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Filing Date - 2024-06-23 01:19:20 PM

Control Number - 56589

Item Number - 67

**Grand Lakes Municipal
Utility District No. 1
Fort Bend County, Texas**

**Independent Auditor's Report
and Financial Statements**

August 31, 2022



Grand Lakes Municipal Utility District No. 1

August 31, 2022

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Independent Auditor's Report

Board of Directors
Grand Lakes Municipal Utility District No. 1
Fort Bend County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Grand Lakes Municipal Utility District No. 1 (the District), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of August 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 District 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 District'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 opinions. 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 District'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 District'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 and budgetary comparison schedule, as listed in the table of contents, 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 Information

Management is responsible for the other information included in the basic financial statements. The other information comprises schedules required by the Texas Commission on Environmental Quality as listed in the table of contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS, LLP

Houston, Texas
January 10, 2023

Grand Lakes Municipal Utility District No. 1

Management's Discussion and Analysis

August 31, 2022

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Grand Lakes Municipal Utility District No. 1

Management's Discussion and Analysis (Continued)

August 31, 2022

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Grand Lakes Municipal Utility District No. 1

Management's Discussion and Analysis (Continued)

August 31, 2022

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2022	2021
Current and other assets	\$ 4,073,255	\$ 4,481,137
Capital assets	<u>10,283,029</u>	<u>10,698,260</u>
Total assets	<u>14,356,284</u>	<u>15,179,397</u>
Deferred outflows of resources	<u>-</u>	<u>172,475</u>
Total assets and deferred outflows of resources	<u>\$ 14,356,284</u>	<u>\$ 15,351,872</u>
Long-term liabilities	\$ 5,907,356	\$ 6,944,641
Other liabilities	<u>411,328</u>	<u>561,040</u>
Total liabilities	<u>6,318,684</u>	<u>7,505,681</u>
Deferred inflows of resources	<u>11,912</u>	<u>-</u>
Net position:		
Net investment in capital assets	4,363,761	3,874,950
Restricted	799,250	799,549
Unrestricted	<u>2,862,677</u>	<u>3,171,692</u>
Total net position	<u>\$ 8,025,688</u>	<u>\$ 7,846,191</u>

The total net position of the District increased by \$179,497, or about 2 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Grand Lakes Municipal Utility District No. 1
Management's Discussion and Analysis (Continued)
August 31, 2022

Summary of Changes in Net Position

	2022	2021
Revenues:		
Property taxes	\$ 2,014,854	\$ 1,974,288
City of Houston rebate	15,233	12,436
Charges for services	1,468,340	1,317,227
Other revenues	57,628	56,528
Total revenues	<u>3,556,055</u>	<u>3,360,479</u>
Expenses:		
Services	2,659,325	2,667,362
Depreciation	429,137	427,464
Debt service	288,096	376,306
Total expenses	<u>3,376,558</u>	<u>3,471,132</u>
Change in net position	179,497	(110,653)
Net position, beginning of year	<u>7,846,191</u>	<u>7,956,844</u>
Net position, end of year	<u><u>\$ 8,025,688</u></u>	<u><u>\$ 7,846,191</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2022, were \$3,712,069, a decrease of \$283,616 from the prior year.

The general fund's fund balance decreased by \$258,878 due to service operations and capital outlay expenditures exceeding property taxes and service revenues.

The debt service fund's fund balance decreased by \$24,738 because bond principal and interest requirements and contracted services expenditures were greater than property tax revenues generated, as well as debt defeasance on the Refunding Series 2022 Bonds issued in the current year.

Grand Lakes Municipal Utility District No. 1

Management's Discussion and Analysis (Continued)

August 31, 2022

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes and regional water fee revenues, and purchased services, contracted services, repairs and maintenance and other expenditures being greater than anticipated and capital outlay expenditures being less than anticipated. The fund balance as of August 31, 2022, was expected to be \$2,959,989 and the actual end-of-year fund balance was \$2,854,673.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 195,670	\$ 195,670
Water facilities	3,287,859	3,425,516
Wastewater facilities	3,603,804	3,755,033
Drainage facilities	<u>3,195,696</u>	<u>3,322,041</u>
Total capital assets	<u>\$ 10,283,029</u>	<u>\$ 10,698,260</u>

During the current year, additions to capital assets were as follows:

District's share of new fence and gate at the water plant	\$ 7,621
Replaced J-Box on lift pump Nos. 1, 2, 3 and 4	<u>6,285</u>
Total additions to capital assets	<u>\$ 13,906</u>

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2022, are summarized as follows:

Long-term debt payable, beginning of year	\$ 6,944,641
Increases in long-term debt	3,287,163
Decreases in long-term debt	<u>(4,324,448)</u>
Long-term debt payable, end of year	<u>\$ 5,907,356</u>

Grand Lakes Municipal Utility District No. 1

Management's Discussion and Analysis (Continued)

August 31, 2022

At August 31, 2022, the District had \$21,790,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

On January 19, 2022, the District issued \$3,020,000 in unlimited tax refunding bonds, Series 2022, to refund \$3,110,000 of outstanding Refunding Series 2015 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$221,060 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$207,000.

The District's bonds carry an underlying rating of "A" by Standard & Poor's. The District's Refunding Series 2021 and Refunding Series 2022 bonds carry a rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City for full purposes without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective March 30, 2005, the District entered into a Strategic Partnership Agreement (the Agreement) with the City, which has annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years, at which time the City has the option to annex the District if it chooses to do so.

Grand Lakes Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2022

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 56,218	\$ 51,628	\$ 107,846	\$ -	\$ 107,846
Certificates of deposit	1,570,000	480,000	2,050,000	-	2,050,000
Short-term investments	1,157,086	341,607	1,498,693	-	1,498,693
Receivables:					
Property taxes	8,004	11,219	19,223	-	19,223
Service accounts	105,851	-	105,851	-	105,851
Accrued interest	3,249	510	3,759	-	3,759
Interfund receivable	10,350	-	10,350	(10,350)	-
Prepaid expenditures	8,940	-	8,940	-	8,940
Due from others	41,123	-	41,123	-	41,123
Operating deposit	237,820	-	237,820	-	237,820
Capital assets (net of accumulated depreciation):					
Land and improvements	-	-	-	195,670	195,670
Infrastructure	-	-	-	10,087,359	10,087,359
Total assets	<u>\$ 3,198,641</u>	<u>\$ 884,964</u>	<u>\$ 4,083,605</u>	<u>\$ 10,272,679</u>	<u>\$ 14,356,284</u>

Grand Lakes Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2022

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities					
Accounts payable	\$ 214,405	\$ 5,999	\$ 220,404	\$ -	\$ 220,404
Accrued interest payable	-	-	-	69,365	69,365
Customer deposits	113,900	-	113,900	-	113,900
Due to others	7,659	-	7,659	-	7,659
Interfund payable	-	10,350	10,350	(10,350)	-
Long-term liabilities:					
Due within one year	-	-	-	990,000	990,000
Due after one year	-	-	-	4,917,356	4,917,356
Total liabilities	335,964	16,349	352,313	5,966,371	6,318,684
Deferred Inflows of Resources					
Deferred property tax revenues	8,004	11,219	19,223	(19,223)	-
Deferred amount on debt refundings	-	-	-	11,912	11,912
Total deferred inflows of resources	8,004	11,219	19,223	(7,311)	11,912
Fund Balances/Net Position					
Fund balances:					
Nonspendable, prepaid expenditures	8,940	-	8,940	(8,940)	-
Restricted, debt service on unlimited tax bonds	-	857,396	857,396	(857,396)	-
Assigned:					
Future expenditures	487,705	-	487,705	(487,705)	-
Operating deposit	237,820	-	237,820	(237,820)	-
Unassigned	2,120,208	-	2,120,208	(2,120,208)	-
Total fund balances	2,854,673	857,396	3,712,069	(3,712,069)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 3,198,641	\$ 884,964	\$ 4,083,605		
Net position:					
Net investment in capital assets				4,363,761	4,363,761
Restricted for debt service				799,250	799,250
Unrestricted				2,862,677	2,862,677
Total net position				\$ 8,025,688	\$ 8,025,688

Grand Lakes Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2022

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 849,313	\$ 1,163,924	\$ 2,013,237	\$ 1,617	\$ 2,014,854
City of Houston rebate	15,233	-	15,233	-	15,233
Water service	358,502	-	358,502	-	358,502
Sewer service	417,080	-	417,080	-	417,080
Regional water fee	692,758	-	692,758	-	692,758
Penalty and interest	19,665	16,319	35,984	-	35,984
Tap connection and inspection fees	3,690	-	3,690	-	3,690
Investment income	14,034	3,920	17,954	-	17,954
Total revenues	2,370,275	1,184,163	3,554,438	1,617	3,556,055
Expenditures/Expenses					
Service operations:					
Purchased services	1,299,431	-	1,299,431	-	1,299,431
Professional fees	137,496	4,135	141,631	-	141,631
Contracted services	742,769	35,919	778,688	-	778,688
Utilities	71,692	-	71,692	-	71,692
Repairs and maintenance	223,549	-	223,549	25,562	249,111
Other expenditures	114,748	4,024	118,772	-	118,772
Capital outlay	39,468	-	39,468	(39,468)	-
Depreciation	-	-	-	429,137	429,137
Debt service:					
Principal retirement	-	960,000	960,000	(960,000)	-
Interest and fees	-	186,541	186,541	(24,975)	161,566
Debt issuance costs	-	126,530	126,530	-	126,530
Debt defeasance	-	25,500	25,500	(25,500)	-
Total expenditures/expenses	2,629,153	1,342,649	3,971,802	(595,244)	3,376,558
Deficiency of Revenues Over Expenditures	(258,878)	(158,486)	(417,364)	596,861	

Grand Lakes Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended August 31, 2022

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)					
General obligation bonds issued	\$ -	\$ 3,020,000	\$ 3,020,000	\$ (3,020,000)	
Premium on debt issued	-	267,163	267,163	(267,163)	
Deposit with escrow agent	-	(3,153,415)	(3,153,415)	3,153,415	
Total other financing sources	0	133,748	133,748	(133,748)	
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(258,878)	(24,738)	(283,616)	283,616	
Change in Net Position				179,497	\$ 179,497
Fund Balances/Net Position					
Beginning of year	3,113,551	882,134	3,995,685	-	7,846,191
End of year	<u>\$ 2,854,673</u>	<u>\$ 857,396</u>	<u>\$ 3,712,069</u>	<u>\$ 0</u>	<u>\$ 8,025,688</u>

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Grand Lakes Municipal Utility District No. 1 (the District), formerly Via Ranch Municipal Utility District No. 1, was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective December 11, 1985, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the residents of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

The District is a participant in the Grand Lakes Joint Water Plants and Joint Wastewater Treatment Plant (the Plants), which were constructed to provide water and wastewater treatment facilities on behalf of all participants, as further described in Note 7. The Plants are governed by the Board of Directors of Grand Lakes Municipal Utility District No. 4 (Grand No. 4). The Board of Directors of Grand No. 4 has the responsibility of approving budgets, setting rates and determining the day-to-day operations. The District retains an ongoing financial interest and responsibility. Complete financial information for the Plants may be obtained from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2022, include collections during the current period or within 60 days of year-end related to the 2021 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2022, the 2021 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally, it is the District's policy to use restricted resources first.

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 10,283,029
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	19,223
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	(11,912)

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (69,365)
---	-------------

Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(5,907,356)</u>
---	--------------------

Adjustment to fund balances to arrive at net position.	<u>\$ 4,313,619</u>
--	---------------------

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ (283,616)
--------------------------	--------------

Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current	(415,231)
---	-----------

Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	1,118,915
--	-----------

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(267,163)
--	-----------

Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	1,617
--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>24,975</u>
---	---------------

Change in net position of governmental activities.	<u>\$ 179,497</u>
--	-------------------

Grand Lakes Municipal Utility District No. 1
Notes to Financial Statements
August 31, 2022

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2022, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At August 31, 2022, the District had the following investments and maturities.

Grand Lakes Municipal Utility District No. 1
Notes to Financial Statements
August 31, 2022

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 1,498,693	\$ 1,498,693	\$ 0	\$ 0	\$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2022, the District's investments in Texas CLASS were rated "AAAm," by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2022, as follows:

Carrying value:	
Deposits	\$ 2,157,846
Investments	1,498,693
Total	<u>\$ 3,656,539</u>

Included in the following statement of net position captions:

Cash	\$ 107,846
Certificates of deposit	2,050,000
Short-term investments	1,498,693
Total	<u>\$ 3,656,539</u>

Investment Income

Investment income of \$17,954 for the year ended August 31, 2022, consisted of interest income.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2022:

- Pooled investments of \$1,498,693 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2022, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 195,670	\$ 0	\$ 195,670
Capital assets, depreciable:			
Water production and distribution facilities	5,408,891	7,621	5,416,512
Wastewater collection and treatment facilities	6,502,961	6,285	6,509,246
Drainage facilities	5,685,036	-	5,685,036
Total capital assets, depreciable	17,596,888	13,906	17,610,794
Less accumulated depreciation:			
Water production and distribution facilities	(1,983,375)	(145,278)	(2,128,653)
Wastewater collection and treatment facilities	(2,747,928)	(157,514)	(2,905,442)
Drainage facilities	(2,362,995)	(126,345)	(2,489,340)
Total accumulated depreciation	(7,094,298)	(429,137)	(7,523,435)
Total governmental activities, net	\$ 10,698,260	\$ (415,231)	\$ 10,283,029

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2022, were as follows.

Grand Lakes Municipal Utility District No. 1
Notes to Financial Statements
August 31, 2022

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 6,560,000	\$ 3,020,000	\$ 4,070,000	\$ 5,510,000	\$ 990,000
Add premiums on bonds	384,641	267,163	254,448	397,356	-
Total governmental activities long-term liabilities	<u>\$ 6,944,641</u>	<u>\$ 3,287,163</u>	<u>\$ 4,324,448</u>	<u>\$ 5,907,356</u>	<u>\$ 990,000</u>

General Obligation Bonds

	Refunding Series 2021	Refunding Series 2022
Amounts outstanding, August 31, 2022	\$2,490,000	\$3,020,000
Interest rates	2.50% to 3.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2023/2026	April 1, 2023/2028
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	N/A	N/A

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2022:

Year	Principal	Interest	Total
2023	\$ 990,000	\$ 166,475	\$ 1,156,475
2024	1,020,000	140,450	1,160,450
2025	1,050,000	109,850	1,159,850
2026	1,100,000	78,350	1,178,350
2027	665,000	40,500	705,500
2028	685,000	20,550	705,550
Total	<u>\$ 5,510,000</u>	<u>\$ 556,175</u>	<u>\$ 6,066,175</u>

Grand Lakes Municipal Utility District No. 1
Notes to Financial Statements
August 31, 2022

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	\$ 39,660,000
Bonds sold	17,870,000
Refunding bonds voted	18,850,000
Refunding bonds authorization used	546,894

Note 5: Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2022, the District levied an ad valorem debt service tax at the rate of \$0.3150 per \$100 of assessed valuation, which resulted in a tax levy of \$1,164,805 on the taxable valuation of \$369,779,533 for the **2021** tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$1,114,977 of which \$1,031,740 has been paid and \$83,237 is due October 1, 2022.

Note 6: Maintenance Taxes

At an election held January 20, 2001, voters authorized a maintenance tax not to exceed \$1.25 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2022, the District levied an ad valorem maintenance tax at the rate of \$0.2300 per \$100 of assessed valuation, which resulted in a tax levy of \$850,493 on the taxable valuation of \$369,779,533 for the **2021** tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Agreements With Other Districts

Water Plant Agreement

On May 12, 1986, the District entered into a 40-year agreement with Grand Lakes Municipal Utility District No. 2 (Grand No. 2) and Grand Lakes Municipal Utility District No. 4 (Grand No. 4), whereby Grand No. 4 agreed to construct and operate water facilities on behalf of the three participants. The agreement was amended on March 6, 1998, March 24, 1998, April 16, 2001, May 20, 2002, and September 19, 2005. The participants are to share expansion construction costs and fixed operating costs based on allocated capacity. Variable operating costs are shared based on actual connections in the water plants. The participants' capacities in the water plants are as follows.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

District	Capacity After Water Plant No. 2, Phase II, and Water Plant No. 3
The District	29.71 %
Grand No. 2	21.54
Grand No. 4	<u>48.75</u>
Total	<u><u>100.00 %</u></u>

Condensed financial information for the water plants for the year ended August 31, 2022, is as shown below:

	Water Plant's General Fund
Total assets	<u>\$ 917,106</u>
Total liabilities	\$ 314,356
Total fund balance	<u>602,750</u>
Total liabilities and fund balance	<u>\$ 917,106</u>
Total revenues	\$ 3,191,351
Total expenditures	<u>(3,191,351)</u>
Excess revenues	<u>\$ 0</u>

The District has deposited \$186,967 with Grand No. 4 for its share of an operating reserve. The District's share of operating costs for the year ended August 31, 2022, was \$973,552.

Reclaimed Water Production and Supply Agreement

On August 1, 2016, the District entered into an agreement with Grand No. 2, Grand No. 4 and the North Fort Bend Water Authority (the Authority) to provide for the purchase of reclaimed water from the Authority for use in the irrigation system of the Districts. The agreement was subsequently amended and restated effective March 1, 2022. Operating costs are shared based on each District's pro-rata share of common areas served by the irrigation system. The participants' respective pro-rata share are as follows.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

The District	24.146 %
Grand No. 2	38.996
Grand No. 4	<u>36.858</u>
Total	<u>100.000 %</u>

Condensed audited financial information for the year ended August 31, 2022, is as follows:

Total assets	<u>\$ 371,761</u>
Total liabilities	\$ 192,761
Total fund balance	<u>179,000</u>
	<u>\$ 371,761</u>
Total revenues	\$ 503,706
Total expenditures	<u>(503,706)</u>
Excess revenues	<u>\$ 0</u>

The District's share of operating costs for the year ended August 31, 2022 was \$121,625.

Wastewater Treatment Plant Agreement

On July 28, 1998, the District entered into a 50-year agreement with Grand No. 2 and Grand No. 4, whereby Grand No. 4 agreed to construct and operate a wastewater treatment plant on behalf of the three participants. The agreement was amended on May 2, 2000, April 16, 2001, January 1, 2002, January 6, 2003, April 1, 2004, and January 1, 2005. Under the terms of the January 1, 2005, amendment, the District purchased 123,650 gallons per day of capacity from Grand No. 4. The participants share expansion costs based on their pro rata share of ownership. Fixed operating costs are shared based on allocated capacity. The participants' capacities in the wastewater treatment plant are shown below.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

District	Capacity
The District	29.10 %
Grand No. 2	21.08
Grand No. 4	<u>49.82</u>
Total	<u><u>100.00 %</u></u>

Condensed financial information for the wastewater treatment plant for the year ended August 31, 2022, is as follows:

	Wastewater Treatment Plant General Fund
Total assets	<u>\$ 229,619</u>
Total liabilities	\$ 60,978
Total fund balance	<u>168,641</u>
Total liabilities and fund balance	<u>\$ 229,619</u>
Total revenues	\$ 688,570
Total expenditures	<u>(688,570)</u>
Excess revenues	<u>\$ 0</u>

The District has deposited \$50,853 with Grand No. 4 for its share of an operating reserve. The District's share of operating costs for the year ended August 31, 2022, was \$204,254.

Note 8: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2022

Note 9: Regional Water Authority

The District is within the boundaries of the North Fort Bend Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. As of August 31, 2022, the Authority was billing Grand No. 4 \$4.55 per 1,000 gallons of water pumped from its wells and \$4.90 per 1,000 gallons of surface water received, which is allocated to each participant. These amounts are subject to future increases.

Note 10: Strategic Partnership Agreement

Effective March 30, 2005, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District received \$15,233 in sales tax rebates.

Note 11: Refunding Bonds

On January 19, 2022, the District issued \$3,020,000 in unlimited tax refunding bonds, Series 2022, to refund \$3,110,000 of outstanding Refunding Series 2015 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$221,060 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$207,000.

Required Supplementary Information

Grand Lakes Municipal Utility District No. 1
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2022

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 761,081	\$ 849,313	\$ 88,232
City of Houston rebate	12,500	15,233	2,733
Water service	346,350	358,502	12,152
Sewer service	409,700	417,080	7,380
Regional water fee	626,900	692,758	65,858
Penalty and interest	21,300	19,665	(1,635)
Tap connection and inspection fees	3,300	3,690	390
Investment income	16,000	14,034	(1,966)
Total revenues	<u>2,197,131</u>	<u>2,370,275</u>	<u>173,144</u>
Expenditures			
Service operations:			
Purchased services	1,051,093	1,299,431	(248,338)
Professional fees	114,500	137,496	(22,996)
Contracted services	666,405	742,769	(76,364)
Utilities	73,900	71,692	2,208
Repairs and maintenance	168,600	223,549	(54,949)
Other expenditures	89,800	114,748	(24,948)
Capital outlay	186,395	39,468	146,927
Total expenditures	<u>2,350,693</u>	<u>2,629,153</u>	<u>(278,460)</u>
Deficiency of Revenues Over Expenditures	(153,562)	(258,878)	(105,316)
Fund Balance, Beginning of Year	<u>3,113,551</u>	<u>3,113,551</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,959,989</u>	<u>\$ 2,854,673</u>	<u>\$ (105,316)</u>

Grand Lakes Municipal Utility District No. 1
Notes to Required Supplementary Information
August 31, 2022

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2022.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Grand Lakes Municipal Utility District No. 1
Other Schedules Included Within This Report
August 31, 2022

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-29
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Grand Lakes Municipal Utility District No. 1

Schedule of Services and Rates

Year Ended August 31, 2022

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 22.00	10,000	N	\$ 1.50 \$ 3.00 \$ 4.00	10,001 to 20,000 20,001 to 50,000 50,001 to No Limit
Wastewater:	\$ 33.94	0	Y		
Regional water fee:	\$ 4.90	1	N	\$ 4.90	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 71.00	Wastewater \$ 33.94

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	779	774	x1.0	774
1"	317	313	x2.5	783
1 1/2"	3	3	x5.0	15
2"	27	27	x8.0	216
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,126	1,117		1,788
Total wastewater	1,077	1,068	x1.0	1,068

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	175,860
Gallons billed to customers:	175,860
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Grand Lakes Municipal Utility District No. 1
Schedule of General Fund Expenditures
Year Ended August 31, 2022

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	19,900	
Legal		77,299	
Engineering		40,297	
Financial advisor		-	137,496
Purchased Services for Resale			
Bulk water and wastewater service purchases			1,299,431
Regional Water Fee			-
Contracted Services			
Bookkeeping		38,489	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		251,259	
Other contracted services		106,873	396,621
Utilities			71,692
Repairs and Maintenance			223,549
Administrative Expenditures			
Directors' fees		16,500	
Office supplies		10,193	
Insurance		9,008	
Other administrative expenditures		79,047	114,748
Capital Outlay			
Capitalized assets		13,906	
Expenditures not capitalized		25,562	39,468
Tap Connection Expenditures			-
Solid Waste Disposal			346,148
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
Total expenditures		\$	<u><u>2,629,153</u></u>

Grand Lakes Municipal Utility District No. 1
Schedule of Temporary Investments
August 31, 2022

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 91300011982740	0.35%	09/18/22	\$ 100,000	\$ 180
No. 4189708	0.25%	09/21/22	245,000	576
No. 12998	1.94%	06/14/23	245,000	1,016
No. 440011539	0.10%	12/14/22	245,000	174
No. 2000000088	0.15%	09/18/22	245,000	329
No. 30026876	0.30%	09/25/22	245,000	685
No. 2004490	0.25%	09/07/22	245,000	289
Texas CLASS	2.38%	Demand	1,157,086	-
			<u>2,727,086</u>	<u>3,249</u>
Debt Service Fund				
Certificates of Deposit				
No. 91300011985105	0.18%	09/17/22	240,000	194
No. 6000042975	0.30%	09/20/22	240,000	316
Texas CLASS	2.38%	Demand	341,607	-
			<u>821,607</u>	<u>510</u>
Totals			<u>\$ 3,548,693</u>	<u>\$ 3,759</u>

Grand Lakes Municipal Utility District No. 1
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2022

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 6,997	\$ 10,609
Additions and corrections to prior years' taxes	<u>(173)</u>	<u>(271)</u>
Adjusted receivable, beginning of year	<u>6,824</u>	<u>10,338</u>
 2021 Original Tax Levy	 850,315	 1,164,562
Additions and corrections	<u>178</u>	<u>243</u>
Adjusted tax levy	<u>850,493</u>	<u>1,164,805</u>
 Total to be accounted for	 857,317	 1,175,143
 Tax collections: Current year	 (845,676)	 (1,158,208)
Prior years	<u>(3,637)</u>	<u>(5,716)</u>
 Receivable, end of year	 <u><u>\$ 8,004</u></u>	 <u><u>\$ 11,219</u></u>
 Receivable, by Year		
2021	\$ 4,817	\$ 6,597
2020	520	817
2019	484	760
2018	669	1,147
2017	484	657
2016	502	681
2015	<u>528</u>	<u>560</u>
 Receivable, end of year	 <u><u>\$ 8,004</u></u>	 <u><u>\$ 11,219</u></u>

Grand Lakes Municipal Utility District No. 1
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2022

	2021	2020	2019	2018
Property Valuations				
Land	\$ 71,680,280	\$ 71,711,570	\$ 71,711,570	\$ 71,657,950
Improvements	307,491,359	302,828,160	301,922,632	261,885,111
Personal property	4,107,070	3,844,190	3,588,110	2,805,800
Exemptions	(13,499,176)	(12,749,160)	(12,397,177)	(11,204,290)
 Total property valuations	 <u>\$ 369,779,533</u>	 <u>\$ 365,634,760</u>	 <u>\$ 364,825,135</u>	 <u>\$ 325,144,571</u>
 Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3150	\$ 0.3300	\$ 0.3300	\$ 0.3600
Maintenance tax rates*	<u>0.2300</u>	<u>0.2100</u>	<u>0.2100</u>	<u>0.2100</u>
 Total tax rates per \$100 valuation	 <u>\$ 0.5450</u>	 <u>\$ 0.5400</u>	 <u>\$ 0.5400</u>	 <u>\$ 0.5700</u>
 Tax Levy	 <u>\$ 2,015,298</u>	 <u>\$ 1,974,427</u>	 <u>\$ 1,970,056</u>	 <u>\$ 1,853,324</u>
 Percent of Taxes Collected to Taxes Levied**	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>

*Maximum tax rate approved by voters: \$1.25 on January 20, 2001

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Grand Lakes Municipal Utility District No. 1
Schedule of Long-term Debt Service Requirements by Years
August 31, 2022

Due During Fiscal Years Ending August 31	Refunding Series 2021		
	Principal Due April 1	Interest Due April 1, October 1	Total
2023	\$ 735,000	\$ 71,025	\$ 806,025
2024	560,000	52,650	612,650
2025	580,000	35,850	615,850
2026	<u>615,000</u>	<u>18,450</u>	<u>633,450</u>
Totals	<u>\$ 2,490,000</u>	<u>\$ 177,975</u>	<u>\$ 2,667,975</u>

Grand Lakes Municipal Utility District No. 1
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2022

<u>Refunding Series 2022</u>			
Due During Fiscal Years Ending August 31	Principal Due April 1	Interest Due April 1, October 1	Total
2023	\$ 255,000	\$ 95,450	\$ 350,450
2024	460,000	87,800	547,800
2025	470,000	74,000	544,000
2026	485,000	59,900	544,900
2027	665,000	40,500	705,500
2028	685,000	20,550	705,550
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 3,020,000</u>	<u>\$ 378,200</u>	<u>\$ 3,398,200</u>

Grand Lakes Municipal Utility District No. 1
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2022

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 990,000	\$ 166,475	\$ 1,156,475
2024	1,020,000	140,450	1,160,450
2025	1,050,000	109,850	1,159,850
2026	1,100,000	78,350	1,178,350
2027	665,000	40,500	705,500
2028	685,000	20,550	705,550
Totals	<u>\$ 5,510,000</u>	<u>\$ 556,175</u>	<u>\$ 6,066,175</u>

Grand Lakes Municipal Utility District No. 1
Changes in Long-term Bonded Debt
Year Ended August 31, 2022

	Bond		
	Refunding Series 2012	Refunding Series 2013	Refunding Series 2015
Interest rates	4.00%	3.50%	3.00% to 4.00%
Dates interest payable	April 1/ October 1	April 1/ October 1	April 1/ October 1
Maturity dates			
Bonds outstanding, beginning of current year	\$ 390,000	\$ 315,000	\$ 3,365,000
Bonds sold during current year	-	-	-
Bonds refunded during current year	-	-	3,110,000
Retirements, principal	390,000	315,000	255,000
Bonds outstanding, end of current year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Interest paid during current year	<u>\$ 15,600</u>	<u>\$ 11,025</u>	<u>\$ 69,200</u>

Paying agent's name and address:

Series 2012 - U.S. Bank, National Association, Houston, Texas

Series 2013 - U.S. Bank, National Association, Houston, Texas

Series 2015 - Regions Bank, Houston, Texas

Series 2021 - Regions Bank, Houston, Texas

Series 2022 - Regions Bank, Houston, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 39,660,000	0	\$ 18,850,000
Amount issued	\$ 17,870,000	0	\$ 546,894
Remaining to be issued	\$ 21,790,000	0	\$ 18,303,106

Debt service fund cash and temporary investment balances as of August 31, 2022: \$ 873,235

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,011,029

Issues

Refunding Series 2021	Refunding Series 2022	Totals
2.50% to 3.00%	3.00% to 4.00%	
April 1/ October 1	April 1/ October 1	
April 1, 2023/2026	April 1, 2023/2028	
\$ 2,490,000	\$ -	\$ 6,560,000
-	3,020,000	3,020,000
-	-	3,110,000
-	-	960,000
<u>\$ 2,490,000</u>	<u>\$ 3,020,000</u>	<u>\$ 5,510,000</u>
<u>\$ 68,658</u>	<u>\$ 19,090</u>	<u>\$ 183,573</u>

Grand Lakes Municipal Utility District No. 1
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2022	2021	2020	2019	2018
General Fund					
Revenues					
Property taxes	\$ 849,313	\$ 766,228	\$ 764,938	\$ 680,786	\$ 740,506
City of Houston rebate	15,233	12,436	15,478	-	-
Water service	358,502	331,274	343,555	340,650	357,342
Sewer service	417,080	397,483	377,957	358,021	342,223
Regional water fee	692,758	588,470	636,672	568,384	591,365
Penalty and interest	19,665	8,626	11,438	18,763	11,822
Tap connection and inspection fees	3,690	3,140	3,060	2,560	42,945
Investment income	14,034	17,994	70,275	77,822	45,176
Total revenues	<u>2,370,275</u>	<u>2,125,651</u>	<u>2,223,373</u>	<u>2,046,986</u>	<u>2,131,379</u>
Expenditures					
Service operations:					
Purchased services	1,299,431	905,546	909,707	842,852	859,619
Professional fees	137,496	111,030	119,202	149,747	129,540
Contracted services	742,769	634,745	646,167	578,767	557,841
Utilities	71,692	71,676	81,376	87,621	88,936
Repairs and maintenance	223,549	219,088	379,872	86,380	197,171
Other expenditures	114,748	65,243	75,394	104,010	65,353
Tap connections	-	6,070	-	-	17,640
Capital outlay	39,468	652,805	109,416	153,381	496,903
Total expenditures	<u>2,629,153</u>	<u>2,666,203</u>	<u>2,321,134</u>	<u>2,002,758</u>	<u>2,413,003</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(258,878)</u>	<u>(540,552)</u>	<u>(97,761)</u>	<u>44,228</u>	<u>(281,624)</u>
Other Financing Sources (Uses)					
Reimbursement from governmental entity	-	1,065	-	35,892	-
Interfund transfers out	-	-	-	-	(36,280)
Total other financing sources (uses)	<u>0</u>	<u>1,065</u>	<u>0</u>	<u>35,892</u>	<u>(36,280)</u>
Excess (Deficiency) of Revenues and Other					
Financing Sources Over Expenditures					
and Other Financing Uses	<u>(258,878)</u>	<u>(539,487)</u>	<u>(97,761)</u>	<u>80,120</u>	<u>(317,904)</u>
Fund Balance, Beginning of Year	<u>3,113,551</u>	<u>3,653,038</u>	<u>3,750,799</u>	<u>3,670,679</u>	<u>3,988,583</u>
Fund Balance, End of Year	<u>\$ 2,854,673</u>	<u>\$ 3,113,551</u>	<u>\$ 3,653,038</u>	<u>\$ 3,750,799</u>	<u>\$ 3,670,679</u>
Total Active Retail Water Connections	<u>1,117</u>	<u>1,123</u>	<u>1,121</u>	<u>1,120</u>	<u>1,116</u>
Total Active Retail Wastewater Connections	<u>1,068</u>	<u>1,074</u>	<u>1,073</u>	<u>1,072</u>	<u>1,068</u>

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
35.8 %	36.0 %	34.4 %	33.3 %	34.7 %
0.7	0.6	0.7	-	-
15.1	15.6	15.5	16.6	16.8
17.6	18.7	17.0	17.5	16.1
29.2	27.7	28.6	27.8	27.8
0.8	0.4	0.5	0.9	0.5
0.2	0.2	0.1	0.1	2.0
0.6	0.8	3.2	3.8	2.1
100.0	100.0	100.0	100.0	100.0
54.8	42.6	40.9	41.2	40.3
5.8	5.2	5.3	7.3	6.0
31.3	29.9	29.1	28.3	26.2
3.0	3.4	3.7	4.3	4.2
9.4	10.3	17.1	4.2	9.3
4.9	3.1	3.6	5.1	3.1
-	0.3	-	-	0.8
1.7	30.7	4.7	7.4	23.3
110.9	125.5	104.4	97.8	113.2
(10.9) %	(25.5) %	(4.4) %	2.2 %	(13.2) %

Grand Lakes Municipal Utility District No. 1

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended August 31,

	Amounts				
	2022	2021	2020	2019	2018
Debt Service Fund					
Revenues					
Property taxes	\$ 1,163,924	\$ 1,204,130	\$ 1,202,175	\$ 1,159,732	\$ 1,004,328
Penalty and interest	16,319	11,856	12,347	14,012	11,886
Investment income	3,920	3,584	18,313	21,233	13,516
Other income	-	3,360	22	-	-
Total revenues	<u>1,184,163</u>	<u>1,222,930</u>	<u>1,232,857</u>	<u>1,194,977</u>	<u>1,029,730</u>
Expenditures					
Current:					
Professional fees	4,135	3,597	3,854	3,431	3,166
Contracted services	35,919	30,604	33,656	27,282	31,518
Other expenditures	4,024	4,735	3,650	7,693	1,350
Debt service:					
Principal retirement	960,000	930,000	900,000	880,000	860,000
Interest and fees	186,541	282,629	303,082	320,645	337,731
Debt issuance costs	126,530	118,961	-	-	-
Debt defeasance	25,500	-	-	-	-
Total expenditures	<u>1,342,649</u>	<u>1,370,526</u>	<u>1,244,242</u>	<u>1,239,051</u>	<u>1,233,765</u>
Deficiency of Revenues Over Expenditures	<u>(158,486)</u>	<u>(147,596)</u>	<u>(11,385)</u>	<u>(44,074)</u>	<u>(204,035)</u>
Other Financing Sources (Uses)					
General obligation bonds issued	3,020,000	2,490,000	-	-	-
Premium on debt issued	267,163	186,956	-	-	-
Deposit with escrow agent	(3,153,415)	(2,553,689)	-	-	-
Interfund transfers in	-	-	-	-	36,280
Total other financing sources	<u>133,748</u>	<u>123,267</u>	<u>0</u>	<u>0</u>	<u>36,280</u>
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(24,738)</u>	<u>(24,329)</u>	<u>(11,385)</u>	<u>(44,074)</u>	<u>(167,755)</u>
Fund Balance, Beginning of Year	<u>882,134</u>	<u>906,463</u>	<u>917,848</u>	<u>961,922</u>	<u>1,129,677</u>
Fund Balance, End of Year	<u>\$ 857,396</u>	<u>\$ 882,134</u>	<u>\$ 906,463</u>	<u>\$ 917,848</u>	<u>\$ 961,922</u>

Percent of Fund Total Revenues

2022	2021	2020	2019	2018
98.3 %	98.4 %	97.5 %	97.1 %	97.5 %
1.4	1.0	1.0	1.2	1.2
0.3	0.3	1.5	1.7	1.3
-	0.3	0.0	-	-
100.0	100.0	100.0	100.0	100.0
0.3	0.3	0.3	0.3	0.3
3.0	2.5	2.7	2.3	3.1
0.3	0.4	0.3	0.6	0.1
81.1	76.0	73.0	73.6	83.5
15.8	23.1	24.6	26.8	32.8
10.7	9.7	-	-	-
2.2	-	-	-	-
113.4	112.0	100.9	103.6	119.8
(13.4) %	(12.0) %	(0.9) %	(3.6) %	(19.8) %

Grand Lakes Municipal Utility District No. 1
Board Members, Key Personnel and Consultants
Year Ended August 31, 2022

Complete District mailing address: Grand Lakes Municipal Utility District No. 1 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056	
District business telephone number: 713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 6, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
William Shutt	Elected 05/22- 05/26	\$ 4,500	\$ 1,745	President
Nicole Whitman	Elected 05/20- 05/24	2,250	316	Vice President
Katherine Elofson	Elected 05/22- 05/26	3,750	1,843	Secretary
Anand Maru	Elected 05/20- 05/24	3,600	1,263	Assistant Secretary
Dennis Shumard	Elected 05/22- 05/26	2,400	1,142	Director

*Fees are the amounts actually paid to a director during the District's fiscal year.

Grand Lakes Municipal Utility District No. 1
Board Members, Key Personnel and Consultants (Continued)
Year Ended August 31, 2022

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	09/01/12	\$ 19,000	Tax Assessor/ Collector
Costello, Inc.	03/22/96	40,297	Engineer
Fort Bend Central Appraisal District	Legislative Action	20,449	Appraiser
FORVIS, LLP	07/01/02	22,400	Auditor
Masterson Advisors LLC	05/17/18	30,560	Financial Advisor
Municipal Accounts & Consulting, L.P.	02/03/86	43,360	Bookkeeper
Municipal District Services, L.L.C.	02/02/09	325,380	Operator
Perduc, Brandon, Fielder, Collins & Mott, L.L.P.	1999	4,135	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	02/03/86	86,827 28,992	General Counsel Bond Counsel
Investment Officers			
Mark M. Burton and Ghia Lewis	03/03/03	N/A	District Bookkeepers

**Grand Lakes Municipal
Utility District No. 4
Fort Bend County, Texas**

**Independent Auditor's Report
and Financial Statements**

August 31, 2022



Grand Lakes Municipal Utility District No. 4

August 31, 2022

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Independent Auditor's Report

Board of Directors
Grand Lakes Municipal Utility District No. 4
Fort Bend County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Grand Lakes Municipal Utility District No. 4 (the District), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of August 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 District 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 District'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 opinions. 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 District'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 District'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 and budgetary comparison schedules, as listed in the table of contents, 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 Information

Management is responsible for the other information included in the basic financial statements. The other information comprises schedules required by the Texas Commission on Environmental Quality as listed in the table of contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS, LLP

Houston, Texas
January 13, 2023

Grand Lakes Municipal Utility District No. 4

Management's Discussion and Analysis

August 31, 2022

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Grand Lakes Municipal Utility District No. 4

Management's Discussion and Analysis (Continued)

August 31, 2022

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Grand Lakes Municipal Utility District No. 4

Management's Discussion and Analysis (Continued)

August 31, 2022

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 5,402,655	\$ 6,105,124
Capital assets	<u>9,515,903</u>	<u>9,882,963</u>
Total assets	<u>14,918,558</u>	<u>15,988,087</u>
Deferred outflows of resources	<u>310,970</u>	<u>383,857</u>
Total assets and deferred outflows of resources	<u>\$ 15,229,528</u>	<u>\$ 16,371,944</u>
Long-term liabilities	\$ 7,593,489	\$ 9,088,176
Other liabilities	<u>1,440,707</u>	<u>1,343,041</u>
Total liabilities	<u>9,034,196</u>	<u>10,431,217</u>
Net position:		
Net investment in capital assets	2,233,384	1,106,000
Restricted	1,258,156	1,392,081
Unrestricted	<u>2,703,792</u>	<u>3,442,646</u>
Total net position	<u>\$ 6,195,332</u>	<u>\$ 5,940,727</u>

The total net position of the District increased by \$254,605, or about 4 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Grand Lakes Municipal Utility District No. 4
Management's Discussion and Analysis (Continued)
August 31, 2022

Summary of Changes in Net Position

	2022	2021
Revenues:		
Property taxes	\$ 2,165,186	\$ 2,135,050
Strategic Partnership Agreement	109,564	106,460
Charges for services	4,381,022	3,353,635
Other revenues	87,550	99,377
	<hr/>	<hr/>
Total revenues	6,743,322	5,694,522
	<hr/>	<hr/>
Expenses:		
Services	5,566,641	5,013,493
Depreciation	582,849	567,271
Debt service	339,227	388,633
	<hr/>	<hr/>
Total expenses	6,488,717	5,969,397
	<hr/>	<hr/>
Change in net position	254,605	(274,875)
	<hr/>	<hr/>
Net position, beginning of year	5,940,727	6,215,602
	<hr/>	<hr/>
Net position, end of year	\$ 6,195,332	\$ 5,940,727
	<hr/>	<hr/>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2022, were \$4,064,470, a decrease of \$814,435 from the prior year.

The general fund's fund balance decreased by \$663,801. This decrease was primarily related to service operation and capital outlay expenditures exceeding property taxes and service revenues.

The water plant's fund balance increased by \$10,156 due to an interfund transfer from the general fund pertaining to the District's increased share in operating reserve requirements.

The wastewater treatment plant's fund balance increased by \$19,021 due to an interfund transfer from the general fund pertaining to the District's increased share in operating reserve requirements.

The reclaimed water distribution system's fund balance increased by \$20,000 due to an interfund transfer from the general fund to establish the District's operating reserve.

Grand Lakes Municipal Utility District No. 4

Management's Discussion and Analysis (Continued)

August 31, 2022

The debt service fund's fund balance decreased by \$199,811, primarily due to bond principal and interest requirements exceeding property tax revenues generated.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to surface water conversion revenue and purchased services and professional fees expenditures being higher than anticipated and capital outlay expenditures being lower than anticipated. In addition, an interfund transfer out was not budgeted for. The fund balance as of August 31, 2022, was expected to be \$2,792,591 and the actual end-of-year fund balance was \$2,694,172.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2022	2021
Land and improvements	\$ 283,242	\$ 283,242
Construction in progress	26,494	10,801
Water facilities	2,683,019	2,881,523
Wastewater facilities	3,686,222	3,859,878
Drainage facilities	2,717,700	2,847,519
Park facilities	119,226	-
Total capital assets	<u>\$ 9,515,903</u>	<u>\$ 9,882,963</u>

During the current year, additions to capital assets were as follows:

Construction in progress related to the wastewater treatment plant lift station rehabilitation	\$ 26,494
Booster pump No. 1 and motor rebuild; fence and gate at water plant	29,913
Lift pump No. 2 at lift station and return-activated sludge pump No. 2	42,359
Peck Road sidewalk extension	106,727
Irrigation controller replacement, solar power system for irrigation distribution system and Rainbird irrigation controller and gate valves	<u>10,296</u>
Total additions to capital assets	<u>\$ 215,789</u>

Grand Lakes Municipal Utility District No. 4
Management's Discussion and Analysis (Continued)
August 31, 2022

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2022, are summarized as follows:

Long-term debt payable, beginning of year	\$ 9,088,176
Decreases in long-term debt	<u>(1,494,687)</u>
Long-term debt payable, end of year	<u>\$ 7,593,489</u>

At August 31, 2022, the District had \$30,998,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A" from Standard & Poor's. The District's Series 2010 refunding bonds and Series 2016 refunding bonds carry a rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014 refunding bonds carry a rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City for full purposes without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective March 30, 2005, the District entered into a Strategic Partnership Agreement (the Agreement) with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City levies and collects a sales and use tax on commercial activities in the annexed portions of the District and remits one-half of such revenues to the District. Additionally, the City has agreed it will not annex the District as a whole for full purposes for 30 years from the effective date of the Agreement, at which time the City has the option to annex the District if it chooses to do so.

Grand Lakes Municipal Utility District No. 4
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2022

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets								
Cash	\$ 266,428	\$ 415,940	\$ 127,279	\$ 22,416	\$ 49,491	\$ 881,554	\$ -	\$ 881,554
Certificates of deposit	1,460,000	-	-	-	725,000	2,185,000	-	2,185,000
Short-term investments	869,896	-	-	-	346,736	1,216,632	-	1,216,632
Receivables:								
Property taxes	1,566	-	-	-	4,389	5,955	-	5,955
Service accounts	165,515	-	-	-	-	165,515	-	165,515
Strategic Partnership Agreement	73,489	-	-	-	-	73,489	8,054	81,543
Accrued interest	2,406	-	-	-	972	3,378	-	3,378
Interfund receivables	217,426	59,865	22,557	72,453	-	372,301	(372,301)	-
Due from participants	-	407,896	79,783	276,892	-	764,571	-	764,571
Prepaid expenditures	8,940	-	-	-	-	8,940	-	8,940
Due from others	56,162	33,405	-	-	-	89,567	-	89,567
Capital assets (net of accumulated depreciation):								
Land and improvements	-	-	-	-	-	-	283,242	283,242
Construction in progress	-	-	-	-	-	-	26,494	26,494
Infrastructure	-	-	-	-	-	-	9,086,941	9,086,941
Parks	-	-	-	-	-	-	119,226	119,226
Total assets	3,121,828	917,106	229,619	371,761	1,126,588	5,766,902	9,151,656	14,918,558
Deferred Outflows of Resources								
Deferred amount on debt refundings	0	0	0	0	0	0	310,970	310,970
Total assets and deferred outflows of resources	\$ 3,121,828	\$ 917,106	\$ 229,619	\$ 371,761	\$ 1,126,588	\$ 5,766,902	\$ 9,462,626	\$ 15,229,528

Grand Lakes Municipal Utility District No. 4
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2022

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities								
Accounts payable	\$ 137,093	\$ 314,356	\$ 60,978	\$ 192,761	\$ 1,429	\$ 706,617	\$ -	\$ 706,617
Accrued interest payable	-	-	-	-	-	-	116,531	116,531
Customer deposits	131,235	-	-	-	-	131,235	-	131,235
Operating deposits	-	380,902	102,535	-	-	483,437	-	483,437
Interfund payables	154,875	-	-	159,000	58,426	372,301	(372,301)	-
Due to others	2,887	-	-	-	-	2,887	-	2,887
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	1,505,000	1,505,000
Due after one year	-	-	-	-	-	-	6,088,489	6,088,489
Total liabilities	426,090	695,258	163,513	351,761	59,855	1,696,477	7,337,719	9,034,196
Deferred Inflows of Resources								
Deferred property tax revenues	1,566	0	0	0	4,389	5,955	(5,955)	0

Grand Lakes Municipal Utility District No. 4
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2022

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Net Position
Fund Balances/Net Position								
Fund balances:								
Nonspendable, prepaid expenditures	\$ 8,940	\$ -	\$ -	\$ -	\$ -	\$ 8,940	\$ (8,940)	\$ -
Restricted, unlimited tax bonds	-	-	-	-	1,062,344	1,062,344	(1,062,344)	-
Committed:								
Water production and distribution	-	221,848	-	-	-	221,848	(221,848)	-
Wastewater collection and treatment	-	-	66,106	-	-	66,106	(66,106)	-
Reclaimed water distribution system	-	-	-	20,000	-	20,000	(20,000)	-
Assigned, future expenditures	1,181,564	-	-	-	-	1,181,564	(1,181,564)	-
Unassigned	1,503,668	-	-	-	-	1,503,668	(1,503,668)	-
Total fund balances	2,694,172	221,848	66,106	20,000	1,062,344	4,064,470	(4,064,470)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 3,121,828	\$ 917,106	\$ 229,619	\$ 371,761	\$ 1,126,588	\$ 5,766,902		
Net position:								
Net investment in capital assets							2,233,384	2,233,384
Restricted for plant operations							307,954	307,954
Restricted for debt service							950,202	950,202
Unrestricted							2,703,792	2,703,792
Total net position							\$ 6,195,332	\$ 6,195,332

Grand Lakes Municipal Utility District No. 4
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2022

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues								
Property taxes	\$ 564,501	\$ -	\$ -	\$ -	\$ 1,606,657	\$ 2,171,158	\$ (5,972)	\$ 2,165,186
Strategic Partnership Agreement	110,396	-	-	-	-	110,396	(832)	109,564
Water service	439,193	3,190,540	-	503,706	-	4,133,439	(1,388,746)	2,744,693
Sewer service	468,167	-	688,563	-	-	1,156,730	(331,579)	825,151
Surface water conversion	811,178	-	-	-	-	811,178	-	811,178
Penalty and interest	22,037	-	-	-	15,535	37,572	-	37,572
Tap connection and inspection fees	300	-	-	-	-	300	-	300
Investment income	13,772	811	7	-	4,955	19,545	-	19,545
Other income	50,014	-	-	-	-	50,014	(19,881)	30,133
Total revenues	2,479,558	3,191,351	688,570	503,706	1,627,147	8,490,332	(1,747,010)	6,743,322
Expenditures/Expenses								
Service operations:								
Purchased services	1,582,724	1,010,721	-	-	-	2,593,445	(1,582,724)	1,010,721
Surface water conversion	-	1,618,807	-	302,922	-	1,921,729	-	1,921,729
Professional fees	194,591	4,776	6,275	1,620	4,117	211,379	-	211,379
Contracted services	353,434	33,525	58,609	2,592	33,783	481,943	-	481,943
Solid waste	317,578	-	-	-	-	317,578	-	317,578
Utilities	64,164	108,013	91,916	-	-	264,093	-	264,093
Repairs and maintenance	351,204	292,378	364,978	164,755	-	1,173,315	35,608	1,208,923
Other expenditures	84,192	32,429	42,725	3,883	6,927	170,156	(19,881)	150,275
Capital outlay	146,295	90,702	124,067	27,934	-	388,998	(388,998)	-
Depreciation	-	-	-	-	-	-	582,849	582,849
Debt service:								
Principal retirement	-	-	-	-	1,450,000	1,450,000	(1,450,000)	-
Interest and fees	-	-	-	-	332,131	332,131	7,096	339,227
Total expenditures/expenses	3,094,182	3,191,351	688,570	503,706	1,826,958	9,304,767	(2,816,050)	6,488,717

Grand Lakes Municipal Utility District No. 4
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended August 31, 2022

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Activities
Deficiency of Revenues Over Expenditures	\$ (614,624)	\$ -	\$ -	\$ -	\$ (199,811)	\$ (814,435)	\$ 1,069,040	
Other Financing Sources (Uses)								
Interfund transfers in (out)	(49,177)	10,156	19,021	20,000	-	-	-	
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	(663,801)	10,156	19,021	20,000	(199,811)	(814,435)	814,435	
Change in Net Position							254,605	\$ 254,605
Fund Balances/Net Position								
Beginning of year	3,357,973	211,692	47,085	-	1,262,155	4,878,905	-	5,940,727
End of year	<u>\$ 2,694,172</u>	<u>\$ 221,848</u>	<u>\$ 66,106</u>	<u>\$ 20,000</u>	<u>\$ 1,062,344</u>	<u>\$ 4,064,470</u>	<u>\$ 0</u>	<u>\$ 6,195,332</u>

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Grand Lakes Municipal Utility District No. 4 (the District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective December 11, 1985, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Special Revenue Funds – Account for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees. The water plant fund, wastewater treatment plant fund and reclaimed water distribution system fund are considered special revenue funds.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis.

Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2022, include collections during the current period or within 60 days of year-end related to the 2021 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2022, the 2021 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally, it is the District's policy to use restricted resources first.

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$	9,515,903
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		5,955
Strategic Partnership Agreement receivables are not receivable in the current period and are not reported in the funds.		8,054

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	\$ 310,970
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(116,531)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(7,593,489)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 2,130,862</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ (814,435)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current period.	(367,060)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,450,000
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the government funds.	(6,804)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(7,096)</u>
Change in net position of governmental activities.	<u><u>\$ 254,605</u></u>

Grand Lakes Municipal Utility District No. 4
Notes to Financial Statements
August 31, 2022

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2022, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At August 31, 2022, the District had the following investments and maturities.

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 1,216,632	\$ 1,216,632	\$ 0	\$ 0	\$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2022, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2022, as follows:

Carrying value:	
Deposits	\$ 3,066,554
Investments	1,216,632
Total	<u>\$ 4,283,186</u>

Included in the following statement of net position captions:

Cash	\$ 881,554
Certificates of deposit	2,185,000
Short-term investments	1,216,632
Total	<u>\$ 4,283,186</u>

Investment Income

Investment income of \$19,545 for the year ended August 31, 2022, consisted of interest income.

Grand Lakes Municipal Utility District No. 4
Notes to Financial Statements
August 31, 2022

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2022:

- Pooled investments of \$1,216,632 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2022, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 283,242	\$ -	\$ -	\$ 283,242
Construction in progress	10,801	26,494	(10,801)	26,494
Total capital assets, non-depreciable	294,043	26,494	(10,801)	309,736
Capital assets, depreciable:				
Water production and distribution facilities	6,633,647	29,913	-	6,663,560
Wastewater collection and treatment facilities	7,946,792	42,359	-	7,989,151
Drainage facilities	5,841,876	-	-	5,841,876
Park facilities	-	117,023	10,801	127,824
Total capital assets, depreciable	20,422,315	189,295	10,801	20,622,411
Less accumulated depreciation:				
Water production and distribution facilities	(3,752,124)	(228,417)	-	(3,980,541)
Wastewater collection and treatment facilities	(4,086,914)	(216,015)	-	(4,302,929)
Drainage facilities	(2,994,357)	(129,819)	-	(3,124,176)
Park facilities	-	(8,598)	-	(8,598)
Total accumulated depreciation	(10,833,395)	(582,849)	0	(11,416,244)
Total governmental activities, net	\$ 9,882,963	\$ (367,060)	\$ 0	\$ 9,515,903

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2022, were as follows.

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 8,680,000	\$ 1,450,000	\$ 7,230,000	\$ 1,505,000
Add premiums on bonds	408,176	44,687	363,489	-
Total governmental activities long-term liabilities	<u>\$ 9,088,176</u>	<u>\$ 1,494,687</u>	<u>\$ 7,593,489</u>	<u>\$ 1,505,000</u>

General Obligation Bonds

	Refunding Series 2010	Refunding Series 2014
Amounts outstanding, August 31, 2022	\$2,810,000	\$180,000
Interest rates	4.00%	3.125%
Maturity dates, serially beginning/ending	April 1, 2023/2024	April 1, 2023/2024
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2019	April 1, 2022
		Refunding Series 2016
Amount outstanding, August 31, 2022		\$4,240,000
Interest rates		2.000% to 4.000%
Maturity dates, serially beginning/ending		April 1, 2023/2031
Interest payment dates		October 1/ April 1
Callable date*		April 1, 2023

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2022:

Year	Principal	Interest	Total
2023	\$ 1,505,000	\$ 279,675	\$ 1,784,675
2024	1,580,000	221,219	1,801,219
2025	605,000	159,750	764,750
2026	615,000	141,600	756,600
2027	655,000	117,000	772,000
2028-2031	<u>2,270,000</u>	<u>208,600</u>	<u>2,478,600</u>
Total	<u>\$ 7,230,000</u>	<u>\$ 1,127,844</u>	<u>\$ 8,357,844</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	\$ 56,548,000
Bonds sold	25,550,000
Refunding bonds voted	29,900,000
Refunding bond authorization used	1,378,685*

*The District has issued \$26,105,000 of refunding bonds; however, of such amount, \$1,378,685 has been applied to the voter-authorized bonds and the remaining \$24,726,315 has been issued pursuant to Chapter 1207 of the Texas Government Code.

Note 5: Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2022, the District levied an ad valorem debt service tax at the rate of \$0.3700 per \$100 of assessed valuation, which resulted in a tax levy of \$1,602,558 on the taxable valuation of \$433,123,725 for the 2021 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$1,755,000, of which \$1,615,163 has been paid and \$139,837 is due October 1, 2022.

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Note 6: Maintenance Taxes

At an election held April 5, 1986, voters authorized a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2022, the District levied an ad valorem maintenance tax at the rate of \$0.1300 per \$100 of assessed valuation, which resulted in a tax levy of \$563,061 on the taxable valuation of \$433,123,725 for the 2021 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Agreements With Other Districts

Water Plant Agreement

On May 12, 1986, the District entered into a 40-year agreement with Grand Lakes Municipal Utility District No. 1 (Grand No. 1) and Grand Lakes Municipal Utility District No. 2 (Grand No. 2) to construct and operate water facilities on behalf of the three participants. The agreement was amended on March 6, 1998, March 24, 1998, April 16, 2001, May 20, 2002, and September 19, 2005. The participants are to share construction and fixed operating costs based on allocated capacity. Variable operating costs are shared based on actual connections in the water plant.

The participants' capacities in the water plant are as follows:

District	Capacity After Water Plant No. 2, Phase II and Water Plant No. 3
Grand No. 1	29.71 %
Grand No. 2	21.54
The District	<u>48.75</u>
Totals	<u>100.00 %</u>

The transactions for the water plant during the current year are as follows:

	Grand No. 1	Grand No. 2	The District	Totals
Due from participants, beginning of year	\$ 146,437	\$ 155,416	\$ 92,307	\$ 394,160
Current year billings	1,000,880	1,061,915	1,127,745	3,190,540
Current year collections, net	<u>(945,701)</u>	<u>(1,011,051)</u>	<u>(1,160,187)</u>	<u>(3,116,939)</u>
Due from participants, end of year	<u>\$ 201,616</u>	<u>\$ 206,280</u>	<u>\$ 59,865</u>	<u>\$ 467,761</u>

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

Grand No. 1, Grand No. 2 and the District have deposited \$186,967, \$193,935 and \$221,848, respectively, as plant operating reserves.

Wastewater Treatment Plant

On July 28, 1998, the District entered into a 50-year agreement with Grand No. 1 and Grand No. 2 to construct and operate a wastewater treatment plant on behalf of the three participants. The agreement was amended on May 2, 2000, April 16, 2001, January 1, 2002, January 6, 2003, April 1, 2004, and January 1, 2005. The participants are to share construction costs based on their pro rata share of ownership. Under the terms of the January 1, 2005, amendment, the District agreed to sell 123,650 gallons per day to Grand No. 1. Fixed operating costs are shared based on allocated capacity. Variable operating costs are shared based on connections in the wastewater treatment plant. The participants' allocated capacities in the first phase of the permanent wastewater treatment plant are as follows:

District	Permanent Capacity
Grand No. 1	29.10 %
Grand No. 2	21.08
The District	49.82
Totals	100.00 %

The transactions for the wastewater treatment plant during the current year are as follows:

	Grand No. 1	Grand No. 2	The District	Totals
Due from participants, beginning of year	\$ 44,559	\$ 43,522	\$ 23,014	\$ 111,095
Current year billings	210,348	208,892	269,323	688,563
Current year collections	(216,439)	(211,099)	(269,780)	(697,318)
Due from participants, end of year	\$ 38,468	\$ 41,315	\$ 22,557	\$ 102,340

Grand No. 1, Grand No. 2 and the District have deposited \$50,853, \$51,682 and \$66,106, respectively, as plant operating reserves.

Reclaimed Water Distribution System

On August 1, 2016, the District entered into an agreement with Grand No. 1, Grand No. 2 and the North Fort Bend Water Authority (the Authority) to provide for the purchase of reclaimed water from the Authority for use in the irrigation system of the Districts. The Agreement was subsequently

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

amended and restated effective March 1, 2022. Operating costs are shared based on each District's pro-rata share of common areas served by the irrigation system. The participants' respective pro-rata shares are as follows:

District	Permanent Capacity
Grand No. 1	24.146 %
Grand No. 2	38.996
The District	<u>36.858</u>
Totals	<u>100.000 %</u>

The transactions for the reclaimed water distribution system during the current year are as follows:

	Grand No. 1	Grand No. 2	The District	Totals
Due from participants, beginning of year	\$ -	\$ -	\$ -	\$ -
Current year billings	121,625	196,425	185,656	503,706
Current year collections	<u>(15,739)</u>	<u>(25,419)</u>	<u>(113,203)</u>	<u>(154,361)</u>
Due from participants, end of year	<u>\$ 105,886</u>	<u>\$ 171,006</u>	<u>\$ 72,453</u>	<u>\$ 349,345</u>

The District has deposited \$20,000 as a plant operating reserve.

Note 8: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 9: Strategic Partnership Agreement

Effective March 30, 2005, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed certain tracts of land (the tracts) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tracts. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not

Grand Lakes Municipal Utility District No. 4

Notes to Financial Statements

August 31, 2022

annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$109,564 in revenue related to the Agreement.

Note 10: Interfund Receivables and Payables

Interfund receivables and payables as of August 31, 2022, are as follows:

	<u>Due From</u>	<u>Due To</u>
General fund:		
Water plant fund	\$ -	\$ 59,865
Wastewater treatment plant fund	-	22,557
Reclaimed water distribution system fund	159,000	72,453
Debt service fund	<u>58,426</u>	<u>-</u>
	217,426	154,875
Water plant:		
General fund	59,865	-
Wastewater treatment plant:		
General fund	22,557	-
Reclaimed water distribution system:		
General fund	72,453	159,000
Debt service fund:		
General fund	<u>-</u>	<u>58,426</u>
Totals	<u>\$ 372,301</u>	<u>\$ 372,301</u>

Note 11: Regional Water Authority

The District is within the boundaries of the Authority, which was created by the Texas Legislature to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. As of August 31, 2022, the Authority was billing the District \$4.55 per 1,000 gallons of water pumped from its wells and \$4.90 for surface water received, which is allocated to each participant. These amounts are subject to future increases.

Required Supplementary Information

Grand Lakes Municipal Utility District No. 4
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2022

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 553,000	\$ 564,501	\$ 11,501
Strategic Partnership Agreement	103,000	110,396	7,396
Water service	441,300	439,193	(2,107)
Sewer service	449,040	468,167	19,127
Surface water conversion	697,900	811,178	113,278
Penalty and interest	5,400	22,037	16,637
Tap connection and inspection fees	-	300	300
Investment income	13,600	13,772	172
Other income	40,573	50,014	9,441
	<u>2,303,813</u>	<u>2,479,558</u>	<u>175,745</u>
Total revenues			
Expenditures			
Service operations:			
Purchased services	1,224,965	1,582,724	(357,759)
Professional fees	134,300	194,591	(60,291)
Contracted services	337,930	353,434	(15,504)
Solid waste	309,500	317,578	(8,078)
Utilities	71,500	64,164	7,336
Repairs and maintenance	293,100	351,204	(58,104)
Other expenditures	100,100	84,192	15,908
Capital outlay	397,800	146,295	251,505
	<u>2,869,195</u>	<u>3,094,182</u>	<u>(224,987)</u>
Total expenditures			
Deficiency of Revenues Over Expenditures	(565,382)	(614,624)	(49,242)
Other Financing Uses			
Interfund transfers out	-	(49,177)	(49,177)
Deficiency of Revenues and Transfers In Over Expenditures and Transfers Out	(565,382)	(663,801)	(98,419)
Fund Balance, Beginning of Year	<u>3,357,973</u>	<u>3,357,973</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,792,591</u>	<u>\$ 2,694,172</u>	<u>\$ (98,419)</u>

Grand Lakes Municipal Utility District No. 4
Budgetary Comparison Schedule – Water Plant
Year Ended August 31, 2022

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees:			
The District	\$ 887,392	\$ 1,127,745	\$ 240,353
Grand No. 1	747,868	1,000,880	253,012
Grand No. 2	775,740	1,061,915	286,175
Investment income	-	811	811
	<u>2,411,000</u>	<u>3,191,351</u>	<u>780,351</u>
Total revenues			
Expenditures			
Service operations:			
Purchased services	1,994,000	1,010,721	983,279
Surface water conversion	-	1,618,807	(1,618,807)
Audit fees	2,300	2,300	-
Legal fees	7,000	2,476	4,524
Engineering fees	2,500	-	2,500
Bookkeeping fees	9,000	9,525	(525)
Operator fees	24,000	24,000	-
Utilities	83,500	108,013	(24,513)
Repairs and maintenance	161,000	217,019	(56,019)
Laboratory	1,100	2,480	(1,380)
Chemicals	38,000	67,731	(29,731)
Office supplies and postage	800	731	69
Insurance	24,700	23,573	1,127
Permit fees	3,200	3,151	49
Other expenditures	4,900	4,974	(74)
Mowing	5,000	5,148	(148)
Capital outlay	50,000	90,702	(40,702)
	<u>2,411,000</u>	<u>3,191,351</u>	<u>(780,351)</u>
Total expenditures			
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	10,156	10,156
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	-	10,156	10,156
Fund Balance, Beginning of Year	<u>211,692</u>	<u>211,692</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 211,692</u>	<u>\$ 221,848</u>	<u>\$ 10,156</u>

Grand Lakes Municipal Utility District No. 4
Budgetary Comparison Schedule – Wastewater Treatment Plant
Year Ended August 31, 2022

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees:			
The District	\$ 261,853	\$ 269,323	\$ 7,470
Grand No. 1	203,414	210,348	6,934
Grand No. 2	206,726	208,892	2,166
Investment income	-	7	7
	<u>671,993</u>	<u>688,570</u>	<u>16,577</u>
Total revenues			
Expenditures			
Service operations:			
Audit fees	2,300	2,300	-
Legal fees	3,000	3,975	(975)
Engineering fees	5,000	-	5,000
Bookkeeping fees	9,000	9,282	(282)
Operator fees	48,000	48,000	-
Utilities	88,400	91,916	(3,516)
Repairs and maintenance	251,050	172,662	78,388
Sludge removal	85,770	83,513	2,257
Mowing	5,100	5,267	(167)
Chemicals	61,360	76,813	(15,453)
Laboratory	18,430	26,723	(8,293)
Office supplies and postage	900	322	578
Insurance	14,000	12,300	1,700
Permit fees	4,670	4,629	41
Administrative charge	19,573	20,055	(482)
Other expenditures	4,240	5,419	(1,179)
Garbage	1,200	1,327	(127)
Capital outlay	50,000	124,067	(74,067)
	<u>671,993</u>	<u>688,570</u>	<u>(16,577)</u>
Total expenditures			
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	19,021	19,021
Excess of Revenues and Transfer In Over Expenditures and Transfers Out	-	19,021	19,021
Fund Balance, Beginning of Year	47,085	47,085	-
Fund Balance, End of Year	<u>\$ 47,085</u>	<u>\$ 66,106</u>	<u>\$ 19,021</u>

Grand Lakes Municipal Utility District No. 4
Notes to Required Supplementary Information
August 31, 2022

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general, water plant and wastewater treatment plant funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets for the general fund and special revenue funds were not amended during fiscal 2022.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund, Water Plant and Wastewater Treatment Plant present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Grand Lakes Municipal Utility District No. 4
Other Schedules Included Within This Report
August 31, 2022

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 15-30
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Grand Lakes Municipal Utility District No. 4

Schedule of Services and Rates

Year Ended August 31, 2022

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input checked="" type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels	
Water:	\$ 22.00	10,000	N	\$ 1.50	10,001	to 20,000
				\$ 3.00	20,001	to 50,000
				\$ 4.00	50,000	to No Limit
Wastewater:	\$ 33.69	0	Y			
Regional water fee:	\$ 4.90	1	N	\$ 4.90	1,001	to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 71.00	Wastewater \$ 33.69	

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	668	666	x1.0	666
1"	346	345	x2.5	863
1 1/2"	3	3	x5.0	15
2"	27	27	x8.0	216
3"	3	3	x15.0	45
4"	3	3	x25.0	75
6"	5	5	x50.0	250
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	1,057	1,054		2,290
Total wastewater	1,002	999	x1.0	999

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	562,705
Gallons billed to customers:	556,007
Water accountability ratio (gallons billed/gallons pumped):	98.81%

*"ESFC" means equivalent single-family connections

Grand Lakes Municipal Utility District No. 4
Schedule of General Fund Expenditures
Year Ended August 31, 2022

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	19,800	
Legal		97,220	
Engineering		77,571	
Financial advisor		-	194,591
Purchased Services for Resale			
Bulk water and wastewater service purchases			1,582,724
Regional Water Fee			-
Contracted Services			
Bookkeeping		38,987	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		240,525	
Other contracted services		73,922	353,434
Utilities			64,164
Repairs and Maintenance			351,204
Administrative Expenditures			
Directors' fees		19,500	
Office supplies		10,575	
Insurance		10,806	
Other administrative expenditures		43,311	84,192
Capital Outlay			
Capitalized assets		128,551	
Expenditures not capitalized		17,744	146,295
Tap Connection Expenditures			-
Solid Waste Disposal			317,578
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
Total expenditures		\$	3,094,182

Grand Lakes Municipal Utility District No. 4
Schedule of Temporary Investments
August 31, 2022

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 91300011983195	0.35%	03/01/23	\$ 245,000	\$ 428
No. 12181	0.50%	11/25/22	240,000	917
No. 440005592	0.10%	02/24/23	245,000	126
No. 4188530	0.25%	03/19/23	245,000	277
No. 2000000092	0.15%	10/19/22	240,000	312
No. 129009004806	0.40%	04/28/23	245,000	346
Texas CLASS	2.38%	Demand	869,896	-
			<u>2,329,896</u>	<u>2,406</u>
Debt Service Fund				
Certificates of Deposit				
No. 91300011985097	0.18%	09/16/22	245,000	199
No. 12277	0.40%	09/13/22	240,000	439
No. 6000041548	0.30%	09/12/22	240,000	334
Texas CLASS	2.38%	Demand	346,736	-
			<u>1,071,736</u>	<u>972</u>
Total			<u>\$ 3,401,632</u>	<u>\$ 3,378</u>

Grand Lakes Municipal Utility District No. 4
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2022

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 3,143	\$ 8,784
Additions and corrections to prior years' taxes	<u>(137)</u>	<u>(296)</u>
Adjusted receivable, beginning of year	<u>3,006</u>	<u>8,488</u>
 2021 Original Tax Levy	 563,941	 1,605,063
Additions and corrections	<u>(880)</u>	<u>(2,505)</u>
Adjusted tax levy	<u>563,061</u>	<u>1,602,558</u>
Total to be accounted for	566,067	1,611,046
Tax collections: Current year	(561,863)	(1,599,147)
Prior years	<u>(2,638)</u>	<u>(7,510)</u>
Receivable, end of year	<u><u>\$ 1,566</u></u>	<u><u>\$ 4,389</u></u>
 Receivable, by Years		
2021	\$ 1,198	\$ 3,411
2020	148	420
2019	110	314
2018	2	4
2017	62	140
2016	<u>46</u>	<u>100</u>
Receivable, end of year	<u><u>\$ 1,566</u></u>	<u><u>\$ 4,389</u></u>

Grand Lakes Municipal Utility District No. 4
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2022

	2021	2020	2019	2018
Property Valuations				
Land	\$ 112,347,090	\$ 101,131,000	\$ 101,052,820	\$ 101,117,640
Improvements	359,557,787	360,965,469	355,731,793	363,956,730
Personal property	10,697,600	11,626,990	11,544,820	12,268,324
Exemptions	<u>(49,478,752)</u>	<u>(46,613,627)</u>	<u>(46,327,755)</u>	<u>(46,913,104)</u>
Total property valuations	<u>\$ 433,123,725</u>	<u>\$ 427,109,832</u>	<u>\$ 422,001,678</u>	<u>\$ 430,429,590</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3700	\$ 0.3700	\$ 0.3700	\$ 0.3700
Maintenance tax rates*	<u>0.1300</u>	<u>0.1300</u>	<u>0.1300</u>	<u>0.1300</u>
Total tax rates per \$100 valuation	<u>\$ 0.5000</u>	<u>\$ 0.5000</u>	<u>\$ 0.5000</u>	<u>\$ 0.5000</u>
Tax Levy	<u>\$ 2,165,619</u>	<u>\$ 2,135,550</u>	<u>\$ 2,110,008</u>	<u>\$ 2,152,148</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$0.50 on April 5, 1986

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Grand Lakes Municipal Utility District No. 4
Schedule of Long-term Debt Service Requirements by Years
August 31, 2022

Due During Fiscal Years Ending August 31	Refunding Series 2010		
	Principal Due April 1	Interest Due October 1, April 1	Total
2023	\$ 1,370,000	\$ 112,400	\$ 1,482,400
2024	<u>1,440,000</u>	<u>57,600</u>	<u>1,497,600</u>
Totals	<u>\$ 2,810,000</u>	<u>\$ 170,000</u>	<u>\$ 2,980,000</u>

Grand Lakes Municipal Utility District No. 4
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2022

Due During Fiscal Years Ending August 31	Refunding Series 2014		
	Principal Due April 1	Interest Due October 1, April 1	Total
2023	\$ 85,000	\$ 5,625	\$ 90,625
2024	<u>95,000</u>	<u>2,969</u>	<u>97,969</u>
Totals	<u>\$ 180,000</u>	<u>\$ 8,594</u>	<u>\$ 188,594</u>

Grand Lakes Municipal Utility District No. 4
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2022

Due During Fiscal Years Ending August 31	Refunding Series 2016		
	Principal Due April 1	Interest Due October 1, April 1	Total
2023	\$ 50,000	\$ 161,650	\$ 211,650
2024	45,000	160,650	205,650
2025	605,000	159,750	764,750
2026	615,000	141,600	756,600
2027	655,000	117,000	772,000
2028	675,000	90,800	765,800
2029	700,000	63,800	763,800
2030	440,000	35,800	475,800
2031	455,000	18,200	473,200
Totals	<u>\$ 4,240,000</u>	<u>\$ 949,250</u>	<u>\$ 5,189,250</u>