

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	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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	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>\$ 7,230,000</u>	<u>\$ 1,127,844</u>	<u>\$ 8,357,844</u>

Grand Lakes Municipal Utility District No. 4
Changes in Long-term Bonded Debt
Year Ended August 31, 2022

	Bond Issues			Totals
	Refunding Series 2010	Refunding Series 2014	Refunding Series 2016	
Interest rates	4.00%	3.125%	2.000% to 4.000%	
Dates interest payable	October 1/ April 1	October 1/ April 1	October 1/ April 1	
Maturity dates	April 1, 2023/2024	April 1, 2023/2024	April 1, 2023/2031	
Bonds outstanding, beginning of current year	\$ 3,575,000	\$ 815,000	\$ 4,290,000	\$ 8,680,000
Retirements, principal	<u>765,000</u>	<u>635,000</u>	<u>50,000</u>	<u>1,450,000</u>
Bonds outstanding, end of current year	<u>\$ 2,810,000</u>	<u>\$ 180,000</u>	<u>\$ 4,240,000</u>	<u>\$ 7,230,000</u>
Interest paid during current year	<u>\$ 143,000</u>	<u>\$ 24,675</u>	<u>\$ 162,650</u>	<u>\$ 330,325</u>
Paying agent's name and address:				
Series 2010 - U.S. Bank, N.A., Houston, Texas				
Series 2014 - U.S. Bank, N.A., Houston, Texas				
Series 2016 - Regions Bank, Houston, Texas				

Bond authority:			Refunding Bonds
	Tax Bonds	Other Bonds	
Amount authorized by voters	\$ 56,548,000	0	\$ 29,900,000
Amount issued	\$ 25,550,000	0	\$ 1,378,685 *
Remaining to be issued	<u>\$ 30,998,000</u>	<u>0</u>	<u>\$ 28,521,315</u>
Debt service fund cash and temporary investment balances as of August 31, 2022:			<u>\$ 1,121,227</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 928,649</u>

*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.

Grand Lakes Municipal Utility District No. 4
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2022	2021	2020	2019	2018
General Fund					
Revenues					
Property taxes	\$ 564,501	\$ 556,467	\$ 547,246	\$ 560,780	\$ 704,043
Strategic Partnership Agreement	110,396	106,073	106,741	130,284	141,432
Water service	439,193	400,245	381,801	421,380	425,940
Sewer service	468,167	443,833	388,605	432,143	404,779
Surface water conversion	811,178	657,230	698,621	553,035	548,970
Penalty and interest	22,037	5,628	11,589	15,739	13,521
Tap connection and inspection fees	300	-	660	95,645	175
Investment income	13,772	27,179	85,961	92,431	45,801
Other income	50,014	43,240	35,036	47,677	33,204
Total revenues	2,479,558	2,239,895	2,256,260	2,349,114	2,317,865
Expenditures					
Service operations:					
Purchased services	1,582,724	1,162,886	1,132,214	963,595	863,066
Professional fees	194,591	166,295	163,952	129,135	111,312
Contracted services	353,434	305,818	298,776	284,405	271,922
Solid waste	317,578	300,443	286,400	265,876	255,192
Utilities	64,164	68,448	79,160	76,534	79,085
Repairs and maintenance	351,204	291,742	241,299	229,376	428,723
Other expenditures	84,192	101,534	110,467	103,156	63,004
Tap connections	-	-	-	35,150	-
Capital outlay	146,295	826,241	80,728	51,325	2,201
Total expenditures	3,094,182	3,223,407	2,392,996	2,138,552	2,074,505
Excess (Deficiency) of Revenues Over Expenditures	(614,624)	(983,512)	(136,736)	210,562	243,360
Other Financing Sources (Uses)					
Interfund transfers in (out)	(49,177)	(26,275)	180,887	(1,508)	714
Insurance proceeds	-	-	-	-	13,560
Total other financing sources (uses)	(49,177)	(26,275)	180,887	(1,508)	14,274
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(663,801)	(1,009,787)	44,151	209,054	257,634
Fund Balance, Beginning of Year	3,357,973	4,367,760	4,323,609	4,114,555	3,856,921
Fund Balance, End of Year	\$ 2,694,172	\$ 3,357,973	\$ 4,367,760	\$ 4,323,609	\$ 4,114,555
Total Active Retail Water Connections	1,054	1,051	1,051	1,054	1,046
Total Active Retail Wastewater Connections	999	997	998	1,000	993

Percent of Fund Total Revenues

2022	2021	2020	2019	2018
22.8 %	24.9 %	24.3 %	23.9 %	30.4 %
4.4	4.7	4.7	5.6	6.1
17.7	17.9	16.9	17.9	18.4
18.9	19.8	17.2	18.4	17.5
32.7	29.3	31.0	23.5	23.7
0.9	0.3	0.5	0.7	0.6
0.0	-	0.0	4.1	0.0
0.6	1.2	3.8	3.9	1.9
2.0	1.9	1.6	2.0	1.4
100.0	100.0	100.0	100.0	100.0
63.8	51.9	50.2	41.0	37.2
7.8	7.4	7.3	5.5	4.8
14.3	13.7	13.2	12.1	11.8
12.8	13.4	12.7	11.3	11.0
2.6	3.1	3.5	3.2	3.4
14.2	13.0	10.7	9.8	18.5
3.4	4.5	4.9	4.4	2.7
-	-	-	1.5	-
5.9	36.9	3.6	2.2	0.1
124.8	143.9	106.1	91.0	89.5
(24.8) %	(43.9) %	(6.1) %	9.0 %	10.5 %

Grand Lakes Municipal Utility District No. 4
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	\$ 1,606,657	\$ 1,583,791	\$ 1,557,432	\$ 1,593,860	\$ 1,583,826
Penalty and interest	15,535	36,607	22,922	14,852	5,911
Investment income	4,955	8,776	29,078	38,110	23,256
Total revenues	<u>1,627,147</u>	<u>1,629,174</u>	<u>1,609,432</u>	<u>1,646,822</u>	<u>1,612,993</u>
Expenditures					
Current:					
Professional fees	4,117	11,541	6,132	3,974	1,266
Contracted services	33,783	28,771	24,480	31,487	25,983
Other expenditures	6,927	5,274	4,665	2,857	2,576
Debt service:					
Principal retirement	1,450,000	1,395,000	1,315,000	1,265,000	1,225,000
Interest and fees	<u>332,131</u>	<u>381,543</u>	<u>425,606</u>	<u>461,710</u>	<u>498,601</u>
Total expenditures	<u>1,826,958</u>	<u>1,822,129</u>	<u>1,775,883</u>	<u>1,765,028</u>	<u>1,753,426</u>
Deficiency of Revenues Over Expenditures	(199,811)	(192,955)	(166,451)	(118,206)	(140,433)
Fund Balance, Beginning of Year	<u>1,262,155</u>	<u>1,455,110</u>	<u>1,621,561</u>	<u>1,739,767</u>	<u>1,880,200</u>
Fund Balance, End of Year	<u>\$ 1,062,344</u>	<u>\$ 1,262,155</u>	<u>\$ 1,455,110</u>	<u>\$ 1,621,561</u>	<u>\$ 1,739,767</u>

Percent of Fund Total Revenues

2022	2021	2020	2019	2018
98.7 %	97.2 %	96.8 %	96.8 %	98.2 %
1.0	2.3	1.4	0.9	0.4
0.3	0.5	1.8	2.3	1.4
100.0	100.0	100.0	100.0	100.0
0.3	0.7	0.4	0.2	0.1
2.1	1.8	1.5	1.9	1.6
0.4	0.3	0.3	0.2	0.2
89.1	85.6	81.7	76.8	75.9
20.4	23.4	26.4	28.1	30.9
112.3	111.8	110.3	107.2	108.7
(12.3) %	(11.8) %	(10.3) %	(7.2) %	(8.7) %

Grand Lakes Municipal Utility District No. 4
Board Members, Key Personnel and Consultants
Year Ended August 31, 2022

Complete District mailing address:	Grand Lakes Municipal Utility District No. 4 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):	May 20, 2020
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
Mashhood A. Shah	Elected 05/20- 05/24	\$ 6,300	\$ 1,525	President
Charles Matheson	Elected 05/22- 05/26	7,200	349	Vice President
Matthew Knies	Elected 05/22- 05/26	1,500	195	Secretary
Glenn Gesoff	Elected 05/20- 05/24	2,250	1,204	Assistant Secretary
John Schneller IV	Appointed 01/21- 05/24	2,250	1,129	Director

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

Grand Lakes Municipal Utility District No. 4
Board Members, Key Personnel and Consultants (Continued)
Year Ended August 31, 2022

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Costello, Inc.	03/05/06	\$ 182,272	Engineer
Fort Bend Central Appraisal District	Legislative Action	18,205	Appraiser
FORVIS, LLP	07/30/93	24,400	Auditor
Masterson Advisors LLC	05/14/18	0	Financial Advisor
Municipal Accounts & Consulting, L.P.	04/21/03	66,465	Bookkeeper
Municipal District Services, L.L.C.	04/01/09	1,259,037	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/29/99	4,117	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	02/04/86	109,997	Attorney
Wheeler & Associates, Inc.	10/15/97	16,034	Tax Assessor/ Collector
Investment Officers			
Mark M. Burton and Ghia Lewis	07/19/04	N/A	Bookkeepers

Grand Lakes Water Control and Improvement District
Fort Bend County, Texas
Independent Auditor's Report and Financial Statements
July 31, 2022

Grand Lakes Water Control and Improvement District

July 31, 2022

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	12
Notes to Financial Statements	13
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	25
Notes to Required Supplementary Information	26
Other Information	
Other Schedules Included Within This Report	27
Schedule of Services and Rates	28
Schedule of General Fund Expenditures	29
Schedule of Temporary Investments	30
Analysis of Taxes Levied and Receivable	31
Schedule of Long-term Debt Service Requirements by Years	33
Changes in Long-term Bonded Debt	36
Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years	37
Board Members, Key Personnel and Consultants	39



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Independent Auditor's Report

Board of Directors
Grand Lakes Water Control and Improvement District
Fort Bend County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Grand Lakes Water Control and Improvement District (the District), as of and for the year ended July 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 July 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 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
December 8, 2022

Grand Lakes Water Control and Improvement District

Management's Discussion and Analysis

July 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 Water Control and Improvement District

Management's Discussion and Analysis (Continued)

July 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 Water Control and Improvement District

Management's Discussion and Analysis (Continued)

July 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	\$ 2,783,641	\$ 2,740,405
Capital assets	<u>5,089,082</u>	<u>4,930,434</u>
Total assets	<u>7,872,723</u>	<u>7,670,839</u>
Deferred outflows of resources	<u>110,234</u>	<u>124,147</u>
Total assets and deferred outflows of resources	<u>\$ 7,982,957</u>	<u>\$ 7,794,986</u>
Long-term liabilities	\$ 4,353,832	\$ 4,647,570
Other liabilities	<u>73,157</u>	<u>62,757</u>
Total liabilities	<u>4,426,989</u>	<u>4,710,327</u>
Net position:		
Net investment in capital assets	2,327,212	2,093,535
Restricted	94,868	99,207
Unrestricted	<u>1,133,888</u>	<u>891,917</u>
Total net position	<u>\$ 3,555,968</u>	<u>\$ 3,084,659</u>

The total net position of the District increased by \$471,309, or about 15 percent. The majority of the increase in net position is related to property tax revenues exceeding services expenses. 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 Water Control and Improvement District

Management's Discussion and Analysis (Continued)

July 31, 2022

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>
Revenues:		
Property taxes	\$ 1,034,392	\$ 1,025,990
Other revenues	<u>36,576</u>	<u>1,020,430</u>
Total revenues	<u>1,070,968</u>	<u>2,046,420</u>
Expenses:		
Services	475,845	1,475,978
Debt service	<u>123,814</u>	<u>252,751</u>
Total expenses	<u>599,659</u>	<u>1,728,729</u>
Change in net position	471,309	317,691
Net position, beginning of year	<u>3,084,659</u>	<u>2,766,968</u>
Net position, end of year	<u><u>\$ 3,555,968</u></u>	<u><u>\$ 3,084,659</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended July 31, 2022, were \$2,745,583, an increase of \$23,064 from the prior year.

The general fund's fund balance increased by \$238,506. This increase was primarily due to property tax revenues and a transfer from the capital projects fund exceeding service operations expenditures in the current year.

The debt service fund's fund balance decreased by \$16,881 because bond principal and interest requirements, contracted services expenditures and other expenditures were greater than property tax revenues generated.

The capital projects fund's fund balance decreased by \$198,561, primarily due to capital outlay expenditures and a transfer to the general operating fund.

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 capital outlay expenditures being higher than anticipated and property taxes revenues and professional fees and repairs and maintenance expenditures being lower than anticipated. In addition, a transfer received from the capital projects fund was not budgeted. The fund balance as of July 31, 2022, was expected to be \$1,033,390 and the actual end-of-year fund balance was \$1,124,846.

Grand Lakes Water Control and Improvement District

Management's Discussion and Analysis (Continued)

July 31, 2022

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:

	<u>Capital Assets</u>	
	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 4,930,434	\$ 4,930,434
Construction in progress	<u>158,648</u>	<u>-</u>
Total capital assets	<u>\$ 5,089,082</u>	<u>\$ 4,930,434</u>

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

Construction and engineering fees related to the drainage channel storm sewer outfall improvements	<u>\$ 158,648</u>
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Debt

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

Long-term debt payable, beginning of year	\$ 4,647,570
Decreases in long-term debt	<u>293,738</u>
Long-term debt payable, end of year	<u>\$ 4,353,832</u>

At July 31, 2022, the District had \$4,115,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the drainage systems within the District.

The District's bonds carry an underlying rating of "A+" from Standard & Poor's. The District's Refunding Series 2016 and Series 2020 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Co.

Grand Lakes Water Control and Improvement District
Management's Discussion and Analysis (Continued)
July 31, 2022

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 without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Grand Lakes Water Control and Improvement District
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 29,607	\$ 53,318	\$ 460	\$ 83,385	\$ -	\$ 83,385
Certificates of deposit	200,000	-	-	200,000	-	200,000
Short-term investments	790,894	132,347	1,506,253	2,429,494	-	2,429,494
Receivables:						
Property taxes	9,042	6,781	-	15,823	-	15,823
Other	54,605	-	-	54,605	-	54,605
Accrued interest	334	-	-	334	-	334
Interfund receivables	69,844	15,000	-	84,844	(84,844)	-
Capital assets:						
Land and improvements	-	-	-	-	4,930,434	4,930,434
Construction in progress	-	-	-	-	158,648	158,648
Total assets	<u>1,154,326</u>	<u>207,446</u>	<u>1,506,713</u>	<u>2,868,485</u>	<u>5,004,238</u>	<u>7,872,723</u>
Deferred Outflows of Resources						
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>110,234</u>	<u>110,234</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,154,326</u></u>	<u><u>\$ 207,446</u></u>	<u><u>\$ 1,506,713</u></u>	<u><u>\$ 2,868,485</u></u>	<u><u>\$ 5,114,472</u></u>	<u><u>\$ 7,982,957</u></u>

Grand Lakes Water Control and Improvement District
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
July 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 5,438	\$ -	\$ 2,896	\$ 8,334	\$ -	\$ 8,334
Accrued interest payable	-	-	-	-	50,922	50,922
Retainage payable	-	-	13,901	13,901	-	13,901
Interfund payables	15,000	69,844	-	84,844	(84,844)	-
Long-term liabilities:						
Due within one year	-	-	-	-	280,000	280,000
Due after one year	-	-	-	-	4,073,832	4,073,832
Total liabilities	20,438	69,844	16,797	107,079	4,319,910	4,426,989
Deferred Inflows of Resources						
Deferred property tax revenues	9,042	6,781	0	15,823	(15,823)	0
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	130,821	-	130,821	(130,821)	-
Water, sewer and drainage	-	-	1,489,916	1,489,916	(1,489,916)	-
Unassigned	1,124,846	-	-	1,124,846	(1,124,846)	-
Total fund balances	1,124,846	130,821	1,489,916	2,745,583	(2,745,583)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 1,154,326	\$ 207,446	\$ 1,506,713	\$ 2,868,485		
Net position:						
Net investment in capital assets					2,327,212	2,327,212
Restricted for debt service					86,680	86,680
Restricted for capital projects					8,188	8,188
Unrestricted					1,133,888	1,133,888
Total net position					\$ 3,555,968	\$ 3,555,968

Grand Lakes Water Control and Improvement District
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended July 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 587,593	\$ 440,464	\$ -	\$ 1,028,057	\$ 6,335	\$ 1,034,392
Penalty and interest	-	5,760	-	5,760	-	5,760
Investment income	3,937	2,445	6,634	13,016	-	13,016
Other income	17,800	-	-	17,800	-	17,800
Total revenues	609,330	448,669	6,634	1,064,633	6,335	1,070,968
Expenditures/Expenses						
Service operations:						
Professional fees	72,196	2,550	-	74,746	202	74,948
Contracted services	25,544	41,631	-	67,175	688	67,863
Repairs and maintenance	194,311	-	-	194,311	97,148	291,459
Other expenditures	26,883	14,293	399	41,575	-	41,575
Capital outlay	97,148	-	159,538	256,686	(256,686)	-
Debt service:						
Principal retirement	-	275,000	-	275,000	(275,000)	-
Interest and fees	-	132,076	-	132,076	(8,262)	123,814
Total expenditures/expenses	416,082	465,550	159,937	1,041,569	(441,910)	599,659
Excess (Deficiency) of Revenues Over Expenditures	193,248	(16,881)	(153,303)	23,064	448,245	
Other Financing Sources (Uses)						
Interfund transfers in (out)	45,258	-	(45,258)	-	-	
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	238,506	(16,881)	(198,561)	23,064	(23,064)	
Change in Net Position					471,309	471,309
Fund Balances/Net Position						
Beginning of year	886,340	147,702	1,688,477	2,722,519	-	3,084,659
End of year	\$ 1,124,846	\$ 130,821	\$ 1,489,916	\$ 2,745,583	\$ 0	\$ 3,555,968

Grand Lakes Water Control and Improvement District

Notes to Financial Statements

July 31, 2022

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

Grand Lakes Water Control and Improvement District (the District) was created as Via Ranch Water Control and Improvement District No. 1 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 51. The District operates in accordance with Chapters 49 and 51 of the Texas Water Code, as amended, and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate drainage facilities and to provide such facilities and services to the landowners 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 Water Control and Improvement District

Notes to Financial Statements

July 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.

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.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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.

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.

Grand Lakes Water Control and Improvement District

Notes to Financial Statements

July 31, 2022

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.

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.

Grand Lakes Water Control and Improvement District

Notes to Financial Statements

July 31, 2022

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 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.

Grand Lakes Water Control and Improvement District

Notes to Financial Statements

July 31, 2022

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 July 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 July 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.

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.

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.

Grand Lakes Water Control and Improvement District

Notes to Financial Statements

July 31, 2022

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds 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.	\$ 5,089,082
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	15,823
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	110,234
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(50,922)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(4,353,832)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 810,385</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 of the following items.

Grand Lakes Water Control and Improvement District

Notes to Financial Statements

July 31, 2022

Change in fund balances.	\$ 23,064
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. This is the amount by which capital outlay expenditures exceeded noncapitalized costs in the current period.	158,648
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	275,000
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.	6,335
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>8,262</u>
Change in net position of governmental activities.	<u>\$ 471,309</u>

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 July 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

Grand Lakes Water Control and Improvement District

Notes to Financial Statements

July 31, 2022

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 July 31, 2022, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 2,429,494	\$ 2,429,494	\$ 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 July 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 above are included in the balance sheet at July 31, 2022, as follows.

Grand Lakes Water Control and Improvement District
Notes to Financial Statements
July 31, 2022

Carrying value:	
Deposits	\$ 283,385
Investments	<u>2,429,494</u>
Total	<u><u>\$ 2,712,879</u></u>

Included in the following statement of net position captions:

Cash	\$ 83,385
Certificates of deposit	200,000
Short-term investments	<u>2,429,494</u>
Total	<u><u>\$ 2,712,879</u></u>

Investment Income

Investment income of \$13,016 for the year ended July 31, 2022, consisted of interest income.

Fair Value Measurements

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

- Pooled investments of \$2,429,494 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 July 31, 2022, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 4,930,434	\$ -	\$ 4,930,434
Construction in progress	<u>-</u>	<u>158,648</u>	<u>158,648</u>
Total governmental activities, net	<u><u>\$ 4,930,434</u></u>	<u><u>\$ 158,648</u></u>	<u><u>\$ 5,089,082</u></u>

Grand Lakes Water Control and Improvement District
Notes to Financial Statements
July 31, 2022

Note 4: Long-term Liabilities

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

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 4,500,000	\$ 275,000	\$ 4,225,000	\$ 280,000
Less discounts on bonds	44,647	2,804	41,843	-
Add premiums on bonds	192,217	21,542	170,675	-
Total governmental activities long-term liabilities	<u>\$ 4,647,570</u>	<u>\$ 293,738</u>	<u>\$ 4,353,832</u>	<u>\$ 280,000</u>

General Obligation Bonds

	Refunding Series 2016	Series 2020
Amounts outstanding, July 31, 2022	\$2,270,000	\$1,955,000
Interest rates	3.00% to 4.00%	1.75%
Maturity dates, serially beginning/ending	March 1, 2023/2029	March 1, 2030/2035
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	March 1, 2023	March 1, 2022

*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 July 31, 2022.

Grand Lakes Water Control and Improvement District
Notes to Financial Statements
July 31, 2022

Year	Principal	Interest	Total
2023	\$ 280,000	\$ 122,213	\$ 402,213
2024	295,000	113,813	408,813
2025	310,000	102,013	412,013
2026	325,000	89,613	414,613
2027	335,000	76,613	411,613
2028-2032	1,645,000	199,202	1,844,202
2033-2035	<u>1,035,000</u>	<u>36,751</u>	<u>1,071,751</u>
Total	<u>\$ 4,225,000</u>	<u>\$ 740,218</u>	<u>\$ 4,965,218</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	\$ 14,650,000
Bonds sold	10,535,000
Refunding bonds voted	14,650,000
Refunding bond authorization used	455,012

Note 5: Significant Bond Order and Commission Requirements

- A. 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 July 31, 2022, the District levied an ad valorem debt service tax at the rate of \$0.0300 per \$100 of assessed valuation, which resulted in a tax levy of \$442,901 on the taxable valuation of \$1,476,335,426 for the 2021 tax year. The interest and principal requirements to be paid from the tax revenues are \$401,337 of which \$340,231 has been paid and \$61,106 is due September 1, 2022.
- B. During the current year, the District transferred \$45,258 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held January 17, 1987, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended July 31, 2022, the District levied an ad valorem maintenance tax at the rate of \$0.0400 per \$100 of assessed valuation, which resulted in a tax levy of \$590,534 on the taxable valuation of \$1,476,335,426 for the 2021 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Grand Lakes Water Control and Improvement District

Notes to Financial Statements

July 31, 2022

Note 7: 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.

Required Supplementary Information

Grand Lakes Water Control and Improvement District
Budgetary Comparison Schedule – General Fund
Year Ended July 31, 2022

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 607,300	\$ 587,593	\$ (19,707)
Investment income	800	3,937	3,137
Other income	18,000	17,800	(200)
	<u>626,100</u>	<u>609,330</u>	<u>(16,770)</u>
Total revenues	<u>626,100</u>	<u>609,330</u>	<u>(16,770)</u>
Expenditures			
Service operations:			
Professional fees	91,800	72,196	19,604
Contracted services	21,900	25,544	(3,644)
Repairs and maintenance	280,000	194,311	85,689
Other expenditures	35,350	26,883	8,467
Capital outlay	50,000	97,148	(47,148)
	<u>479,050</u>	<u>416,082</u>	<u>62,968</u>
Total expenditures	<u>479,050</u>	<u>416,082</u>	<u>62,968</u>
Excess of Revenues Over Expenditures	147,050	193,248	46,198
Other Financing Sources			
Interfund transfers in	-	45,258	45,258
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	147,050	238,506	91,456
Fund Balance, Beginning of Year	886,340	886,340	-
Fund Balance, End of Year	<u>\$ 1,033,390</u>	<u>\$ 1,124,846</u>	<u>\$ 91,456</u>

Grand Lakes Water Control and Improvement District

Notes to Required Supplementary Information

July 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 Water Control and Improvement District
Other Schedules Included Within This Report
July 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 13-24
- [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 Water Control and Improvement District
Schedule of Services and Rates
Year Ended July 31, 2022

1. Services provided by the District:

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

Grand Lakes Water Control and Improvement District

Schedule of General Fund Expenditures

Year Ended July 31, 2022

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 17,900	
Legal	41,873	
Engineering	12,423	
Financial advisor	-	
	<hr/>	72,196
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		-
Contracted Services		
Bookkeeping	25,544	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	-	
	<hr/>	25,544
Utilities		-
Repairs and Maintenance		194,311
Administrative Expenditures		
Directors' fees	6,600	
Office supplies	1,805	
Insurance	5,016	
Other administrative expenditures	13,462	
	<hr/>	26,883
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	97,148	
	<hr/>	97,148
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
		<hr/>
Total expenditures		<u>\$ 416,082</u>

Grand Lakes Water Control and Improvement District
Schedule of Temporary Investments
July 31, 2022

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 91300011966726	0.25%	08/23/22	\$ 50,000	\$ 94
No. 12992	1.94%	07/25/23	50,000	16
No. 4191602	0.20%	09/23/22	50,000	76
No. 6000047099	0.40%	11/03/22	50,000	148
Texas CLASS	2.02%	Demand	<u>790,894</u>	<u>-</u>
			<u>990,894</u>	<u>334</u>
Debt Service Fund				
Texas CLASS	2.02%	Demand	<u>132,347</u>	<u>0</u>
Capital Projects Fund				
Texas CLASS	2.02%	Demand	<u>1,506,253</u>	<u>0</u>
Totals			<u><u>\$ 2,629,494</u></u>	<u><u>\$ 334</u></u>

Grand Lakes Water Control and Improvement District
Analysis of Taxes Levied and Receivable
Year Ended July 31, 2022

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 5,577	\$ 3,911
Additions and corrections to prior years' taxes	<u>524</u>	<u>433</u>
Adjusted receivable, beginning of year	<u>6,101</u>	<u>4,344</u>
 2021 Original Tax Levy	 592,446	 444,335
Additions and corrections	<u>(1,912)</u>	<u>(1,434)</u>
Adjusted tax levy	<u>590,534</u>	<u>442,901</u>
Total to be accounted for	596,635	447,245
Tax collections: Current year	(583,236)	(437,427)
Prior years	<u>(4,357)</u>	<u>(3,037)</u>
Receivable, end of year	<u><u>\$ 9,042</u></u>	<u><u>\$ 6,781</u></u>
 Receivable, by Years		
2021	\$ 7,298	\$ 5,474
2020	1,094	820
2019	187	75
2018	197	145
2017	140	103
2016	87	101
2015	9	13
2014	2	2
2013	2	3
2012	2	3
2011	12	21
2010	<u>12</u>	<u>21</u>
Receivable, end of year	<u><u>\$ 9,042</u></u>	<u><u>\$ 6,781</u></u>

Grand Lakes Water Control and Improvement District
Analysis of Taxes Levied and Receivable (Continued)
Year Ended July 31, 2022

	2021	2020	2019	2018
Property Valuations				
Land	\$ 362,583,790	\$ 349,359,380	\$ 349,175,990	\$ 347,680,940
Improvements	1,164,435,496	1,156,401,110	1,140,571,811	1,115,995,068
Personal property	34,231,650	34,708,120	36,241,890	36,128,464
Exemptions	<u>(84,915,510)</u>	<u>(73,917,880)</u>	<u>(73,892,408)</u>	<u>(73,699,090)</u>
Total property valuations	<u>\$ 1,476,335,426</u>	<u>\$ 1,466,550,730</u>	<u>\$ 1,452,097,283</u>	<u>\$ 1,426,105,382</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.0300	\$ 0.0300	\$ 0.0200	\$ 0.0275
Maintenance tax rates*	<u>0.0400</u>	<u>0.0400</u>	<u>0.0500</u>	<u>0.0375</u>
Total tax rates per \$100 valuation	<u>\$ 0.0700</u>	<u>\$ 0.0700</u>	<u>\$ 0.0700</u>	<u>\$ 0.0650</u>
Tax Levy	<u>\$ 1,033,435</u>	<u>\$ 1,026,585</u>	<u>\$ 1,016,468</u>	<u>\$ 926,968</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: \$1.00 on January 17, 1987

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

Grand Lakes Water Control and Improvement District
Schedule of Long-term Debt Service Requirements by Years
July 31, 2022

Due During Fiscal Years Ending July 31	Refunding Series 2016		
	Principal Due March 1	Interest Due September 1, March 1	Total
2023	\$ 280,000	\$ 88,000	\$ 368,000
2024	295,000	79,600	374,600
2025	310,000	67,800	377,800
2026	325,000	55,400	380,400
2027	335,000	42,400	377,400
2028	355,000	29,000	384,000
2029	370,000	14,800	384,800
Totals	<u>\$ 2,270,000</u>	<u>\$ 377,000</u>	<u>\$ 2,647,000</u>

Grand Lakes Water Control and Improvement District
Schedule of Long-term Debt Service Requirements by Years (Continued)
July 31, 2022

Due During Fiscal Years Ending July 31	Series 2020		Total
	Principal Due March 1	Interest Due September 1, March 1	
2023	\$ -	\$ 34,213	\$ 34,213
2024	-	34,213	34,213
2025	-	34,213	34,213
2026	-	34,213	34,213
2027	-	34,213	34,213
2028	-	34,213	34,213
2029	-	34,213	34,213
2030	295,000	34,213	329,213
2031	305,000	29,050	334,050
2032	320,000	23,713	343,713
2033	330,000	18,113	348,113
2034	345,000	12,338	357,338
2035	360,000	6,300	366,300
Totals	<u>\$ 1,955,000</u>	<u>\$ 363,218</u>	<u>\$ 2,318,218</u>

Grand Lakes Water Control and Improvement District
Schedule of Long-term Debt Service Requirements by Years (Continued)
July 31, 2022

Due During Fiscal Years Ending July 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 280,000	\$ 122,213	\$ 402,213
2024	295,000	113,813	408,813
2025	310,000	102,013	412,013
2026	325,000	89,613	414,613
2027	335,000	76,613	411,613
2028	355,000	63,213	418,213
2029	370,000	49,013	419,013
2030	295,000	34,213	329,213
2031	305,000	29,050	334,050
2032	320,000	23,713	343,713
2033	330,000	18,113	348,113
2034	345,000	12,338	357,338
2035	<u>360,000</u>	<u>6,300</u>	<u>366,300</u>
Totals	<u>\$ 4,225,000</u>	<u>\$ 740,218</u>	<u>\$ 4,965,218</u>

Grand Lakes Water Control and Improvement District

Changes in Long-term Bonded Debt

Year Ended July 31, 2022

	Bond Issues		
	Refunding Series 2016	Series 2020	Totals
Interest rates	3.00% to 4.00%	1.75%	
Dates interest payable	September 1/ March 1	September 1/ March 1	
Maturity dates	March 1, 2023/2029	March 1, 2030/2035	
Bonds outstanding, beginning of current year	\$ 2,545,000	\$ 1,955,000	\$ 4,500,000
Retirements, principal	275,000	-	275,000
Bonds outstanding, end of current year	\$ 2,270,000	\$ 1,955,000	\$ 4,225,000
Interest paid during current year	\$ 96,250	\$ 34,213	\$ 130,463
Paying agent's name and address:			
	Series 2016 - Regions Bank, Houston, Texas		
	Series 2020 - Regions Bank, Houston, Texas		
Bond authority:	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 14,650,000	0	\$ 14,650,000
Amount of authorization issued	\$ 10,535,000	0	\$ 455,012
Remaining authorization to be issued	\$ 4,115,000	0	\$ 14,194,988
Debt service fund cash and temporary investment balances as of July 31, 2022:			\$ 185,665
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 381,940

Grand Lakes Water Control and Improvement District
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended July 31,

	Amounts				
	2022	2021	2020	2019	2018
General Fund					
Revenues					
Property taxes	\$ 587,593	\$ 590,077	\$ 721,254	\$ 533,929	\$ 537,933
Investment income	3,937	1,106	4,747	12,365	7,159
Other income	17,800	17,458	29,957	18,045	17,465
Total revenues	609,330	608,641	755,958	564,339	562,557
Expenditures					
Service operations:					
Professional fees	72,196	82,859	93,706	79,291	104,762
Contracted services	25,544	17,510	17,263	18,050	17,325
Repairs and maintenance	194,311	1,299,050	311,975	761,701	281,105
Other expenditures	26,883	21,420	22,438	24,495	19,891
Capital outlay	97,148	-	-	-	-
Debt service, debt issuance costs	-	-	46,403	19,904	-
Total expenditures	416,082	1,420,839	491,785	903,441	423,083
Excess (Deficiency) of Revenues Over Expenditures	193,248	(812,198)	264,173	(339,102)	139,474
Other Financing Sources (Uses)					
Interfund transfers in (out)	45,258	97,832	-	(115,016)	-
Reimbursement from governmental entity	-	989,993	-	-	-
Total other financing sources (uses)	45,258	1,087,825	0	(115,016)	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	238,506	275,627	264,173	(454,118)	139,474
Fund Balance, Beginning of Year	886,340	610,713	346,540	800,658	661,184
Fund Balance, End of Year	\$ 1,124,846	\$ 886,340	\$ 610,713	\$ 346,540	\$ 800,658
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

Percent of Fund Total Revenues

2022	2021	2020	2019	2018
96.4 %	96.9 %	95.4 %	94.6 %	95.6 %
0.7	0.2	0.6	2.2	1.3
2.9	2.9	4.0	3.2	3.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
11.9	13.6	12.4	14.1	18.6
4.2	2.9	2.3	3.2	3.1
31.9	213.4	41.3	135.0	50.0
4.4	3.5	3.0	4.3	3.5
15.9	-	-	-	-
<u>-</u>	<u>-</u>	<u>6.1</u>	<u>3.5</u>	<u>-</u>
<u>68.3</u>	<u>233.4</u>	<u>65.1</u>	<u>160.1</u>	<u>75.2</u>
<u>31.7 %</u>	<u>(133.4) %</u>	<u>34.9 %</u>	<u>(60.1) %</u>	<u>24.8 %</u>

Grand Lakes Water Control and Improvement District
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended July 31,

	Amounts				
	2022	2021	2020	2019	2018
Debt Service Fund					
Revenues					
Property taxes	\$ 440,464	\$ 439,742	\$ 289,549	\$ 391,815	\$ 395,389
Penalty and interest	5,760	12,362	16,375	6,624	7,840
Investment income	2,445	371	1,729	3,743	3,037
Total revenues	<u>448,669</u>	<u>452,475</u>	<u>307,653</u>	<u>402,182</u>	<u>406,266</u>
Expenditures					
Current:					
Professional fees	2,550	3,458	1,714	-	1,541
Contracted services	41,631	40,563	38,594	40,713	39,236
Other expenditures	14,293	11,028	10,827	11,749	13,415
Debt service:					
Principal retirement	275,000	265,000	105,000	365,000	350,000
Interest and fees	132,076	123,299	108,195	122,999	137,822
Total expenditures	<u>465,550</u>	<u>443,348</u>	<u>264,330</u>	<u>540,461</u>	<u>542,014</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,881)	9,127	43,323	(138,279)	(135,748)
Other financing Sources					
Interfund transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,016</u>	<u>-</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	(16,881)	9,127	43,323	(23,263)	(135,748)
Fund Balance, Beginning of Year	<u>147,702</u>	<u>138,575</u>	<u>95,252</u>	<u>118,515</u>	<u>254,263</u>
Fund Balance, End of Year	<u>\$ 130,821</u>	<u>\$ 147,702</u>	<u>\$ 138,575</u>	<u>\$ 95,252</u>	<u>\$ 118,515</u>

Percent of Fund Total Revenues

2022	2021	2020	2019	2018
98.2 %	97.2 %	94.1 %	97.4 %	97.3 %
1.3	2.7	5.3	1.7	1.9
0.5	0.1	0.6	0.9	0.8
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.6	0.8	0.6	-	0.4
9.3	9.0	12.5	10.1	9.7
3.2	2.4	3.5	2.9	3.3
61.3	58.6	34.1	90.7	86.2
<u>29.4</u>	<u>27.2</u>	<u>35.2</u>	<u>30.6</u>	<u>33.9</u>
<u>103.8</u>	<u>98.0</u>	<u>85.9</u>	<u>134.3</u>	<u>133.5</u>
<u>(3.8) %</u>	<u>2.0 %</u>	<u>14.1 %</u>	<u>(34.3) %</u>	<u>(33.5) %</u>

Grand Lakes Water Control and Improvement District
Board Members, Key Personnel and Consultants
Year Ended July 31, 2022

Complete District mailing address:	Grand Lakes Water Control and Improvement District 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):	October 25, 2018
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
Philip Fruge	Elected 05/22- 05/26	\$ 1,800	\$ 1,052	President
Andrew Reed	Elected 05/22- 05/26	900	17	Vice President
Gina D'Agostino	Elected 05/22- 05/26	1,350	204	Secretary
Leticia Gonzalez	Elected 05/20- 05/24	1,950	331	Assistant Secretary
Kimberly Way	Appointed 07/22- 05/24	0	0	Director
Scott Roberts	Elected 05/20- 04/22	600	28	Resigned

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

Grand Lakes Water Control and Improvement District
Board Members, Key Personnel and Consultants (Continued)
Year Ended July 31, 2022

Consultants	Date Hired	Fees and Expense Reimbursements	Title
B&A Municipal Tax Service, LLC	09/01/12	\$ 50,732	Tax Assessor/ Collector
Costello, Inc.	1992	40,917	Engineer
Fort Bend Central Appraisal District	Legislative Action	8,651	Appraiser
FORVIS, LLP	05/15/90	17,900	Auditor
Masterson Advisors LLC	04/26/18	0	Financial Advisor
Municipal Accounts & Consulting, L.P.	02/03/86	27,967	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	01/14/97	2,550	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	02/03/86	44,625	General Counsel
Investment Officers			
Mark M. Burton and Ghia Lewis	02/25/03	N/A	Bookkeepers

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

Independent Auditor's Report and Financial Statements

August 31, 2023

Grand Lakes Municipal Utility District No. 1

August 31, 2023

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	12
Notes to Financial Statements	13
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	29
Notes to Required Supplementary Information	30
Supplementary Information	
Other Schedules Included Within This Report	31
Schedule of Services and Rates	32
Schedule of General Fund Expenditures	33
Schedule of Temporary Investments	34
Analysis of Taxes Levied and Receivable	35
Schedule of Long-term Debt Service Requirements by Years	37
Changes in Long-term Bonded Debt	40
Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years	41
Board Members, Key Personnel and Consultants	43



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forvis.com

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, 2023, 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, 2023, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

FORVIS, LLP

Houston, Texas
January 11, 2024

Grand Lakes Municipal Utility District No. 1

Management's Discussion and Analysis

August 31, 2023

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 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, 2023

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, 2023

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>2023</u>	<u>2022</u>
Current and other assets	\$ 3,807,641	\$ 4,073,255
Capital assets	<u>10,272,937</u>	<u>10,283,029</u>
Total assets	<u>\$ 14,080,578</u>	<u>\$ 14,356,284</u>
Long-term liabilities	\$ 4,841,764	\$ 5,907,356
Other liabilities	<u>452,419</u>	<u>411,328</u>
Total liabilities	<u>5,294,183</u>	<u>6,318,684</u>
Deferred inflows of resources	<u>10,025</u>	<u>11,912</u>
Net position:		
Net investment in capital assets	5,421,148	4,363,761
Restricted	776,167	799,250
Unrestricted	<u>2,579,055</u>	<u>2,862,677</u>
Total net position	<u>\$ 8,776,370</u>	<u>\$ 8,025,688</u>

The total net position of the District increased by \$750,682, or about 9 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, 2023

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 2,185,090	\$ 2,014,854
City of Houston rebate	14,721	15,233
Charges for services	1,501,310	1,468,340
Other revenues	186,237	57,628
Total revenues	<u>3,887,358</u>	<u>3,556,055</u>
Expenses:		
Services	2,605,587	2,659,325
Depreciation	451,324	429,137
Debt service	79,765	288,096
Total expenses	<u>3,136,676</u>	<u>3,376,558</u>
Change in net position	750,682	179,497
Net position, beginning of year	<u>8,025,688</u>	<u>7,846,191</u>
Net position, end of year	<u><u>\$ 8,776,370</u></u>	<u><u>\$ 8,025,688</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, 2023, were \$3,394,735, a decrease of \$317,334 from the prior year.

The general fund's fund balance decreased by \$284,169 due to service operations and capital outlay expenditures exceeding property taxes and service revenues.

The debt service fund's fund balance decreased by \$33,165 because bond principal and interest requirements and contracted services expenditures were greater than property tax revenues and investment income.

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 sewer service revenues, investment income and contracted services expenditures being greater than anticipated, as well as regional water fee revenues and purchased services and capital outlay expenditures being less than anticipated. The fund balance as of August 31, 2023, was expected to be \$2,366,968 and the actual end-of-year fund balance was \$2,570,504.

Grand Lakes Municipal Utility District No. 1

Management's Discussion and Analysis (Continued)

August 31, 2023

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>2023</u>	<u>2022</u>
Land and improvements	\$ 195,670	\$ 195,670
Water facilities	3,142,238	3,287,859
Wastewater facilities	3,608,544	3,603,804
Drainage facilities	<u>3,326,485</u>	<u>3,195,696</u>
Total capital assets	<u>\$ 10,272,937</u>	<u>\$ 10,283,029</u>

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

Fry Road dual 72-inch outfall improvements	\$ 270,664
District's share of wastewater treatment plant onsite lift station rehabilitation	155,653
Replaced auto dialer at lift station	5,034
District's share of new clarifier gear at the wastewater treatment plant	<u>9,881</u>
Total additions to capital assets	<u>\$ 441,232</u>

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 5,907,356
Decreases in long-term debt	<u>(1,065,592)</u>
Long-term debt payable, end of year	<u>\$ 4,841,764</u>

At August 31, 2023, 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.

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" from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Grand Lakes Municipal Utility District No. 1
Management's Discussion and Analysis (Continued)
August 31, 2023

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, 2023

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 47,363	\$ 70,478	\$ 117,841	\$ -	\$ 117,841
Certificates of deposit	710,000	440,000	1,150,000	-	1,150,000
Short-term investments	1,692,870	318,010	2,010,880	-	2,010,880
Receivables:					
Property taxes	8,551	10,457	19,008	-	19,008
Service accounts	136,128	-	136,128	-	136,128
Accrued interest	15,199	5,198	20,397	-	20,397
Interfund receivable	8,500	-	8,500	(8,500)	-
Prepaid expenditures	9,990	-	9,990	-	9,990
Due from others	1,226	-	1,226	-	1,226
Operating deposits	342,171	-	342,171	-	342,171
Capital assets (net of accumulated depreciation):					
Land and improvements	-	-	-	195,670	195,670
Infrastructure	-	-	-	10,077,267	10,077,267
Total assets	<u>\$ 2,971,998</u>	<u>\$ 844,143</u>	<u>\$ 3,816,141</u>	<u>\$ 10,264,437</u>	<u>\$ 14,080,578</u>

Grand Lakes Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2023

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities					
Accounts payable	\$ 265,462	\$ 955	\$ 266,417	\$ -	\$ 266,417
Accrued interest payable	-	-	-	58,521	58,521
Customer deposits	118,600	-	118,600	-	118,600
Due to others	8,881	-	8,881	-	8,881
Interfund payable	-	8,500	8,500	(8,500)	-
Long-term liabilities:					
Due within one year	-	-	-	1,020,000	1,020,000
Due after one year	-	-	-	3,821,764	3,821,764
Total liabilities	392,943	9,455	402,398	4,891,785	5,294,183
Deferred Inflows of Resources					
Deferred property tax revenues	8,551	10,457	19,008	(19,008)	-
Deferred amount on debt refundings	-	-	-	10,025	10,025
Total deferred inflows of resources	8,551	10,457	19,008	(8,983)	10,025
Fund Balances/Net Position					
Fund balances:					
Nonspendable, prepaid expenditures	9,990	-	9,990	(9,990)	-
Restricted, debt service on unlimited tax bonds	-	824,231	824,231	(824,231)	-
Assigned, operating deposits	342,171	-	342,171	(342,171)	-
Unassigned	2,218,343	-	2,218,343	(2,218,343)	-
Total fund balances	2,570,504	824,231	3,394,735	(3,394,735)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 2,971,998	\$ 844,143	\$ 3,816,141		
Net position:					
Net investment in capital assets				5,421,148	5,421,148
Restricted for debt service				776,167	776,167
Unrestricted				2,579,055	2,579,055
Total net position				\$ 8,776,370	\$ 8,776,370

Grand Lakes Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2023

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 1,079,282	\$ 1,106,023	\$ 2,185,305	\$ (215)	\$ 2,185,090
City of Houston rebate	14,721	-	14,721	-	14,721
Water service	385,181	-	385,181	-	385,181
Sewer service	488,648	-	488,648	-	488,648
Regional water fee	627,481	-	627,481	-	627,481
Penalty and interest	15,561	14,791	30,352	-	30,352
Tap connection and inspection fees	4,020	-	4,020	-	4,020
Investment income	109,751	42,114	151,865	-	151,865
Total revenues	2,724,645	1,162,928	3,887,573	(215)	3,887,358
Expenditures/Expenses					
Service operations:					
Purchased services	1,328,343	-	1,328,343	-	1,328,343
Professional fees	121,826	5,105	126,931	-	126,931
Contracted services	769,185	29,231	798,416	-	798,416
Utilities	77,684	-	77,684	-	77,684
Repairs and maintenance	165,811	-	165,811	-	165,811
Other expenditures	104,733	3,669	108,402	-	108,402
Capital outlay	441,232	-	441,232	(441,232)	-
Depreciation	-	-	-	451,324	451,324
Debt service:					
Principal retirement	-	990,000	990,000	(990,000)	-
Interest and fees	-	168,088	168,088	(88,323)	79,765
Total expenditures/expenses	3,008,814	1,196,093	4,204,907	(1,068,231)	3,136,676
Deficiency of Revenues Over Expenditures	(284,169)	(33,165)	(317,334)	317,334	
Change in Net Position				750,682	750,682
Fund Balances/Net Position					
Beginning of year	2,854,673	857,396	3,712,069	-	8,025,688
End of year	\$ 2,570,504	\$ 824,231	\$ 3,394,735	\$ 0	\$ 8,776,370

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2023

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, 2023

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, 2023

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. 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. 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.

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, 2023

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, 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, 2023

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, 2023, include collections during the current period or within 60 days of year-end related to the 2022 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, 2023, the 2022 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, 2023

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.	\$ 10,272,937
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	19,008
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	(10,025)

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2023

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (58,521)
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Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(4,841,764)
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Adjustment to fund balances to arrive at net position.	\$ 5,381,635
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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.	\$ (317,334)
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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 exceeded capital outlay expenditures in the current year.	(10,092)
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Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	990,000
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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.	(215)
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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.	88,323
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Change in net position of governmental activities.	\$ 750,682
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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.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2023

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, 2023, 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. The District's investments in Texas CLASS are reports at net asset value.

At August 31, 2023, the District had the following investments and maturities.

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 2,010,880	\$ 2,010,880	\$ 0	\$ 0	\$ 0

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2023

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, 2023, 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, 2023, as follows:

Carrying value:	
Deposits	\$ 1,267,841
Investments	<u>2,010,880</u>
Total	<u>\$ 3,278,721</u>

Included in the following statement of net position captions:

Cash	\$ 117,841
Certificates of deposit	1,150,000
Short-term investments	<u>2,010,880</u>
Total	<u>\$ 3,278,721</u>

Investment Income

Investment income of \$151,865 for the year ended August 31, 2023, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2023:

- Pooled investments of \$2,010,880 are valued at fair value per share of the pool's underlying portfolio.

Grand Lakes Municipal Utility District No. 1
Notes to Financial Statements
August 31, 2023

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2023, 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	5,416,512	-	5,416,512
Wastewater collection and treatment facilities	6,509,246	170,568	6,679,814
Drainage facilities	5,685,036	270,664	5,955,700
Total capital assets, depreciable	17,610,794	441,232	18,052,026
Less accumulated depreciation:			
Water production and distribution facilities	(2,128,653)	(145,621)	(2,274,274)
Wastewater collection and treatment facilities	(2,905,442)	(165,828)	(3,071,270)
Drainage facilities	(2,489,340)	(139,875)	(2,629,215)
Total accumulated depreciation	(7,523,435)	(451,324)	(7,974,759)
Total governmental activities, net	\$ 10,283,029	\$ (10,092)	\$ 10,272,937

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2023, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 5,510,000	\$ 990,000	\$ 4,520,000	\$ 1,020,000
Add premiums on bonds	397,356	75,592	321,764	-
Total governmental activities long-term liabilities	\$ 5,907,356	\$ 1,065,592	\$ 4,841,764	\$ 1,020,000

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2023

General Obligation Bonds

	Refunding Series 2021	Refunding Series 2022
Amounts outstanding, August 31, 2023	\$1,755,000	\$2,765,000
Interest rates	3.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2024/2026	April 1, 2024/2028
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, 2023:

Year	Principal	Interest	Total
2023	\$ 1,020,000	\$ 140,450	\$ 1,160,450
2024	1,050,000	109,850	1,159,850
2025	1,100,000	78,350	1,178,350
2026	665,000	40,500	705,500
2027	685,000	20,550	705,550
Total	<u>\$ 4,520,000</u>	<u>\$ 389,700</u>	<u>\$ 4,909,700</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	\$ 39,660,000
Bonds sold	17,870,000
Refunding bonds voted	18,850,000
Refunding bonds authorization used	546,894

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2023

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, 2023, the District levied an ad valorem debt service tax at the rate of \$0.2600 per \$100 of assessed valuation, which resulted in a tax levy of \$1,105,507 on the taxable valuation of \$425,194,990 for the 2022 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$1,143,463 of which \$1,073,238 has been paid and \$70,225 is due October 1, 2023.

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, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.2540 per \$100 of assessed valuation, which resulted in a tax levy of \$1,079,995 on the taxable valuation of \$425,194,990 for the 2022 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:

District	Capacity After Water Plant No. 2, Phase II, and Water Plant No. 3
The District	29.708 %
Grand No. 2	21.546
Grand No. 4	<u>48.746</u>
Total	<u>100.000 %</u>

Grand Lakes Municipal Utility District No. 1
Notes to Financial Statements
August 31, 2023

Condensed financial information for the water plants for the year ended August 31, 2023, is as follows:

	Water Plant's General Fund
Total assets	\$ 1,312,823
Total liabilities	\$ 496,421
Total fund balance	816,402
Total liabilities and fund balance	\$ 1,312,823
Total revenues	\$ 2,702,896
Total expenditures	(2,702,896)
Excess revenues	\$ 0

The District has deposited \$250,757 with Grand No. 4 for its share of an operating reserve. The District's share of operating costs for the year ended August 31, 2023, was \$823,643.

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:

The District	24.146 %
Grand No. 2	38.996
Grand No. 4	36.858
Total	100.000 %

Grand Lakes Municipal Utility District No. 1
Notes to Financial Statements
August 31, 2023

Condensed audited financial information for the year ended August 31, 2023, is as follows:

	Reclaimed Water Distribution General Fund
Total assets	\$ 349,791
Total liabilities	\$ 192,839
Total fund balance	156,952
Total liabilities and fund balance	\$ 349,791
Total revenues	\$ 1,218,667
Total expenditures	(1,218,667)
Excess revenues	\$ 0

The District has deposited \$37,898 with Grand No. 4 for its share of an operating reserve. The District's share of operating costs for the year ended August 31, 2023, was \$294,183.

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:

District	Permanent Capacity
The District	29.10 %
Grand No. 2	21.08
Grand No. 4	49.82
Total	100.00 %

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2023

Condensed financial information for the wastewater treatment plant for the year ended August 31, 2023, is as follows:

	Waste water Treatment Plant General Fund
Total assets	\$ 289,063
Total liabilities	\$ 107,795
Total fund balance	181,268
Total liabilities and fund balance	\$ 289,063
Total revenues	\$ 1,214,571
Total expenditures	(1,214,571)
Excess revenues	\$ 0

The District has deposited \$53,516 with Grand No. 4 for its share of an operating reserve. The District's share of operating costs for the year ended August 31, 2023, was \$210,517.

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: 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, 2023, 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 adjustments.

Grand Lakes Municipal Utility District No. 1

Notes to Financial Statements

August 31, 2023

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 \$14,721 in sales tax rebates.

Required Supplementary Information

Grand Lakes Municipal Utility District No. 1
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,045,573	\$ 1,079,282	\$ 33,709
City of Houston rebate	15,000	14,721	(279)
Water service	359,279	385,181	25,902
Sewer service	445,311	488,648	43,337
Regional water fee	729,975	627,481	(102,494)
Penalty and interest	16,100	15,561	(539)
Tap connection and inspection fees	3,800	4,020	220
Investment income	43,185	109,751	66,566
Total revenues	<u>2,658,223</u>	<u>2,724,645</u>	<u>66,422</u>
Expenditures			
Service operations:			
Purchased services	1,377,137	1,328,343	48,794
Professional fees	140,000	121,826	18,174
Contracted services	739,840	769,185	(29,345)
Utilities	73,900	77,684	(3,784)
Repairs and maintenance	144,500	165,811	(21,311)
Other expenditures	97,875	104,733	(6,858)
Capital outlay	572,676	441,232	131,444
Total expenditures	<u>3,145,928</u>	<u>3,008,814</u>	<u>137,114</u>
Deficiency of Revenues Over Expenditures	(487,705)	(284,169)	203,536
Fund Balance, Beginning of Year	<u>2,854,673</u>	<u>2,854,673</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,366,968</u>	<u>\$ 2,570,504</u>	<u>\$ 203,536</u>

Grand Lakes Municipal Utility District No. 1
Notes to Required Supplementary Information
August 31, 2023

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 year 2023.

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.

Supplementary Information

Grand Lakes Municipal Utility District No. 1
Other Schedules Included Within This Report
August 31, 2023

(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 13-28
- [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, 2023

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:	\$ 25.00	10,000	N	\$ 2.00 \$ 4.00 \$ 5.00	10,001 to 20,000 20,001 to 50,000 50,001 to No Limit
Wastewater:	\$ 41.75	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 \$ 74.00 Wastewater \$ 41.75

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	779	779	x1.0	779
1"	317	316	x2.5	790
1 1/2"	3	3	x5.0	15
2"	27	27	x8.0	216
3"	2	2	x15.0	30
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,128	1,127		1,830
Total wastewater	1,077	1,076	x1.0	1,076

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

Gallons pumped into the system:	145,592
Gallons billed to customers:	145,592
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, 2023

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	21,000	
Legal		78,179	
Engineering		22,647	
Financial advisor		-	121,826
Purchased Services for Resale			
Bulk water and wastewater service purchases			1,328,343
Regional Water Fee			-
Contracted Services			
Bookkeeping		56,986	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		270,008	
Other contracted services		63,576	390,570
Utilities			77,684
Repairs and Maintenance			165,811
Administrative Expenditures			
Directors' fees		14,873	
Office supplies		9,551	
Insurance		10,137	
Other administrative expenditures		70,172	104,733
Capital Outlay			
Capitalized assets		441,232	
Expenditures not capitalized		-	441,232
Tap Connection Expenditures			-
Solid Waste Disposal			378,615
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
Total expenditures		\$	<u>3,008,814</u>

Grand Lakes Municipal Utility District No. 1
Schedule of Temporary Investments
August 31, 2023

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 91300012045015	4.50%	03/08/24	\$ 235,000	\$ 5,070
No. 122998	5.00%	06/14/24	235,000	2,511
No. 440011539	3.50%	10/03/23	240,000	7,618
Texas CLASS	5.49%	Demand	1,692,870	-
			<u>2,402,870</u>	<u>15,199</u>
Debt Service Fund				
Certificates of Deposit				
No. 440036012	5.15%	03/05/24	220,000	2,576
No. 9009005312	5.24%	03/05/24	220,000	2,622
Texas CLASS	5.49%	Demand	318,010	-
			<u>758,010</u>	<u>5,198</u>
Totals			<u>\$ 3,160,880</u>	<u>\$ 20,397</u>

Grand Lakes Municipal Utility District No. 1
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2023

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 8,004	\$ 11,219
Additions and corrections to prior years' taxes	<u>(166)</u>	<u>(246)</u>
Adjusted receivable, beginning of year	<u>7,838</u>	<u>10,973</u>
 2022 Original Tax Levy	 1,066,575	 1,091,770
Additions and corrections	<u>13,420</u>	<u>13,737</u>
Adjusted tax levy	<u>1,079,995</u>	<u>1,105,507</u>
 Total to be accounted for	 1,087,833	 1,116,480
 Tax collections: Current year	 (1,075,833)	 (1,101,247)
Prior years	<u>(3,449)</u>	<u>(4,776)</u>
 Receivable, end of year	 <u><u>\$ 8,551</u></u>	 <u><u>\$ 10,457</u></u>
 Receivable, by Year		
2022	\$ 4,162	\$ 4,260
2021	1,430	1,958
2020	478	752
2019	483	760
2018	483	829
2017	484	657
2016	502	681
2015	<u>529</u>	<u>560</u>
 Receivable, end of year	 <u><u>\$ 8,551</u></u>	 <u><u>\$ 10,457</u></u>

Grand Lakes Municipal Utility District No. 1
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2023

	2022	2021	2020	2019
Property Valuations				
Land	\$ 71,680,280	\$ 71,680,280	\$ 71,711,570	\$ 71,711,570
Improvements	429,122,514	307,491,359	302,828,160	301,922,632
Personal property	4,389,750	4,107,070	3,844,190	3,588,110
Exemptions	<u>(79,997,554)</u>	<u>(13,499,176)</u>	<u>(12,749,160)</u>	<u>(12,397,177)</u>
Total property valuations	<u>\$ 425,194,990</u>	<u>\$ 369,779,533</u>	<u>\$ 365,634,760</u>	<u>\$ 364,825,135</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.2600	\$ 0.3150	\$ 0.3300	\$ 0.3300
Maintenance tax rates*	<u>0.2540</u>	<u>0.2300</u>	<u>0.2100</u>	<u>0.2100</u>
Total tax rates per \$100 valuation	<u>\$ 0.5140</u>	<u>\$ 0.5450</u>	<u>\$ 0.5400</u>	<u>\$ 0.5400</u>
Tax Levy	<u>\$ 2,185,502</u>	<u>\$ 2,015,298</u>	<u>\$ 1,974,427</u>	<u>\$ 1,970,056</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, 2023

Due During Fiscal Years Ending August 31	Refunding Series 2021		
	Principal Due April 1	Interest Due April 1, October 1	Total
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>\$ 1,755,000</u>	<u>\$ 106,950</u>	<u>\$ 1,861,950</u>

Grand Lakes Municipal Utility District No. 1
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2023

Refunding Series 2022			
Due During Fiscal Years Ending August 31	Principal Due April 1	Interest Due April 1, October 1	Total
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
Totals	<u>\$ 2,765,000</u>	<u>\$ 282,750</u>	<u>\$ 3,047,750</u>

Grand Lakes Municipal Utility District No. 1
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2023

Due During Fiscal Years Ending August 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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	<u>685,000</u>	<u>20,550</u>	<u>705,550</u>
Totals	<u>\$ 4,520,000</u>	<u>\$ 389,700</u>	<u>\$ 4,909,700</u>

Grand Lakes Municipal Utility District No. 1

Changes in Long-term Bonded Debt

Year Ended August 31, 2023

	Bond Issues		
	Refunding Series 2021	Refunding Series 2022	Totals
Interest rates	3.00%	3.00% to 4.00%	
Dates interest payable	April 1/ October 1	April 1/ October 1	
Maturity dates	April 1, 2024/2026	April 1, 2024/2028	
Bonds outstanding, beginning of current year	\$ 2,490,000	\$ 3,020,000	\$ 5,510,000
Retirements, principal	<u>735,000</u>	<u>255,000</u>	<u>990,000</u>
Bonds outstanding, end of current year	<u>\$ 1,755,000</u>	<u>\$ 2,765,000</u>	<u>\$ 4,520,000</u>
Interest paid during current year	<u>\$ 71,025</u>	<u>\$ 95,450</u>	<u>\$ 166,475</u>

Paying agent's name and address:

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	<u>\$ 21,790,000</u>	<u>0</u>	<u>\$ 18,303,106</u>

Debt service fund cash and temporary investment balances as of August 31, 2023: \$ 828,488

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 981,940

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

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 1,079,282	\$ 849,313	\$ 766,228	\$ 764,938	\$ 680,786
City of Houston rebate	14,721	15,233	12,436	15,478	-
Water service	385,181	358,502	331,274	343,555	340,650
Sewer service	488,648	417,080	397,483	377,957	358,021
Regional water fee	627,481	692,758	588,470	636,672	568,384
Penalty and interest	15,561	19,665	8,626	11,438	18,763
Tap connection and inspection fees	4,020	3,690	3,140	3,060	2,560
Investment income	109,751	14,034	17,994	70,275	77,822
Total revenues	<u>2,724,645</u>	<u>2,370,275</u>	<u>2,125,651</u>	<u>2,223,373</u>	<u>2,046,986</u>
Expenditures					
Service operations:					
Purchased services	1,328,343	1,299,431	905,546	909,707	842,852
Professional fees	121,826	137,496	111,030	119,202	149,747
Contracted services	769,185	742,769	634,745	646,167	578,767
Utilities	77,684	71,692	71,676	81,376	87,621
Repairs and maintenance	165,811	223,549	219,088	379,872	86,380
Other expenditures	104,733	114,748	65,243	75,394	104,010
Tap connections	-	-	6,070	-	-
Capital outlay	441,232	39,468	652,805	109,416	153,381
Total expenditures	<u>3,008,814</u>	<u>2,629,153</u>	<u>2,666,203</u>	<u>2,321,134</u>	<u>2,002,758</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(284,169)</u>	<u>(258,878)</u>	<u>(540,552)</u>	<u>(97,761)</u>	<u>44,228</u>
Other Financing Sources					
Reimbursement from governmental entity	-	-	1,065	-	35,892
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(284,169)</u>	<u>(258,878)</u>	<u>(539,487)</u>	<u>(97,761)</u>	<u>80,120</u>
Fund Balance, Beginning 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>
Fund Balance, End of Year	<u>\$ 2,570,504</u>	<u>\$ 2,854,673</u>	<u>\$ 3,113,551</u>	<u>\$ 3,653,038</u>	<u>\$ 3,750,799</u>
Total Active Retail Water Connections	<u>1,127</u>	<u>1,117</u>	<u>1,123</u>	<u>1,121</u>	<u>1,120</u>
Total Active Retail Wastewater Connections	<u>1,076</u>	<u>1,068</u>	<u>1,074</u>	<u>1,073</u>	<u>1,072</u>

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
39.6 %	35.8 %	36.0 %	34.4 %	33.3 %
0.5	0.7	0.6	0.7	-
14.2	15.1	15.6	15.5	16.6
17.9	17.6	18.7	17.0	17.5
23.0	29.2	27.7	28.6	27.8
0.6	0.8	0.4	0.5	0.9
0.2	0.2	0.2	0.1	0.1
4.0	0.6	0.8	3.2	3.8
100.0	100.0	100.0	100.0	100.0
48.8	54.8	42.6	40.9	41.2
4.5	5.8	5.2	5.3	7.3
28.2	31.3	29.9	29.1	28.3
2.8	3.0	3.4	3.7	4.3
6.1	9.4	10.3	17.1	4.2
3.8	4.9	3.1	3.6	5.1
-	-	0.3	-	-
16.2	1.7	30.7	4.7	7.4
110.4	110.9	125.5	104.4	97.8
(10.4) %	(10.9) %	(25.5) %	(4.4) %	2.2 %