by subsequent ordinance adopted by the Commissioners on May 9, 2005 and a request from the requisite number of real property owners within the proposed District, the Commissioners authorized the issuance of up to \$65,000,000 of bonds, including The Town of Bridgeville, Delaware Special Obligation Bonds (Heritage Shores Special Development District), Series 2005A and Series 2005B (the “Series 2005 Bonds”), authorized the levy of the special taxes, and pledged that they will pay the special taxes levied into the special fund created by the Trust Indenture.

The Series 2005 Bonds were issued pursuant to and under the provisions of the Act, certain resolutions and ordinances of the Commissioners, an executive order of the President of the Commissioners, and a Trust Indenture dated as of June 1, 2005, between the Town and Wilmington Trust Company (formerly M&T Trust Company of Delaware, the “Trustee”) and a First Supplemental Trust Indenture dated as of December 22, 2008. The Series 2005 Bonds were special obligations of the Commissioners payable from amounts in the special fund, established as the Revenue Fund under the Indenture, and other funds pledged therefore under the Indenture. The Series 2005 Bonds were secured by the proceeds of a special tax levied by the Town on all taxable parcels of land within the boundaries of the District. The proceeds of the Series 2005 Bonds were used to finance certain public improvements within or for the benefit of the District. The Bonds were payable from the special taxes as determined and annually levied by the Town each year pursuant to and in the manner provided in the Ordinance adopted by the Commissioners on May 9, 2005. Pursuant to the Act, the special taxes shall be collected and secured in the same manner as general ad valorem real property taxes. The special taxes are subject to the same penalties and the same procedure, sale and lien priority in the case of delinquency as is provided for general ad valorem real property taxes assessed by the Town. The Series 2005 Bonds were fully redeemed on December 14, 2020, from the issuance of the Series 2020 Bonds.

On November 23, 2020, the District issued \$12,295,000 in Special Obligation Refunding Bonds, Series 2020 (the “Series 2020 Bonds”), for the primary purpose of redeeming the Series 2005A Bonds in several terms at interest rates from 2.00% to 4.00% with a final maturity of July 1, 2035. The Series 2020 Bonds were issued pursuant to the Trust Indenture by and between the Town and the Trustee, dated as of June 1, 2005, as supplemented by a First Supplemental Indenture dated December 22, 2008, and a Second Supplemental Trust Indenture, dated as of November 1, 2020 (together, the “Indenture”).

The District currently encompasses approximately 745 acres within the southern portion of the Town limits. The District is located wholly within the incorporated limits of the Town. The Town is located within Sussex County, Delaware, and is approximately 30 miles from the resort beaches of Delaware, 30 miles south of Dover, Delaware, and 75 miles south of Wilmington, Delaware. The Heritage Shores Development is an age-restricted master planned residential community of single family detached and attached units, including a clubhouse, an aquatic center and an 18-hole golf course. A future portion of the development was recently rezoned as non-age restricted.

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 District'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 District 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 District'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 District 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 District 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 District 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 District 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 District does not maintain a capitalization threshold as all infrastructure assets are capitalized. The District does not 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 District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District 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 District. For the District, these revenues are special taxes. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the District. 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 District 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 District 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 at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 2,582,482	\$ 2,214,789
Total cash and cash equivalents	<u>\$ 2,582,482</u>	<u>\$ 2,214,789</u>

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the provisions under the Indenture.

Cash equivalents consist of deposits held in money market accounts. Such underlying securities were held by financial institutions in their trust departments in the District'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. The District does not have a policy to limit its exposure to interest rate risk; however, the District's investments in money market funds are withdraw-able on demand.

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 the minimum rating of different types of cash equivalents and investments. Deposits at June 30, 2023 were invested in a Federated Hermes Government Obligation money market fund with a rating of AAAM from Standard & Poor's.

D. Concentration of Credit Risk

Concentration of credit risk can also arise by failing to adequately diversify investments. The District places no limits on the amount that may be invested in any one issuer.

E. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The District's investments in money market funds totaling \$2,582,482 are valued using quoted market prices (Level 1 inputs).

NOTE 4—RECEIVABLES

Receivables at June 30, 2023 and 2022 consisted of accrued interest and dividends on investments. All receivables are considered collectible in full within one year.

NOTE 5—CAPITAL ASSETS

Capital assets funded with the proceeds of the Series 2005 Bonds consisted of public infrastructure improvements separated into two portions, the "Developer's Facilities" and the "Commissioner's Facilities". The Developer's Facilities included the construction of roads, water and sewer improvements, storm drains and water management ponds, lighting, landscaping, and signage. The Commissioner's Facilities included construction of a library and purchase of various machinery, equipment, improvements, software, and other expenses of the Town.

Both the Commissioner's and the Developer's Facilities with a total cost of \$26,673,961 were completed in fiscal year 2009. Pursuant to the Construction and Funding Agreement and the Development Improvements and Services Agreement, the completed Developer's Facilities infrastructure improvements were conveyed to the Town of Bridgeville, Delaware, upon the Town's acceptance of the improvements in November 2010. The Commissioner's Facilities were purchased and owned upon acquisition. The acceptance and donation of the public improvements were reported in the financial statements as "donated public improvements".

NOTE 6—LONG-TERM OBLIGATIONS

The District's long-term obligation activity for the years ended June 30, 2023 and 2022 was as follows:

2023	Balance	Increase	Decrease	Balance	Due in
	July 1, 2022			June 30, 2023	one year
Series 2020 Bonds					
Serial Bonds	\$ 3,792,000	\$ -	\$ (611,000)	\$ 3,181,000	\$ (548,000)
Less: Unamortized premium	186,345	-	(62,554)	123,791	(50,007)
Total Serial Bonds	3,978,345	-	(673,554)	3,304,791	(598,007)
Term 2030 Bonds	2,571,000	-	(66,000)	2,505,000	-
Less: Unamortized premium	203,460	-	(25,423)	178,037	(25,423)
Total Term 2030 Bonds	2,774,460	-	(91,423)	2,683,037	(25,423)
Term 2035 Bonds	5,540,000	-	(140,000)	5,400,000	-
Less: Unamortized premium	292,656	-	(22,507)	270,149	(22,507)
Total Term 2035 Bonds	5,832,656	-	(162,507)	5,670,149	(22,507)
Total Bonds Payable	\$ 12,585,461	\$ -	\$ (927,484)	\$ 11,657,977	\$ (645,937)

2022	Balance	Increase	Decrease	Balance	Due in
	July 1, 2022			June 30, 2022	one year
Series 2020 Bonds					
Serial Bonds	\$ 3,881,000	\$ -	\$ (89,000)	\$ 3,792,000	\$ (528,000)
Less: Unamortized premium	250,764	-	(64,419)	186,345	(62,554)
Total Serial Bonds	4,131,764	-	(153,419)	3,978,345	(590,554)
Term 2030 Bonds	2,633,000	-	(62,000)	2,571,000	-
Less: Unamortized premium	228,883	-	(25,423)	203,460	(25,423)
Total Term 2030 Bonds	2,861,883	-	(87,423)	2,774,460	(25,423)
Term 2035 Bonds	5,677,000	-	(137,000)	5,540,000	-
Less: Unamortized premium	315,163	-	(22,507)	292,656	(22,507)
Total Term 2035 Bonds	5,992,163	-	(159,507)	5,832,656	(22,507)
Total Bonds Payable	\$ 12,985,810	\$ -	\$ (400,349)	\$ 12,585,461	\$ (638,484)

A. Special Obligation Bonds, Series 2005A and 2005B

On July 28, 2005, the Town issued \$19,847,000 in Special Obligation Bonds Series 2005A and \$8,600,000 in Special Obligation Bonds Series 2005B, to finance the construction and acquisition of a portion of the public improvements for the District, to fund reserve accounts for the Series 2005 Bonds, to fund construction period interest for approximately 24 months from the date of issuance of the Series 2005 Bonds, and to pay certain professional fees and costs of issuing the

Series 2005 Bonds. The Series 2005 Bonds were special obligations of the Commissioners, payable from and secured by the special taxes levied and collected by the Town. The Town, on behalf of the District, imposed and collected the special taxes and agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special taxes.

The Series 2005 Bonds were subject to redemption at the option of the Commissioners prior to maturity in whole or in part at any time on or after July 1, 2015, on any interest payment date at 100% of the principal amount of the Series 2005 Bonds plus accrued interest from the most recent interest payment date to the redemption date. The Series 2005B Bonds were fully redeemed on July 1, 2014, from prepaid special taxes and Reserve Fund credits. The Series 2005A Bonds were fully redeemed on December 14, 2020, from the issuance of the Series 2020 Bonds. (See Note 6B below.)

B. Special Obligation Refunding Bonds, Series 2020

On November 23, 2020, the Town issued \$12,295,000 Special Obligation Refunding Bonds, Series 2020 (the “Series 2020 Bonds”), in several terms at interest rates from 2.00% to 4.00% with a final maturity of July 1, 2035, as follows:

	<u>Maturity Date</u>	<u>Par Value</u>	<u>Interest Rate</u>	<u>Premium</u>
Serial Bonds	July 1, 2022	\$ 545,000	2.00%	\$ 3,003
	July 1, 2023	580,000	4.00%	32,782
	July 1, 2024	625,000	4.00%	45,744
	July 1, 2025	670,000	4.00%	59,590
	July 1, 2026	720,000	4.00%	69,177
	July 1, 2027	775,000	4.00%	79,298
Term Bonds, 2030	July 1, 2030	2,655,000	4.00%	244,207
Term Bonds, 2035	July 1, 2035	<u>5,725,000</u>	4.00%	<u>328,729</u>
		<u>\$12,295,000</u>		<u>\$862,530</u>

The primary purpose of the Series 2020 Bonds was to redeem the Series 2005A Bonds for a net present value savings of \$1.8 million. The premium on the Series 2020 Bonds is being amortized on a straight-line method over the life of each term of bonds.

The Series 2020 Bonds are special obligations of the Commissioners, payable from and secured by the special taxes levied and collected by the Town. The Town, on behalf of the District, will impose and collect the special taxes and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special taxes.

Interest on the Series 2020 Bonds is payable semiannually on January 1 and July 1 of each year beginning on July 1, 2021. Principal payments on the Series 2020 Bonds are due each July 1, according to the mandatory sinking fund redemption schedule. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest payments for the Series 2020 Bonds totaled \$460,120 and \$527,068 for the years ended June 30, 2023 and 2022, respectively.

The Series 2020 Bonds are subject to optional redemption, extraordinary mandatory redemption and mandatory sinking fund redemption.

1. Optional Redemption

The Series 2020 Bonds maturing on or after July 1, 2030 are subject to redemption at the option of the Commissioners on or after July 1, 2029 in whole at any time or in part on any interest payment date at 100% of the principal amount of the Series 2020 Bonds plus accrued interest from the most recent interest payment date to the redemption date.

2. Extraordinary Mandatory Redemption

The Series 2020 Bonds are subject to extraordinary mandatory redemption prior to maturity by the Commissioners in whole at any date, or in part on each quarterly redemption date at an extraordinary redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date set for redemption from special tax prepayments or excess funds in the debt service reserve fund.

Extraordinary mandatory redemptions totaling \$289,000 and \$288,000 were made in fiscal years 2023 and 2022, respectively.

3. Mandatory Sinking Fund Redemption

Annual debt service requirements to maturity for the Series 2020 Bonds are as follows, as revised for prepayment redemptions as of June 30, 2023:

<u>Year Ending June 30:</u>	<u>Series 2020, Serial Bonds</u>		<u>Series 2020, Term 2030</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 548,000	\$ 115,080	\$ -	\$ 100,200
2025	591,000	91,360	-	100,200
2026	632,000	67,440	-	100,200
2027	679,000	41,820	-	100,200
2028	731,000	14,280	-	100,200
2029-2033	-	-	2,505,000	154,780
2034-2036	-	-	-	-
Total	\$ 3,181,000	\$ 329,980	\$ 2,505,000	\$ 655,780

<u>Year Ending June 30:</u>	<u>Series 2020, Term 2035</u>		<u>Total Series 2020 Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ -	\$ 216,000	\$ 548,000	\$ 431,280
2025	-	216,000	591,000	407,560
2026	-	216,000	632,000	383,640
2027	-	216,000	679,000	358,020
2028	-	216,000	731,000	330,480
2029-2033	1,968,000	1,002,520	4,473,000	1,157,300
2034-2036	3,432,000	211,360	3,432,000	211,360
Total	\$ 5,400,000	\$ 2,293,880	\$ 11,086,000	\$ 3,279,640

Principal payments are due each year on July 1 beginning on July 1, 2022.

C. Additional Bonds

In 2005, the Commissioners authorized the issuance of up to \$65 million of bonds, which include the Series 2005 Bonds. Additional bonds of up to \$37 million may be issued by the District to finance subsequent public improvements, to refund, defease, or purchase any bonds outstanding, to finance the costs incurred with the issuance and sale of additional bonds and to fund the debt service reserve fund upon issuance of additional bonds. The District is currently in the process of issuing additional bonds by the end of calendar year 2023 to pay the costs of additional qualified public improvements.

NOTE 7—PREPAYMENTS

Pursuant to Section H of the Rate and Method of Apportionment, the special tax for any parcel of developed or platted property may be prepaid and the obligation to pay the special tax for the parcel permanently satisfied at any time. The developer elected to partially prepay a portion of the special tax on parcels in the District upon closing with individual homebuyers.

The partial and full prepayments received by the District are used to redeem bonds along with corresponding Reserve Fund credits. Prepayments received and redemptions from prepaid special taxes for the fiscal years ending June 30, 2023 and 2022 were as follows:

	Fiscal Year	
	2023	2022
Prepaid Special Taxes Received	\$ 246,080	\$ 288,899
Bonds Redeemed from Prepayments	\$ 289,000	\$ 288,000

The total proceeds from prepayments and the applicable Reserve Fund credits were used for the early redemptions of \$289,000 in Series 2020 Bonds as of June 30, 2023.

NOTE 8—REVENUES

Pursuant to the terms of the Levy Ordinance, the special taxes that may be levied on each parcel of taxable property within the District is set forth in the Rate and Method of Apportionment of Special Taxes. Annual special taxes are to be collected from each parcel of taxable property within the District (excepting those for which the special taxes have been fully prepaid) each year in an amount equal to the “Annual Revenue Requirement.” The annual revenue requirement, 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. The Act provides that the annual installment of special taxes, unless prepaid, will be collected and secured in the same manner as general ad valorem taxes of the Town unless otherwise provided and shall be subject to the same penalties and procedures in case of delinquency as is provided for general ad valorem taxes of the Town.

Special taxes of \$1,222,447 were billed to property owners for the fiscal year 2023. According to the Town, all fiscal year 2023 special taxes were collected.

Special taxes of \$1,057,760 were billed to property owners for the fiscal year 2022. According to the Town, all fiscal year 2022 special taxes were collected.

According to the terms of an agreement between Passwater Farms, as “Developer”, and the Town dated June 25, 2018, the Developer has agreed to pay a portion of the special taxes of certain homeowners purchasing a home after the date of the agreement for the second through the eleventh year of ownership. This benefit is not transferrable. These payments totaled \$188,500 and \$122,500 for fiscal years 2023 and 2022, respectively, representing payments for 146 and 84 homeowners.

NOTE 9—ARBITRAGE

When applicable, arbitrage calculations are performed on the District's funds to determine any arbitrage rebate or yield restriction liability. No liabilities for arbitrage rebate or yield restrictions were identified in the fiscal year ending June 30, 2023.

NOTE 10—CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the District.

NOTE 11—SUBSEQUENT EVENTS

A. Special Tax Collections

Special taxes totaling \$1,632,059 are required to pay the projected expenses of the District and billed to the property owners for the fiscal year ending June 30, 2024. There are no delinquencies for prior tax years.

B. Prepayment Redemptions

Prepayment redemptions totaling \$42,000 were made on the Series 2020 Bonds on July 1, 2023, and \$202,000 on October 1, 2023.

NOTE 12— EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2023, the date which the financial statements were available to be issued.