

# Grand Lakes Municipal Utility District No. 1

## Comparative Schedule of Revenues and Expenditures – Debt Service Fund

### Five Years Ended August 31,

	Amounts				
	2023	2022	2021	2020	2019
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,106,023	\$ 1,163,924	\$ 1,204,130	\$ 1,202,175	\$ 1,159,732
Penalty and interest	14,791	16,319	11,856	12,347	14,012
Investment income	42,114	3,920	3,584	18,313	21,233
Other income	-	-	3,360	22	-
<b>Total revenues</b>	<u>1,162,928</u>	<u>1,184,163</u>	<u>1,222,930</u>	<u>1,232,857</u>	<u>1,194,977</u>
<b>Expenditures</b>					
Current:					
Professional fees	5,105	4,135	3,597	3,854	3,431
Contracted services	29,231	35,919	30,604	33,656	27,282
Other expenditures	3,669	4,024	4,735	3,650	7,693
Debt service:					
Principal retirement	990,000	960,000	930,000	900,000	880,000
Interest and fees	168,088	186,541	282,629	303,082	320,645
Debt issuance costs	-	126,530	118,961	-	-
Debt defeasance	-	25,500	-	-	-
<b>Total expenditures</b>	<u>1,196,093</u>	<u>1,342,649</u>	<u>1,370,526</u>	<u>1,244,242</u>	<u>1,239,051</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(33,165)</u>	<u>(158,486)</u>	<u>(147,596)</u>	<u>(11,385)</u>	<u>(44,074)</u>
<b>Other Financing Sources (Uses)</b>					
General obligation bonds issued	-	3,020,000	2,490,000	-	-
Premium on debt issued	-	267,163	186,956	-	-
Deposit with escrow agent	-	(3,153,415)	(2,553,689)	-	-
<b>Total other financing sources</b>	<u>0</u>	<u>133,748</u>	<u>123,267</u>	<u>0</u>	<u>0</u>
<b>Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(33,165)</u>	<u>(24,738)</u>	<u>(24,329)</u>	<u>(11,385)</u>	<u>(44,074)</u>
<b>Fund Balance, Beginning of Year</b>	<u>857,396</u>	<u>882,134</u>	<u>906,463</u>	<u>917,848</u>	<u>961,922</u>
<b>Fund Balance, End of Year</b>	<u>\$ 824,231</u>	<u>\$ 857,396</u>	<u>\$ 882,134</u>	<u>\$ 906,463</u>	<u>\$ 917,848</u>

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
95.1 %	98.3 %	98.4 %	97.5 %	97.1 %
1.3	1.4	1.0	1.0	1.2
3.6	0.3	0.3	1.5	1.7
-	-	0.3	0.0	-
100.0	100.0	100.0	100.0	100.0
0.4	0.3	0.3	0.3	0.3
2.5	3.0	2.5	2.7	2.3
0.3	0.3	0.4	0.3	0.6
85.1	81.1	76.0	73.0	73.6
14.5	15.8	23.1	24.6	26.8
-	10.7	9.7	-	-
-	2.2	-	-	-
102.8	113.4	112.0	100.9	103.6
(2.8) %	(13.4) %	(12.0) %	(0.9) %	(3.6) %

**Grand Lakes Municipal Utility District No. 1**  
**Board Members, Key Personnel and Consultants**  
**Year Ended August 31, 2023**

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

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
William Shutt	Elected 05/22- 05/26	\$ 3,963	\$ 1,684	President
Nicole Whitman	Elected 05/20- 05/24	2,313	707	Vice President
Katherine Elofson	Elected 05/22- 05/26	3,292	1,603	Secretary
Anand Maru	Elected 05/20- 05/24	3,063	1,285	Assistant Secretary
Dennis Shumard	Elected 05/22- 05/26	2,242	1,365	Director

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

**Grand Lakes Municipal Utility District No. 1**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended August 31, 2023**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Assessments of the Southwest, Inc.	09/01/12	\$ 18,316	Tax Assessor/ Collector
Costello, Inc.	03/22/96	32,865	Engineer
Fort Bend Central Appraisal District	Legislative Action	13,887	Appraiser
FORVIS, LLP	07/01/02	21,000	Auditor
Masterson Advisors LLC	05/17/18	-	Financial Advisor
Municipal Accounts & Consulting, L.P.	02/03/86	60,599	Bookkeeper
Municipal District Services, L.L.C.	02/02/09	233,441	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	1999	5,105	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	02/03/86	82,178	General Counsel
<b>Investment Officers</b>			
Mark M. Burton and Ghia Lewis	03/03/03	N/A	District Bookkeepers

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

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

August 31, 2023

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# **Grand Lakes Municipal Utility District No. 4**

## **August 31, 2023**

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## **Independent Auditor's Report**

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

### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Grand Lakes Municipal Utility District No. 4 (the District), as of and for the year ended August 31, 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 schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



***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 15, 2024

# **Grand Lakes Municipal Utility District No. 4**

## **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. 4**

## **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. 4

## 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	\$ 5,283,038	\$ 5,402,655
Capital assets	<u>9,617,262</u>	<u>9,515,903</u>
Total assets	<u>14,900,300</u>	<u>14,918,558</u>
Deferred outflows of resources	<u>235,871</u>	<u>310,970</u>
Total assets and deferred outflows of resources	<u>\$ 15,136,171</u>	<u>\$ 15,229,528</u>
Long-term liabilities	\$ 6,042,457	\$ 7,593,489
Other liabilities	<u>1,902,526</u>	<u>1,440,707</u>
Total liabilities	<u>7,944,983</u>	<u>9,034,196</u>
Net position:		
Net investment in capital assets	3,810,676	2,233,384
Restricted	1,138,969	1,258,156
Unrestricted	<u>2,241,543</u>	<u>2,703,792</u>
Total net position	<u>\$ 7,191,188</u>	<u>\$ 6,195,332</u>

The total net position of the District increased by \$995,856, or about 16 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Grand Lakes Municipal Utility District No. 4**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2023**

**Summary of Changes in Net Position**

	<b>2023</b>	<b>2022</b>
Revenues:		
Property taxes	\$ 2,242,976	\$ 2,165,186
Strategic Partnership Agreement	106,136	109,564
Charges for services	4,721,016	4,381,022
Other revenues	709,209	87,550
Total revenues	<u>7,779,337</u>	<u>6,743,322</u>
Expenses:		
Services	5,916,648	5,566,641
Depreciation	581,091	582,849
Debt service	285,742	339,227
Total expenses	<u>6,783,481</u>	<u>6,488,717</u>
Change in net position	995,856	254,605
Net position, beginning of year	<u>6,195,332</u>	<u>5,940,727</u>
Net position, end of year	<u><u>\$ 7,191,188</u></u>	<u><u>\$ 6,195,332</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 \$3,448,689, a decrease of \$615,781 from the prior year.

The general fund's fund balance decreased by \$465,805. This decrease was primarily related to service operations, capital outlay expenditures and interfund transfers to the water plant fund, wastewater treatment plant fund and reclaimed water distribution system fund exceeding property taxes and service revenues.

The water plant's fund balance increased by \$65,624 due to an interfund transfer from the general fund pertaining to the District's increased share in operating reserve requirements.

The wastewater treatment plant's fund balance increased by \$5,813 due to an interfund transfer from the general fund pertaining to the District's increased share in operating reserve requirements.

The reclaimed water distribution system's fund balance increased by \$37,849 due to an interfund transfer from the general fund pertaining to the District's increased share in operating reserve requirements.

# Grand Lakes Municipal Utility District No. 4

## Management's Discussion and Analysis (Continued)

### August 31, 2023

The debt service fund's fund balance decreased by \$259,262, primarily due to bond principal and interest requirements exceeding property tax revenues generated.

#### **General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to investment income and purchased services expenditures being higher than anticipated and water service revenue, surface water conversion revenue, repairs and maintenance expenditures and capital outlay expenditures being lower than anticipated. In addition, an interfund transfer out and a reimbursement received from another governmental entity were not budgeted for. The fund balance as of August 31, 2023, was expected to be \$1,601,289 and the actual end-of-year fund balance was \$2,228,367.

#### **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)**

	<b>2023</b>	<b>2022</b>
Land and improvements	\$ 283,242	\$ 283,242
Construction in progress	120,216	26,494
Water facilities	2,713,656	2,683,019
Wastewater facilities	3,797,138	3,686,222
Drainage facilities	2,587,878	2,717,700
Park facilities	115,132	119,226
Total capital assets	<u>\$ 9,617,262</u>	<u>\$ 9,515,903</u>

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

Construction in progress related to fence at water plant No. 2	\$ 120,216
Driveways at water plant Nos. 1 and 2	250,307
Lift pump at lift station	37,270
Wastewater treatment plant on-site lift station rehabilitation	256,080
Air release valve on lift station header	2,872
Return-activated sludge pump No. 1	10,404
2" pressure balance valve for lake fill line	5,301
Total additions to capital assets	<u>\$ 682,450</u>

# **Grand Lakes Municipal Utility District No. 4**

## **Management's Discussion and Analysis (Continued)**

### **August 31, 2023**

#### 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	\$ 7,593,489
Decreases in long-term debt	<u>(1,551,032)</u>
Long-term debt payable, end of year	<u>\$ 6,042,457</u>

At August 31, 2023, the District had \$30,998,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

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

#### Other Relevant Factors

##### Relationship to the City of Houston

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

##### Strategic Partnership Agreement

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

**Grand Lakes Municipal Utility District No. 4**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2023**

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>								
Cash	\$ 251,993	\$ 31,610	\$ 52,980	\$ 2,164	\$ 54,638	\$ 393,385	\$ -	\$ 393,385
Certificates of deposit	475,000	-	-	-	-	475,000	-	475,000
Short-term investments	1,694,386	551,737	100,316	80,253	805,793	3,232,485	-	3,232,485
Receivables:								
Property taxes	4,939	-	-	-	10,822	15,761	-	15,761
Service accounts	211,027	-	-	-	-	211,027	-	211,027
Strategic Partnership Agreement	24,661	-	-	-	-	24,661	8,237	32,898
Accrued interest	11,296	-	-	-	-	11,296	-	11,296
Interfund receivables	56,847	162,439	43,439	71,342	-	334,067	(334,067)	-
Due from participants	-	487,404	92,328	196,032	-	775,764	-	775,764
Prepaid expenditures	9,000	-	-	-	-	9,000	-	9,000
Due from others	46,789	79,633	-	-	-	126,422	-	126,422
Capital assets (net of accumulated depreciation):								
Land and improvements	-	-	-	-	-	-	283,242	283,242
Construction in progress	-	-	-	-	-	-	120,216	120,216
Infrastructure	-	-	-	-	-	-	9,098,672	9,098,672
Parks	-	-	-	-	-	-	115,132	115,132
<b>Total assets</b>	<b>2,785,938</b>	<b>1,312,823</b>	<b>289,063</b>	<b>349,791</b>	<b>871,253</b>	<b>5,608,868</b>	<b>9,291,432</b>	<b>14,900,300</b>
<b>Deferred Outflows of Resources</b>								
Deferred amount on debt refundings	0	0	0	0	0	0	235,871	235,871
<b>Total assets and deferred outflows of resources</b>	<b>\$ 2,785,938</b>	<b>\$ 1,312,823</b>	<b>\$ 289,063</b>	<b>\$ 349,791</b>	<b>\$ 871,253</b>	<b>\$ 5,608,868</b>	<b>\$ 9,527,303</b>	<b>\$ 15,136,171</b>



**Grand Lakes Municipal Utility District No. 4**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**August 31, 2023**

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>								
Accounts payable	\$ 123,711	\$ 496,421	\$ 107,795	\$ 192,839	\$ 502	\$ 921,268	\$ -	\$ 921,268
Accrued interest payable	-	-	-	-	-	-	92,175	92,175
Customer deposits	148,330	-	-	-	-	148,330	-	148,330
Operating deposits	-	528,930	109,349	99,103	-	737,382	-	737,382
Interfund payables	277,220	-	-	-	56,847	334,067	(334,067)	-
Due to others	3,371	-	-	-	-	3,371	-	3,371
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	1,580,000	1,580,000
Due after one year	-	-	-	-	-	-	4,462,457	4,462,457
<b>Total liabilities</b>	<b>552,632</b>	<b>1,025,351</b>	<b>217,144</b>	<b>291,942</b>	<b>57,349</b>	<b>2,144,418</b>	<b>5,800,565</b>	<b>7,944,983</b>
<b>Deferred Inflows of Resources</b>								
Deferred property tax revenues	4,939	0	0	0	10,822	15,761	(15,761)	0

**Grand Lakes Municipal Utility District No. 4**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**August 31, 2023**

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Fund Balances/Net Position</b>								
Fund balances:								
Nonspendable, prepaid expenditures	\$ 9,000	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ (9,000)	\$ -
Restricted, unlimited tax bonds	-	-	-	-	803,082	803,082	(803,082)	-
Committed:								
Water production and distribution	-	287,472	-	-	-	287,472	(287,472)	-
Wastewater collection and treatment	-	-	71,919	-	-	71,919	(71,919)	-
Reclaimed water distribution system	-	-	-	57,849	-	57,849	(57,849)	-
Assigned, future expenditures	242,550	-	-	-	-	242,550	(242,550)	-
Unassigned	1,976,817	-	-	-	-	1,976,817	(1,976,817)	-
Total fund balances	2,228,367	287,472	71,919	57,849	803,082	3,448,689	(3,448,689)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 2,785,938	\$ 1,312,823	\$ 289,063	\$ 349,791	\$ 871,253	\$ 5,608,868		
Net position:								
Net investment in capital assets							3,810,676	3,810,676
Restricted for plant operations							417,240	417,240
Restricted for debt service							721,729	721,729
Unrestricted							2,241,543	2,241,543
Total net position							\$ 7,191,188	\$ 7,191,188

**Grand Lakes Municipal Utility District No. 4**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended August 31, 2023**

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>								
Property taxes	\$ 714,382	\$ -	\$ -	\$ -	\$ 1,518,788	\$ 2,233,170	\$ 9,806	\$ 2,242,976
Strategic Partnership Agreement	105,953	-	-	-	-	105,953	183	106,136
Water service	487,351	2,655,428	-	1,218,348	-	4,361,127	(1,402,096)	2,959,031
Sewer service	568,486	-	1,214,248	-	-	1,782,734	(790,237)	992,497
Surface water conversion	769,488	-	-	-	-	769,488	-	769,488
Penalty and interest	28,151	-	-	-	12,043	40,194	-	40,194
Tap connection and inspection fees	1,120	-	-	-	-	1,120	-	1,120
Investment income	99,963	6,792	323	319	49,116	156,513	-	156,513
Other income	82,857	40,676	-	-	-	123,533	387,849	511,382
<b>Total revenues</b>	<b>2,857,751</b>	<b>2,702,896</b>	<b>1,214,571</b>	<b>1,218,667</b>	<b>1,579,947</b>	<b>9,573,832</b>	<b>(1,794,495)</b>	<b>7,779,337</b>
<b>Expenditures/Expenses</b>								
Service operations:								
Purchased services	1,921,030	1,390,017	-	-	-	3,311,047	(1,921,030)	1,390,017
Surface water conversion	-	920,474	-	702,831	-	1,623,305	-	1,623,305
Professional fees	157,464	3,421	2,696	3,507	1,251	168,339	-	168,339
Contracted services	372,770	40,030	65,087	17,005	39,208	534,100	-	534,100
Solid waste	347,388	-	-	-	-	347,388	-	347,388
Utilities	70,324	108,062	104,651	-	-	283,037	-	283,037
Repairs and maintenance	258,669	211,630	411,114	479,003	-	1,360,416	33,937	1,394,373
Other expenditures	102,765	29,262	56,407	11,020	12,719	212,173	(36,084)	176,089
Capital outlay	37,270	-	574,616	5,301	-	617,187	(617,187)	-
Depreciation	-	-	-	-	-	-	581,091	581,091
Debt service:								
Principal retirement	-	-	-	-	1,505,000	1,505,000	(1,505,000)	-
Interest and fees	-	-	-	-	281,031	281,031	4,711	285,742
<b>Total expenditures/expenses</b>	<b>3,267,680</b>	<b>2,702,896</b>	<b>1,214,571</b>	<b>1,218,667</b>	<b>1,839,209</b>	<b>10,243,023</b>	<b>(3,459,542)</b>	<b>6,783,481</b>

**Grand Lakes Municipal Utility District No. 4**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended August 31, 2023**

	General Fund	Water Plant	Wastewater Treatment Plant	Reclaimed Water Distribution System	Debt Service Fund	Total	Adjustments	Statement of Activities
Deficiency of Revenues Over Expenditures	\$ (409,929)	\$ 0	\$ 0	\$ 0	\$ (259,262)	\$ (669,191)	\$ 1,665,047	
Other Financing Sources (Uses)								
Reimbursement from governmental entity	53,410	-	-	-	-	53,410	(53,410)	
Interfund transfers in (out)	(109,286)	65,624	5,813	37,849	-	-	-	
Total other financing sources (uses)	(55,876)	65,624	5,813	37,849	0	53,410	(53,410)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(465,805)	65,624	5,813	37,849	(259,262)	(615,781)	615,781	
Change in Net Position							995,856	\$ 995,856
Fund Balances/Net Position								
Beginning of year	2,694,172	221,848	66,106	20,000	1,062,344	4,064,470	-	6,195,332
End of year	\$ 2,228,367	\$ 287,472	\$ 71,919	\$ 57,849	\$ 803,082	\$ 3,448,689	\$ 0	\$ 7,191,188

# **Grand Lakes Municipal Utility District No. 4**

## **Notes to Financial Statements**

**August 31, 2023**

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

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

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

#### ***Reporting Entity***

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

#### ***Government-wide and Fund Financial Statements***

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

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

# **Grand Lakes Municipal Utility District No. 4**

## **Notes to Financial Statements**

### **August 31, 2023**

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

The District presents the following major governmental funds:

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

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

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

#### ***Fund Balances – Governmental Funds***

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

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

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

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

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

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

# **Grand Lakes Municipal Utility District No. 4**

## **Notes to Financial Statements**

**August 31, 2023**

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. 4**

## **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. 4

## 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. 4**

## **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.	\$ 9,617,262
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	15,761
Strategic Partnership Agreement receivables are not receivable in the current period and are not reported in the funds.	8,237

# Grand Lakes Municipal Utility District No. 4

## Notes to Financial Statements

August 31, 2023

Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	\$ 235,871
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(92,175)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(6,042,457)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 3,742,499</u>

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

Change in fund balances.	\$ (615,781)
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 capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	101,359
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,505,000
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.	9,989
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>(4,711)</u>
Change in net position of governmental activities.	<u>\$ 995,856</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.

# Grand Lakes Municipal Utility District No. 4

## 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 reported at net asset value.

At August 31, 2023, 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	<u>\$ 3,232,485</u>	<u>\$ 3,232,485</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

# Grand Lakes Municipal Utility District No. 4

## 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	\$ 868,385
Investments	<u>3,232,485</u>
Total	<u>\$ 4,100,870</u>

Included in the following statement of net position captions:

Cash	\$ 393,385
Certificates of deposit	475,000
Short-term investments	<u>3,232,485</u>
Total	<u>\$ 4,100,870</u>

### ***Investment Income***

Investment income of \$156,513 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 \$3,232,485 are valued at fair value per share of the pool's underlying portfolio.

**Grand Lakes Municipal Utility District No. 4**  
**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 below:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Reclassi- fications</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:				
Land and improvements	\$ 283,242	\$ -	\$ -	\$ 283,242
Construction in progress	26,494	120,216	26,494	120,216
Total capital assets, non-depreciable	309,736	120,216	26,494	403,458
Capital assets, depreciable:				
Water production and distribution facilities	6,663,560	250,307	-	6,913,867
Wastewater collection and treatment facilities	7,989,151	306,626	26,494	8,322,271
Drainage facilities	5,841,876	-	-	5,841,876
Park facilities	127,824	5,301	-	133,125
Total capital assets, depreciable	20,622,411	562,234	26,494	21,211,139
Less accumulated depreciation:				
Water production and distribution facilities	(3,980,541)	(219,670)	-	(4,200,211)
Wastewater collection and treatment facilities	(4,302,929)	(222,204)	-	(4,525,133)
Drainage facilities	(3,124,176)	(129,822)	-	(3,253,998)
Park facilities	(8,598)	(9,395)	-	(17,993)
Total accumulated depreciation	(11,416,244)	(581,091)	0	(11,997,335)
Total governmental activities, net	\$ 9,515,903	\$ 101,359	\$ 0	\$ 9,617,262

**Note 4: Long-term Liabilities**

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

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:				
General obligation bonds	\$ 7,230,000	\$ 1,505,000	\$ 5,725,000	\$ 1,580,000
Add premiums on bonds	363,489	46,032	317,457	-
Total governmental activities long-term liabilities	\$ 7,593,489	\$ 1,551,032	\$ 6,042,457	\$ 1,580,000

**Grand Lakes Municipal Utility District No. 4**  
**Notes to Financial Statements**  
**August 31, 2023**

***General Obligation Bonds***

	<b>Refunding Series 2010</b>	<b>Refunding Series 2014</b>
Amounts outstanding, August 31, 2023	\$1,440,000	\$95,000
Interest rates	4.00%	3.125%
Maturity dates, serially beginning/ending	April 1, 2024	April 1, 2024
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2019	April 1, 2022
		<b>Refunding Series 2016</b>
Amount outstanding, August 31, 2023		\$4,190,000
Interest rates		2.000% to 4.000%
Maturity dates, serially beginning/ending		April 1, 2024/2031
Interest payment dates		October 1/ April 1
Callable date*		April 1, 2023

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

***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:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
2029-2031	1,595,000	117,800	1,712,800
Total	<u>\$ 5,725,000</u>	<u>\$ 848,169</u>	<u>\$ 6,573,169</u>

# **Grand Lakes Municipal Utility District No. 4**

## **Notes to Financial Statements**

**August 31, 2023**

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

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

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

### **Note 5: Significant Bond Order and Commission Requirements**

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2023, the District levied an ad valorem debt service tax at the rate of \$0.3200 per \$100 of assessed valuation, which resulted in a tax levy of \$1,549,139 on the taxable valuation of \$484,107,032 for the 2022 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$1,755,447, of which \$1,644,838 has been paid and \$110,609 is due October 1, 2023.

### **Note 6: Maintenance Taxes**

At an election held April 5, 1986, voters authorized a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.1500 per \$100 of assessed valuation, which resulted in a tax levy of \$726,159 on the taxable valuation of \$484,107,032 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. 1 (Grand No. 1) and Grand Lakes Municipal Utility District No. 2 (Grand No. 2) to construct and operate water facilities on behalf of the three participants. The agreement was



# Grand Lakes Municipal Utility District No. 4

## Notes to Financial Statements

August 31, 2023

amended on March 6, 1998, March 24, 1998, April 16, 2001, May 20, 2002, and September 19, 2005. The participants are to share construction and fixed operating costs based on allocated capacity. Variable operating costs are shared based on actual connections in the water plant.

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

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

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

	<b>Grand No. 1</b>	<b>Grand No. 2</b>	<b>The District</b>	<b>Totals</b>
Due from participants, beginning of year	\$ 201,616	\$ 206,280	\$ 59,865	\$ 467,761
Current year billings	819,792	882,599	953,037	2,655,428
Current year collections, net	<u>(793,493)</u>	<u>(829,390)</u>	<u>(850,463)</u>	<u>(2,473,346)</u>
Due from participants, end of year	<u>\$ 227,915</u>	<u>\$ 259,489</u>	<u>\$ 162,439</u>	<u>\$ 649,843</u>

Grand No. 1, Grand No. 2 and the District have deposited \$250,757, \$278,173 and \$287,472, respectively, as plant operating reserves.

### **Wastewater Treatment Plant**

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

# Grand Lakes Municipal Utility District No. 4

## Notes to Financial Statements

August 31, 2023

<b>District</b>	<b>Permanent Capacity</b>
Grand No. 1	29.10 %
Grand No. 2	21.08
The District	<u>49.82</u>
Totals	<u>100.00 %</u>

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

	<b>Grand No. 1</b>	<b>Grand No. 2</b>	<b>The District</b>	<b>Totals</b>
Due from participants, beginning of year	\$ 38,468	\$ 41,315	\$ 22,557	\$ 102,340
Current year billings	373,873	321,441	518,934	1,214,248
Current year collections	<u>(364,363)</u>	<u>(318,406)</u>	<u>(498,052)</u>	<u>(1,180,821)</u>
Due from participants, end of year	<u>\$ 47,978</u>	<u>\$ 44,350</u>	<u>\$ 43,439</u>	<u>\$ 135,767</u>

Grand No. 1, Grand No. 2 and the District have deposited \$53,516, \$55,833 and \$71,919, respectively, as plant operating reserves.

### ***Reclaimed Water Distribution System***

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

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

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

# Grand Lakes Municipal Utility District No. 4

## Notes to Financial Statements

August 31, 2023

	Grand No. 1	Grand No. 2	The District	Totals
Due from participants, beginning of year	\$ 105,886	\$ 171,006	\$ 72,453	\$ 349,345
Current year billings	294,182	475,107	449,059	1,218,348
Current year collections	(325,104)	(525,045)	(450,170)	(1,300,319)
Due from participants, end of year	\$ 74,964	\$ 121,068	\$ 71,342	\$ 267,374

Grand No. 1, Grand No. 2 and the District have deposited \$37,898, \$61,205 and \$57,849, respectively, as plant operating reserves.

### Note 8: Risk Management

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

### Note 9: Strategic Partnership Agreement

Effective March 30, 2005, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed certain tracts of land (the tracts) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tracts. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$106,136 in revenue related to the Agreement.

### Note 10: Regional Water Authority

The District is within the boundaries of the Authority, which was created by the Texas Legislature to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. As of August 31, 2023, the Authority was billing the District \$4.55 per 1,000 gallons of water pumped from its wells and \$4.90 for surface water received, which is allocated to each participant. These amounts are subject to future increases.

## **Required Supplementary Information**

**Grand Lakes Municipal Utility District No. 4**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended August 31, 2023**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Property taxes	\$ 623,000	\$ 709,400	\$ 714,382	\$ 4,982
Strategic Partnership Agreement	112,000	112,000	105,953	(6,047)
Water service	452,700	555,400	487,351	(68,049)
Sewer service	483,800	559,400	568,486	9,086
Surface water conversion	950,486	950,486	769,488	(180,998)
Penalty and interest	22,700	22,700	28,151	5,451
Tap connection and inspection fees	-	-	1,120	1,120
Investment income	24,100	24,100	99,963	75,863
Other	21,044	67,817	82,857	15,040
<b>Total revenues</b>	<b>2,689,830</b>	<b>3,001,303</b>	<b>2,857,751</b>	<b>(143,552)</b>
<b>Expenditures</b>				
Service operations:				
Purchased services	1,638,042	1,779,945	1,921,030	(141,085)
Professional fees	145,400	145,400	157,464	(12,064)
Contracted services	367,220	367,220	372,770	(5,550)
Solid waste	326,200	326,200	347,388	(21,188)
Utilities	60,400	60,400	70,324	(9,924)
Repairs and maintenance	350,900	350,900	258,669	92,231
Other expenditures	85,801	98,800	102,765	(3,965)
Capital outlay	960,731	1,028,621	37,270	991,351
<b>Total expenditures</b>	<b>3,934,694</b>	<b>4,157,486</b>	<b>3,267,680</b>	<b>889,806</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(1,244,864)</b>	<b>(1,156,183)</b>	<b>(409,929)</b>	<b>746,254</b>
<b>Other Financing Sources (Uses)</b>				
Reimbursement from governmental entity	63,300	63,300	53,410	(9,890)
Interfund transfers out	-	-	(109,286)	(109,286)
<b>Total other financing sources (uses)</b>	<b>63,300</b>	<b>63,300</b>	<b>(55,876)</b>	<b>(119,176)</b>
<b>Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(1,181,564)</b>	<b>(1,092,883)</b>	<b>(465,805)</b>	<b>627,078</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,694,172</b>	<b>2,694,172</b>	<b>2,694,172</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 1,512,608</b>	<b>\$ 1,601,289</b>	<b>\$ 2,228,367</b>	<b>\$ 627,078</b>

**Grand Lakes Municipal Utility District No. 4**  
**Budgetary Comparison Schedule – Water Plant**  
**Year Ended August 31, 2023**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Service fees:			
The District	\$ 1,149,887	\$ 953,037	\$ (196,850)
Grand No. 1	1,003,029	819,792	(183,237)
Grand No. 2	1,112,691	882,599	(230,092)
Investment income	450	6,792	6,342
Other income	-	40,676	40,676
	<u>3,266,057</u>	<u>2,702,896</u>	<u>(563,161)</u>
Total revenues			
<b>Expenditures</b>			
Service operations:			
Purchased services	2,736,000	1,390,017	1,345,983
Surface water conversion	-	920,474	(920,474)
Audit fees	2,400	2,400	-
Legal fees	7,000	1,021	5,979
Engineering fees	2,500	-	2,500
Bookkeeping fees	11,900	16,030	(4,130)
Operator fees	24,000	24,000	-
Utilities	106,000	108,062	(2,062)
Repairs and maintenance	223,000	134,389	88,611
Laboratory	1,133	800	333
Chemicals	63,000	70,100	(7,100)
Office supplies and postage	800	806	(6)
Insurance	24,700	20,039	4,661
Permit fees	3,200	-	3,200
Other expenditures	5,224	8,417	(3,193)
Mowing	5,200	6,341	(1,141)
Capital outlay	50,000	-	50,000
	<u>3,266,057</u>	<u>2,702,896</u>	<u>563,161</u>
Total expenditures			
<b>Excess of Revenues Over Expenditures</b>	-	-	-
<b>Other Financing Sources</b>			
Interfund transfers in	-	65,624	65,624
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	-	65,624	65,624
<b>Fund Balance, Beginning of Year</b>	221,848	221,848	-
<b>Fund Balance, End of Year</b>	<u>\$ 221,848</u>	<u>\$ 287,472</u>	<u>\$ 65,624</u>

**Grand Lakes Municipal Utility District No. 4**  
**Budgetary Comparison Schedule – Wastewater Treatment Plant**  
**Year Ended August 31, 2023**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Service fees:			
The District	\$ 285,106	\$ 518,934	\$ 233,828
Grand No. 1	214,063	373,873	159,810
Grand No. 2	223,330	321,441	98,111
Investment income	10	323	313
	<u>722,509</u>	<u>1,214,571</u>	<u>492,062</u>
Total revenues			
<b>Expenditures</b>			
Service operations:			
Audit fees	2,370	2,400	(30)
Legal fees	5,000	296	4,704
Engineering fees	5,000	-	5,000
Bookkeeping fees	12,000	15,569	(3,569)
Operator fees	48,000	48,000	-
Utilities	93,000	104,651	(11,651)
Repairs and maintenance	183,120	182,754	366
Sludge removal	81,000	79,811	1,189
Mowing	5,200	6,150	(950)
Chemicals	80,000	112,910	(32,910)
Laboratory	27,000	29,489	(2,489)
Office supplies and postage	330	396	(66)
Insurance	14,000	10,456	3,544
Permit fees	5,000	4,629	371
Administrative charge	21,044	35,366	(14,322)
Other expenditures	3,710	5,560	(1,850)
Garbage	1,360	1,518	(158)
Capital outlay	135,375	574,616	(439,241)
	<u>722,509</u>	<u>1,214,571</u>	<u>(492,062)</u>
Total expenditures			
<b>Excess of Revenues Over Expenditures</b>	-	-	-
<b>Other Financing Sources</b>			
Interfund transfers in	-	5,813	5,813
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	-	5,813	5,813
<b>Fund Balance, Beginning of Year</b>	66,106	66,106	-
<b>Fund Balance, End of Year</b>	<u>\$ 66,106</u>	<u>\$ 71,919</u>	<u>\$ 5,813</u>

**Grand Lakes Municipal Utility District No. 4**  
**Budgetary Comparison Schedule – Reclaimed Water Distribution System**  
**Year Ended August 31, 2023**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Service fees:				
The District	\$ 347,096	\$ 488,999	\$ 449,059	\$ (39,940)
Grand No. 1	227,385	320,347	294,182	(26,165)
Grand No. 2	367,229	517,364	475,107	(42,257)
Investment income	20	20	319	299
Total revenues	941,730	1,326,730	1,218,667	(108,063)
<b>Expenditures</b>				
Service operations:				
Surface water conversion	500,000	800,000	702,831	97,169
Audit fees	2,400	2,400	2,400	-
Legal fees	15,000	15,000	1,107	13,893
Engineering fees	5,000	5,000	-	5,000
Bookkeeping fees	10,000	10,000	10,819	(819)
Operator fees	6,200	6,200	6,186	14
Utilities	12,000	12,000	-	12,000
Repairs and maintenance	300,000	385,000	479,003	(94,003)
Laboratory fees	4,800	4,800	-	4,800
Chemicals	10,000	10,000	-	10,000
Mowing	24,000	24,000	-	24,000
Office supplies and postage	3,330	3,330	4	3,326
Insurance	14,000	14,000	8,969	5,031
Other expenditures	5,000	5,000	2,047	2,953
Capital outlay	30,000	30,000	5,301	24,699
Total expenditures	941,730	1,326,730	1,218,667	108,063
<b>Excess of Revenues Over Expenditures</b>	-	-	-	-
<b>Other Financing Sources</b>				
Interfund transfers in	-	-	37,849	37,849
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	-	-	37,849	37,849
<b>Fund Balance, Beginning of Year</b>	20,000	20,000	20,000	-
<b>Fund Balance, End of Year</b>	\$ 20,000	\$ 20,000	\$ 57,849	\$ 37,849



**Grand Lakes Municipal Utility District No. 4**  
**Notes to Required Supplementary Information**  
**August 31, 2023**

***Budgets and Budgetary Accounting***

Annual operating budgets are prepared for the general, water plant, wastewater treatment plant and reclaimed water distribution system funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund and reclaimed water distribution system fund were amended and the original budgets of the water plant and wastewater treatment plant funds were not amended during fiscal 2023.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund, Water Plant, Wastewater Treatment Plant and Reclaimed Water Distribution System present 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. 4**  
**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 15-29
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

# Grand Lakes Municipal Utility District No. 4

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

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 25.00	10,000	N	\$ 2.00	10,001 to 20,000
				\$ 4.00	20,001 to 50,000
				\$ 5.00	50,000 to No Limit
Wastewater:	\$ 42.00	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 \$ 42.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	667	666	x1.0	666
1"	346	344	x2.5	860
1 1/2"	3	3	x5.0	15
2"	27	27	x8.0	216
3"	3	3	x15.0	45
4"	7	7	x25.0	175
6"	5	5	x50.0	250
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	1,060	1,057		2,387
Total wastewater	1,002	999	x1.0	999

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

Gallons pumped into the system:	486,599
Gallons billed to customers:	488,741
Water accountability ratio (gallons billed/gallons pumped):	100.44%

\*"ESFC" means equivalent single-family connections

**Grand Lakes Municipal Utility District No. 4**  
**Schedule of General Fund Expenditures**  
**Year Ended August 31, 2023**

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ 20,500	
Legal	104,894	
Engineering	32,070	
Financial advisor	-	157,464
<b>Purchased Services for Resale</b>		
Bulk water and wastewater service purchases		1,921,030
<b>Regional Water Fee</b>		-
<b>Contracted Services</b>		
Bookkeeping	56,616	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	242,341	
Other contracted services	73,813	372,770
<b>Utilities</b>		70,324
<b>Repairs and Maintenance</b>		258,669
<b>Administrative Expenditures</b>		
Directors' fees	22,617	
Office supplies	12,563	
Insurance	5,670	
Other administrative expenditures	61,915	102,765
<b>Capital Outlay</b>		
Capitalized assets	37,270	
Expenditures not capitalized	-	37,270
<b>Tap Connection Expenditures</b>		-
<b>Solid Waste Disposal</b>		347,388
<b>Fire Fighting</b>		-
<b>Parks and Recreation</b>		-
<b>Other Expenditures</b>		-
Total expenditures		<u>\$ 3,267,680</u>

**Grand Lakes Municipal Utility District No. 4**  
**Schedule of Temporary Investments**  
**August 31, 2023**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificates of Deposit				
No. 440005592	3.50%	10/19/23	\$ 240,000	\$ 7,272
No. 6257089	5.00%	04/24/24	235,000	4,024
Texas CLASS	5.49%	Demand	<u>1,694,386</u>	<u>-</u>
			2,169,386	11,296
<b>Debt Service Fund</b>				
Texas CLASS	5.49%	Demand	805,793	-
<b>Water Plant Fund</b>				
Texas CLASS	5.49%	Demand	551,737	-
<b>Wastewater Treatment Plant Fund</b>				
Texas CLASS	5.49%	Demand	100,316	-
<b>Reclaimed Water Distribution System Fund</b>				
Texas CLASS	5.49%	Demand	<u>80,253</u>	<u>-</u>
Total			<u>\$ 3,707,485</u>	<u>\$ 11,296</u>

**Grand Lakes Municipal Utility District No. 4**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended August 31, 2023**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 1,566	\$ 4,389
Additions and corrections to prior years' taxes	<u>(8,404)</u>	<u>(23,918)</u>
Adjusted receivable, beginning of year	<u>(6,838)</u>	<u>(19,529)</u>
 <b>2022 Original Tax Levy</b>	 724,974	 1,546,611
Additions and corrections	<u>1,185</u>	<u>2,528</u>
Adjusted tax levy	<u>726,159</u>	<u>1,549,139</u>
Total to be accounted for	719,321	1,529,610
Tax (collections) repayments:		
Current year	(721,716)	(1,539,661)
Prior years	<u>7,334</u>	<u>20,873</u>
Receivable, end of year	<u><u>\$ 4,939</u></u>	<u><u>\$ 10,822</u></u>
 <b>Receivable, by Years</b>		
2022	\$ 4,443	\$ 9,478
2021	128	366
2020	148	420
2019	110	314
2018	2	4
2017	62	140
2016	<u>46</u>	<u>100</u>
Receivable, end of year	<u><u>\$ 4,939</u></u>	<u><u>\$ 10,822</u></u>

**Grand Lakes Municipal Utility District No. 4**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended August 31, 2023**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Property Valuations</b>				
Land	\$ 112,553,310	\$ 112,347,090	\$ 101,131,000	\$ 101,052,820
Improvements	465,881,771	359,557,787	360,965,469	355,731,793
Personal property	14,015,000	10,697,600	11,626,990	11,544,820
Exemptions	<u>(108,343,049)</u>	<u>(49,478,752)</u>	<u>(46,613,627)</u>	<u>(46,327,755)</u>
Total property valuations	<u>\$ 484,107,032</u>	<u>\$ 433,123,725</u>	<u>\$ 427,109,832</u>	<u>\$ 422,001,678</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.3200	\$ 0.3700	\$ 0.3700	\$ 0.3700
Maintenance tax rates*	<u>0.1500</u>	<u>0.1300</u>	<u>0.1300</u>	<u>0.1300</u>
Total tax rates per \$100 valuation	<u>\$ 0.4700</u>	<u>\$ 0.5000</u>	<u>\$ 0.5000</u>	<u>\$ 0.5000</u>
<b>Tax Levy</b>	<u>\$ 2,275,298</u>	<u>\$ 2,165,619</u>	<u>\$ 2,135,550</u>	<u>\$ 2,110,008</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

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

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



**Grand Lakes Municipal Utility District No. 4**  
**Schedule of Long-term Debt Service Requirements by Years**  
**August 31, 2023**

Due During Fiscal Years Ending August 31	Refunding Series 2010		Total
	Principal Due April 1	Interest Due October 1, April 1	
2024	<u>\$ 1,440,000</u>	<u>\$ 57,600</u>	<u>\$ 1,497,600</u>

**Grand Lakes Municipal Utility District No. 4**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2023**

Due During Fiscal Years Ending August 31	Refunding Series 2014		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	<u>\$ 95,000</u>	<u>\$ 2,969</u>	<u>\$ 97,969</u>

**Grand Lakes Municipal Utility District No. 4**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2023**

Due During Fiscal Years Ending August 31	Refunding Series 2016		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ 45,000	\$ 160,650	\$ 205,650
2025	605,000	159,750	764,750
2026	615,000	141,600	756,600
2027	655,000	117,000	772,000
2028	675,000	90,800	765,800
2029	700,000	63,800	763,800
2030	440,000	35,800	475,800
2031	455,000	18,200	473,200
Totals	<u>\$ 4,190,000</u>	<u>\$ 787,600</u>	<u>\$ 4,977,600</u>

**Grand Lakes Municipal Utility District No. 4**  
**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	\$ 1,580,000	\$ 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>\$ 5,725,000</u>	<u>\$ 848,169</u>	<u>\$ 6,573,169</u>

**Grand Lakes Municipal Utility District No. 4**  
**Changes in Long-term Bonded Debt**  
**Year Ended August 31, 2023**

	<b>Bond Issues</b>			<b>Totals</b>
	<b>Refunding Series 2010</b>	<b>Refunding Series 2014</b>	<b>Refunding Series 2016</b>	
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, 2024	April 1, 2024	April 1, 2024/2031	
Bonds outstanding, beginning of current year	\$ 2,810,000	\$ 180,000	\$ 4,240,000	\$ 7,230,000
Retirements, principal	1,370,000	85,000	50,000	1,505,000
Bonds outstanding, end of current year	\$ 1,440,000	\$ 95,000	\$ 4,190,000	\$ 5,725,000
Interest paid during current year	\$ 112,400	\$ 5,625	\$ 161,650	\$ 279,675

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:	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 56,548,000	0	\$ 29,900,000
Amount issued	\$ 25,550,000	0	\$ 1,378,685 *
Remaining to be issued	\$ 30,998,000	0	\$ 28,521,315
Debt service fund cash and temporary investment balances as of August 31, 2023:			\$ 860,431
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 821,646

\*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				
	2023	2022	2021	2020	2019
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 714,382	\$ 564,501	\$ 556,467	\$ 547,246	\$ 560,780
Strategic Partnership Agreement	105,953	110,396	106,073	106,741	130,284
Water service	487,351	439,193	400,245	381,801	421,380
Sewer service	568,486	468,167	443,833	388,605	432,143
Surface water conversion	769,488	811,178	657,230	698,621	553,035
Penalty and interest	28,151	22,037	5,628	11,589	15,739
Tap connection and inspection fees	1,120	300	-	660	95,645
Investment income	99,963	13,772	27,179	85,961	92,431
Other income	82,857	50,014	43,240	35,036	47,677
Total revenues	<u>2,857,751</u>	<u>2,479,558</u>	<u>2,239,895</u>	<u>2,256,260</u>	<u>2,349,114</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	1,921,030	1,582,724	1,162,886	1,132,214	963,595
Professional fees	157,464	194,591	166,295	163,952	129,135
Contracted services	372,770	353,434	305,818	298,776	284,405
Solid waste	347,388	317,578	300,443	286,400	265,876
Utilities	70,324	64,164	68,448	79,160	76,534
Repairs and maintenance	258,669	351,204	291,742	241,299	229,376
Other expenditures	102,765	84,192	101,534	110,467	103,156
Tap connections	-	-	-	-	35,150
Capital outlay	37,270	146,295	826,241	80,728	51,325
Total expenditures	<u>3,267,680</u>	<u>3,094,182</u>	<u>3,223,407</u>	<u>2,392,996</u>	<u>2,138,552</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(409,929)</u>	<u>(614,624)</u>	<u>(983,512)</u>	<u>(136,736)</u>	<u>210,562</u>
<b>Other Financing Sources (Uses)</b>					
Reimbursement from governmental entity	53,410	-	-	-	-
Interfund transfers in (out)	(109,286)	(49,177)	(26,275)	180,887	(1,508)
Total other financing sources (uses)	<u>(55,876)</u>	<u>(49,177)</u>	<u>(26,275)</u>	<u>180,887</u>	<u>(1,508)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(465,805)</u>	<u>(663,801)</u>	<u>(1,009,787)</u>	<u>44,151</u>	<u>209,054</u>
<b>Fund Balance, Beginning of Year</b>	<u>2,694,172</u>	<u>3,357,973</u>	<u>4,367,760</u>	<u>4,323,609</u>	<u>4,114,555</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,228,367</u>	<u>\$ 2,694,172</u>	<u>\$ 3,357,973</u>	<u>\$ 4,367,760</u>	<u>\$ 4,323,609</u>
<b>Total Active Retail Water Connections</b>	<u>1,057</u>	<u>1,054</u>	<u>1,051</u>	<u>1,051</u>	<u>1,054</u>
<b>Total Active Retail Wastewater Connections</b>	<u>999</u>	<u>999</u>	<u>997</u>	<u>998</u>	<u>1,000</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
25.0 %	22.8 %	24.9 %	24.3 %	23.9 %
3.7	4.4	4.7	4.7	5.6
17.1	17.7	17.9	16.9	17.9
19.9	18.9	19.8	17.2	18.4
26.9	32.7	29.3	31.0	23.5
1.0	0.9	0.3	0.5	0.7
0.0	0.0	-	0.0	4.1
3.5	0.6	1.2	3.8	3.9
2.9	2.0	1.9	1.6	2.0
100.0	100.0	100.0	100.0	100.0
67.2	63.8	51.9	50.2	41.0
5.5	7.8	7.4	7.3	5.5
13.0	14.3	13.7	13.2	12.1
12.2	12.8	13.4	12.7	11.3
2.5	2.6	3.1	3.5	3.2
9.0	14.2	13.0	10.7	9.8
3.6	3.4	4.5	4.9	4.4
-	-	-	-	1.5
1.3	5.9	36.9	3.6	2.2
114.3	124.8	143.9	106.1	91.0
(14.3) %	(24.8) %	(43.9) %	(6.1) %	9.0 %

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

	Amounts				
	2023	2022	2021	2020	2019
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,518,788	\$ 1,606,657	\$ 1,583,791	\$ 1,557,432	\$ 1,593,860
Penalty and interest	12,043	15,535	36,607	22,922	14,852
Investment income	49,116	4,955	8,776	29,078	38,110
Total revenues	<u>1,579,947</u>	<u>1,627,147</u>	<u>1,629,174</u>	<u>1,609,432</u>	<u>1,646,822</u>
<b>Expenditures</b>					
Current:					
Professional fees	1,251	4,117	11,541	6,132	3,974
Contracted services	39,208	33,783	28,771	24,480	31,487
Other expenditures	12,719	6,927	5,274	4,665	2,857
Debt service:					
Principal retirement	1,505,000	1,450,000	1,395,000	1,315,000	1,265,000
Interest and fees	281,031	332,131	381,543	425,606	461,710
Total expenditures	<u>1,839,209</u>	<u>1,826,958</u>	<u>1,822,129</u>	<u>1,775,883</u>	<u>1,765,028</u>
<b>Deficiency of Revenues Over Expenditures</b>	(259,262)	(199,811)	(192,955)	(166,451)	(118,206)
<b>Fund Balance, Beginning of Year</b>	<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>
<b>Fund Balance, End of Year</b>	<u>\$ 803,082</u>	<u>\$ 1,062,344</u>	<u>\$ 1,262,155</u>	<u>\$ 1,455,110</u>	<u>\$ 1,621,561</u>



Percent of Fund Total Revenues

2023	2022	2021	2020	2019
96.1 %	98.7 %	97.2 %	96.8 %	96.8 %
0.8	1.0	2.3	1.4	0.9
3.1	0.3	0.5	1.8	2.3
100.0	100.0	100.0	100.0	100.0
0.1	0.3	0.7	0.4	0.2
2.5	2.1	1.8	1.5	1.9
0.8	0.4	0.3	0.3	0.2
95.2	89.1	85.6	81.7	76.8
17.8	20.4	23.4	26.4	28.1
116.4	112.3	111.8	110.3	107.2
(16.4) %	(12.3) %	(11.8) %	(10.3) %	(7.2) %

**Grand Lakes Municipal Utility District No. 4**  
**Board Members, Key Personnel and Consultants**  
**Year Ended August 31, 2023**

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):	July 19, 2023
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
Charles Matheson	Elected 05/22- 05/26	\$ 7,200	\$ 3,001	President
Glenn Gcsoff	Elected 05/20- 05/24	4,760	2,167	Vice President
John Schneller IV	Appointed 01/21- 05/24	2,826	2,202	Secretary
Adam White	Appointed 04/23- 05/26	1,776	511	Assistant Secretary
Matthew Knies	Elected 05/22- 02/23	600	94	Resigned
Mashhood A. Shah	Elected 05/20- 07/23	5,455	1,942	Disqualified

\*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, 2023**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Costello, Inc.	03/05/06	\$ 68,686	Engineer
Fort Bend Central Appraisal District	Legislative Action	19,111	Appraiser
FORVIS, LLP	07/30/93	25,300	Auditor
Masterson Advisors LLC	05/14/18	0	Financial Advisor
Municipal Accounts & Consulting, L.P.	04/21/03	105,763	Bookkeeper
Municipal District Services, L.L.C.	04/01/09	1,297,961	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/29/99	1,251	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	02/04/86	112,527	Attorney
Wheeler & Associates, Inc.	10/15/97	27,950	Tax Assessor/ Collector
<b>Investment Officers</b>			
Mark M. Burton and Ghia Lewis	07/19/04	N/A	Bookkeepers

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# **Grand Lakes Water Control and Improvement District Fort Bend County, Texas**

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

July 31, 2023

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# Grand Lakes Water Control and Improvement District

## July 31, 2023

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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, 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 July 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 29, 2024



# **Grand Lakes Water Control and Improvement District**

## **Management's Discussion and Analysis**

### **July 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 Water Control and Improvement District**

## **Management's Discussion and Analysis (Continued)**

### **July 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 Water Control and Improvement District

## Management's Discussion and Analysis (Continued)

### July 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

	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 1,803,319	\$ 2,783,641
Capital assets	<u>5,634,813</u>	<u>5,089,082</u>
Total assets	<u>7,438,132</u>	<u>7,872,723</u>
Deferred outflows of resources	<u>95,889</u>	<u>110,234</u>
Total assets and deferred outflows of resources	<u>\$ 7,534,021</u>	<u>\$ 7,982,957</u>
Long-term liabilities	\$ 3,311,624	\$ 4,353,832
Other liabilities	<u>49,902</u>	<u>73,157</u>
Total liabilities	<u>3,361,526</u>	<u>4,426,989</u>
Net position:		
Net investment in capital assets	2,603,977	2,327,212
Restricted	185,475	94,868
Unrestricted	<u>1,383,043</u>	<u>1,133,888</u>
Total net position	<u>\$ 4,172,495</u>	<u>\$ 3,555,968</u>

The total net position of the District increased by \$616,527, or about 17 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 Water Control and Improvement District**  
**Management's Discussion and Analysis (Continued)**  
**July 31, 2023**

**Summary of Changes in Net Position**

	<b>2023</b>	<b>2022</b>
Revenues:		
Property taxes	\$ 1,048,816	\$ 1,034,392
Other revenues	134,175	36,576
Total revenues	<u>1,182,991</u>	<u>1,070,968</u>
Expenses:		
Services	449,470	475,845
Debt service	<u>116,994</u>	<u>123,814</u>
Total expenses	<u>566,464</u>	<u>599,659</u>
Change in net position	616,527	471,309
Net position, beginning of year	<u>3,555,968</u>	<u>3,084,659</u>
Net position, end of year	<u><u>\$ 4,172,495</u></u>	<u><u>\$ 3,555,968</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, 2023, were \$1,755,017, a decrease of \$990,566 from the prior year.

The general fund's fund balance increased by \$225,962. This increase was primarily due to property tax revenues exceeding service operations expenditures in the current year.

The debt service fund's fund balance increased by \$49,772 because property tax revenues were greater than bond principal and interest requirements and contracted services expenditures.

The capital projects fund's fund balance decreased by \$1,266,300, primarily due to capital outlay expenditures and the early retirement of bond principal on a portion of the outstanding Series 2020 bonds.

**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 investment income being higher than anticipated and property tax revenues and professional fees and repairs and maintenance expenditures being lower than anticipated. In addition, budgeted capital outlay expenditures were not incurred. The fund balance as of July 31, 2023, was expected to be \$1,299,466 and the actual end-of-year fund balance was \$1,350,808.

# Grand Lakes Water Control and Improvement District

## Management's Discussion and Analysis (Continued)

### July 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:

	<u>Capital Assets</u>	
	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 5,634,813	\$ 4,930,434
Construction in progress	<u>-</u>	<u>158,648</u>
Total capital assets	<u>\$ 5,634,813</u>	<u>\$ 5,089,082</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>\$ 545,731</u>
--	-------------------

##### Debt

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

Long-term debt payable, beginning of year	\$ 4,353,832
Decreases in long-term debt	<u>1,042,208</u>
Long-term debt payable, end of year	<u>\$ 3,311,624</u>

At July 31, 2023, 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, 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 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, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 4,618	\$ 85,985	\$ 455	\$ 91,058	\$ -	\$ 91,058
Certificates of deposit	50,000	-	-	50,000	-	50,000
Short-term investments	1,165,550	164,842	223,161	1,553,553	-	1,553,553
Receivables:						
Property taxes	9,370	8,118	-	17,488	-	17,488
Other	67,939	-	-	67,939	22,865	90,804
Accrued interest	41	-	-	41	-	41
Interfund receivables	70,234	-	-	70,234	(70,234)	-
Prepaid expenditures	375	-	-	375	-	375
Capital assets, land and improvements	-	-	-	-	5,634,813	5,634,813
Total assets	1,368,127	258,945	223,616	1,850,688	5,587,444	7,438,132
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	0	0	0	0	95,889	95,889
Total assets and deferred outflows of resources	\$ 1,368,127	\$ 258,945	\$ 223,616	\$ 1,850,688	\$ 5,683,333	\$ 7,534,021

**Grand Lakes Water Control and Improvement District**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**July 31, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 7,949	\$ -	\$ -	\$ 7,949	\$ -	\$ 7,949
Accrued interest payable	-	-	-	-	41,953	41,953
Interfund payables	-	70,234	-	70,234	(70,234)	-
Long-term liabilities:						
Due within one year	-	-	-	-	295,000	295,000
Due after one year	-	-	-	-	3,016,624	3,016,624
<b>Total liabilities</b>	<b>7,949</b>	<b>70,234</b>	<b>0</b>	<b>78,183</b>	<b>3,283,343</b>	<b>3,361,526</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	9,370	8,118	0	17,488	(17,488)	0
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	375	-	-	375	(375)	-
Restricted:						
Unlimited tax bonds	-	180,593	-	180,593	(180,593)	-
Water, sewer and drainage	-	-	223,616	223,616	(223,616)	-
Unassigned	1,350,433	-	-	1,350,433	(1,350,433)	-
<b>Total fund balances</b>	<b>1,350,808</b>	<b>180,593</b>	<b>223,616</b>	<b>1,755,017</b>	<b>(1,755,017)</b>	<b>0</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,368,127</b>	<b>\$ 258,945</b>	<b>\$ 223,616</b>	<b>\$ 1,850,688</b>		
Net position:						
Net investment in capital assets					2,603,977	2,603,977
Restricted for debt service					146,758	146,758
Restricted for capital projects					38,717	38,717
Unrestricted					1,383,043	1,383,043
<b>Total net position</b>					<b>\$ 4,172,495</b>	<b>\$ 4,172,495</b>



**Grand Lakes Water Control and Improvement District**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended July 31, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 349,474	\$ 497,677	\$ -	\$ 1,047,151	\$ 1,665	\$ 1,048,816
Penalty and interest	-	7,257	-	7,257	-	7,257
Investment income	48,152	6,321	31,014	85,487	-	85,487
Other income	18,566	-	-	18,566	22,865	41,431
Total revenues	616,192	511,255	31,014	1,158,461	24,530	1,182,991
<b>Expenditures/Expenses</b>						
Service operations:						
Professional fees	75,285	3,063	-	78,348	500	78,848
Contracted services	37,779	42,641	-	80,420	598	81,018
Repairs and maintenance	251,294	-	-	251,294	-	251,294
Other expenditures	25,872	11,953	485	38,310	-	38,310
Capital outlay	-	-	546,829	546,829	(546,829)	-
Debt service:						
Principal retirement	-	280,000	750,000	1,030,000	(1,030,000)	-
Interest and fees	-	123,826	-	123,826	(6,832)	116,994
Total expenditures/expenses	390,230	461,483	1,297,314	2,149,027	(1,582,563)	566,464
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	225,962	49,772	(1,266,300)	(990,566)	990,566	
<b>Change in Net Position</b>					616,527	616,527
<b>Fund Balances/Net Position</b>						
Beginning of year	1,124,846	130,821	1,489,916	2,745,583	-	3,555,968
End of year	\$ 1,350,808	\$ 180,593	\$ 223,616	\$ 1,755,017	\$ 0	\$ 4,172,495

# **Grand Lakes Water Control and Improvement District**

## **Notes to Financial Statements**

**July 31, 2023**

### **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, 2023

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, 2023**

#### ***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.

#### ***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, 2023**

### ***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 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, 2023**

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, 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 July 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.

#### ***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, 2023

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.	\$ 5,634,813
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	17,488
Amounts due from other governmental entities are not receivable in the current period and are not reported in the funds.	22,865
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	95,889
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(41,953)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(3,311,624)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 2,417,478</u></u>

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

# Grand Lakes Water Control and Improvement District

## Notes to Financial Statements

### July 31, 2023

Change in fund balances.	\$ (990,566)
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.	545,731
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,030,000
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.	24,530
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>6,832</u>
Change in net position of governmental activities.	<u><u>\$ 616,527</u></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, 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



# Grand Lakes Water Control and Improvement District

## Notes to Financial Statements

July 31, 2023

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 reported at net asset value.

At July 31, 2023, 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	\$ 1,553,553	\$ 1,553,553	\$ 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, 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 above are included in the balance sheet at July 31, 2023, as follows:

Carrying value:	
Deposits	\$ 141,058
Investments	<u>1,553,553</u>
Total	<u>\$ 1,694,611</u>

# Grand Lakes Water Control and Improvement District

## Notes to Financial Statements

### July 31, 2023

Included in the following statement of net position captions:

Cash	\$ 91,058
Certificates of deposit	50,000
Short-term investments	<u>1,553,553</u>
Total	<u><u>\$ 1,694,611</u></u>

#### **Investment Income**

Investment income of \$85,487 for the year ended July 31, 2023, consisted of interest income.

#### **Fair Value Measurements**

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

- Pooled investments of \$1,553,553 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, 2023, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 4,930,434	\$ 545,731	\$ 158,648	\$ 5,634,813
Construction in progress	<u>158,648</u>	<u>-</u>	<u>(158,648)</u>	<u>-</u>
Total governmental activities, net	<u><u>\$ 5,089,082</u></u>	<u><u>\$ 545,731</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 5,634,813</u></u>

#### **Note 4: Long-term Liabilities**

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

**Grand Lakes Water Control and Improvement District**  
**Notes to Financial Statements**  
**July 31, 2023**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:				
General obligation bonds	\$ 4,225,000	\$ 1,030,000	\$ 3,195,000	\$ 295,000
Less discounts on bonds	41,843	10,000	31,843	-
Add premiums on bonds	170,675	22,208	148,467	-
Total governmental activities long-term liabilities	<u>\$ 4,353,832</u>	<u>\$ 1,042,208</u>	<u>\$ 3,311,624</u>	<u>\$ 295,000</u>

**General Obligation Bonds**

	<b>Refunding Series 2016</b>	<b>Series 2020</b>
Amounts outstanding, July 31, 2023	\$1,990,000	\$1,205,000
Interest rates	4.00%	1.75%
Maturity dates, serially beginning/ending	March 1, 2024/2029	March 1, 2030/2033
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, 2023.

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 295,000	\$ 100,688	\$ 395,688
2025	310,000	88,887	398,887
2026	325,000	76,488	401,488
2027	335,000	63,487	398,487
2028	355,000	50,088	405,088
2029-2033	<u>1,575,000</u>	<u>88,475</u>	<u>1,663,475</u>
Total	<u>\$ 3,195,000</u>	<u>\$ 468,113</u>	<u>\$ 3,663,113</u>

# **Grand Lakes Water Control and Improvement District**

## **Notes to Financial Statements**

### **July 31, 2023**

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**

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, 2023, the District levied an ad valorem debt service tax at the rate of \$0.03000 per \$100 of assessed valuation, which resulted in a tax levy of \$500,956 on the taxable valuation of \$1,669,852,579 for the 2022 tax year. The interest and principal requirements to be paid from the tax revenues are \$391,450 of which \$341,106 has been paid and \$50,344 is due September 1, 2023.

#### **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, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.03308 per \$100 of assessed valuation, which resulted in a tax levy of \$552,387 on the taxable valuation of \$1,669,852,579 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

#### **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, 2023**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 636,300	\$ 549,474	\$ (86,826)
Investment income	11,820	48,152	36,332
Other income	18,600	18,566	(34)
	<u>666,720</u>	<u>616,192</u>	<u>(50,528)</u>
<b>Expenditures</b>			
Service operations:			
Professional fees	92,400	75,285	17,115
Contracted services	29,900	37,779	(7,879)
Repairs and maintenance	290,500	251,294	39,206
Other expenditures	29,300	25,872	3,428
Capital outlay	50,000	-	50,000
	<u>492,100</u>	<u>390,230</u>	<u>101,870</u>
<b>Excess of Revenues Over Expenditures</b>	174,620	225,962	51,342
<b>Fund Balance, Beginning of Year</b>	<u>1,124,846</u>	<u>1,124,846</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 1,299,466</u></u>	<u><u>\$ 1,350,808</u></u>	<u><u>\$ 51,342</u></u>

# **Grand Lakes Water Control and Improvement District**

## **Notes to Required Supplementary Information**

**July 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 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 Water Control and Improvement District**  
**Other Schedules Included Within This Report**  
**July 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 13-23
- [X] Schedule of Services
- [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**  
**Year Ended July 31, 2023**

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/Cabbage	<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, 2023

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ 18,900	
Legal	44,750	
Engineering	11,635	
Financial advisor	-	75,285
<b>Purchased Services for Resale</b>		
Bulk water and wastewater service purchases		-
<b>Regional Water Fee</b>		-
<b>Contracted Services</b>		
Bookkeeping	37,779	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	-	37,779
<b>Utilities</b>		-
<b>Repairs and Maintenance</b>		251,294
<b>Administrative Expenditures</b>		
Directors' fees	5,250	
Office supplies	2,606	
Insurance	5,412	
Other administrative expenditures	12,604	25,872
<b>Capital Outlay</b>		
Capitalized assets	-	
Expenditures not capitalized	-	-
<b>Tap Connection Expenditures</b>		-
<b>Solid Waste Disposal</b>		-
<b>Fire Fighting</b>		-
<b>Parks and Recreation</b>		-
<b>Other Expenditures</b>		-
Total expenditures		\$ 390,230

**Grand Lakes Water Control and Improvement District**  
**Schedule of Temporary Investments**  
**July 31, 2023**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificate of Deposit				
No. 12992	5.00%	07/24/24	\$ 50,000	\$ 41
Texas CLASS	5.44%	Demand	<u>1,165,550</u>	<u>-</u>
			<u>1,215,550</u>	<u>41</u>
<b>Debt Service Fund</b>				
Texas CLASS	5.44%	Demand	<u>164,842</u>	<u>0</u>
<b>Capital Projects Fund</b>				
Texas CLASS	5.44%	Demand	<u>223,161</u>	<u>0</u>
Totals			<u><u>\$ 1,603,553</u></u>	<u><u>\$ 41</u></u>

**Grand Lakes Water Control and Improvement District**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended July 31, 2023**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 9,042	\$ 6,781
Additions and corrections to prior years' taxes	<u>(2,585)</u>	<u>(1,942)</u>
Adjusted receivable, beginning of year	<u>6,457</u>	<u>4,839</u>
 <b>2022 Original Tax Levy</b>	 556,899	 505,047
Additions and corrections	<u>(4,512)</u>	<u>(4,091)</u>
Adjusted tax levy	<u>552,387</u>	<u>500,956</u>
Total to be accounted for	558,844	505,795
Tax collections: Current year	(545,502)	(494,712)
Prior years	<u>(3,972)</u>	<u>(2,965)</u>
Receivable, end of year	<u><u>\$ 9,370</u></u>	<u><u>\$ 8,118</u></u>

**Receivable, by Years**

2022	\$ 6,885	\$ 6,244
2021	1,098	824
2020	779	585
2019	155	62
2018	188	137
2017	140	103
2016	86	100
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>\$ 9,370</u></u>	<u><u>\$ 8,118</u></u>

**Grand Lakes Water Control and Improvement District**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended July 31, 2023**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Property Valuations</b>				
Land	\$ 363,135,620	\$ 362,583,790	\$ 349,359,380	\$ 349,175,990
Improvements	1,359,710,415	1,164,435,496	1,156,401,110	1,140,571,811
Personal property	41,284,500	34,231,650	34,708,120	36,241,890
Exemptions	<u>(94,277,956)</u>	<u>(84,915,510)</u>	<u>(73,917,880)</u>	<u>(73,892,408)</u>
Total property valuations	<u>\$ 1,669,852,579</u>	<u>\$ 1,476,335,426</u>	<u>\$ 1,466,550,730</u>	<u>\$ 1,452,097,283</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.03000	\$ 0.03000	\$ 0.03000	\$ 0.02000
Maintenance tax rates*	<u>0.03308</u>	<u>0.04000</u>	<u>0.04000</u>	<u>0.05000</u>
Total tax rates per \$100 valuation	<u>\$ 0.06308</u>	<u>\$ 0.07000</u>	<u>\$ 0.07000</u>	<u>\$ 0.07000</u>
<b>Tax Levy</b>	<u>\$ 1,053,343</u>	<u>\$ 1,033,435</u>	<u>\$ 1,026,585</u>	<u>\$ 1,016,468</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<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, 2023**

Due During Fiscal Years Ending July 31	Refunding Series 2016		
	Principal Due March 1	Interest Due September 1, March 1	Total
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>\$ 1,990,000</u>	<u>\$ 289,000</u>	<u>\$ 2,279,000</u>

**Grand Lakes Water Control and Improvement District**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**July 31, 2023**

Due During Fiscal Years Ending July 31	Series 2020		Total
	Principal Due March 1	Interest Due September 1, March 1	
2024	\$ -	\$ 21,088	\$ 21,088
2025	-	21,087	21,087
2026	-	21,088	21,088
2027	-	21,087	21,087
2028	-	21,088	21,088
2029	-	21,087	21,087
2030	295,000	21,088	316,088
2031	305,000	15,925	320,925
2032	320,000	10,587	330,587
2033	285,000	4,988	289,988
Totals	<u>\$ 1,205,000</u>	<u>\$ 179,113</u>	<u>\$ 1,384,113</u>



**Grand Lakes Water Control and Improvement District**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**July 31, 2023**

Due During Fiscal Years Ending July 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 295,000	\$ 100,688	\$ 395,688
2025	310,000	88,887	398,887
2026	325,000	76,488	401,488
2027	335,000	63,487	398,487
2028	355,000	50,088	405,088
2029	370,000	35,887	405,887
2030	295,000	21,088	316,088
2031	305,000	15,925	320,925
2032	320,000	10,587	330,587
2033	285,000	4,988	289,988
Totals	<u>\$ 3,195,000</u>	<u>\$ 468,113</u>	<u>\$ 3,663,113</u>

# Grand Lakes Water Control and Improvement District

## Changes in Long-term Bonded Debt

### Year Ended July 31, 2023

	Bond Issues		
	Refunding Series 2016	Series 2020	Totals
Interest rates	4.00%	1.75%	
Dates interest payable	September 1/ March 1	September 1/ March 1	
Maturity dates	March 1, 2024/2029	March 1, 2030/2033	
Bonds outstanding, beginning of current year	\$ 2,270,000	\$ 1,955,000	\$ 4,225,000
Retirements, principal	280,000	750,000	1,030,000
Bonds outstanding, end of current year	<u>\$ 1,990,000</u>	<u>\$ 1,205,000</u>	<u>\$ 3,195,000</u>
Interest paid during current year	<u>\$ 88,000</u>	<u>\$ 34,213</u>	<u>\$ 122,213</u>
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	<u>\$ 4,115,000</u>	<u>0</u>	<u>\$ 14,194,988</u>
Debt service fund cash and temporary investment balances as of July 31, 2023:			<u>\$ 250,827</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 366,311</u>

# Grand Lakes Water Control and Improvement District

## Comparative Schedule of Revenues and Expenditures – General Fund

### Five Years Ended July 31,

	Amounts				
	2023	2022	2021	2020	2019
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 549,474	\$ 587,593	\$ 590,077	\$ 721,254	\$ 533,929
Investment income	48,152	3,937	1,106	4,747	12,365
Other income	18,566	17,800	17,458	29,957	18,045
Total revenues	616,192	609,330	608,641	755,958	564,339
<b>Expenditures</b>					
Service operations:					
Professional fees	75,285	72,196	82,859	93,706	79,291
Contracted services	37,779	25,544	17,510	17,263	18,050
Repairs and maintenance	251,294	194,311	1,299,050	311,975	761,701
Other expenditures	25,872	26,883	21,420	22,438	24,495
Capital outlay	-	97,148	-	-	-
Debt service, debt issuance costs	-	-	-	46,403	19,904
Total expenditures	390,230	416,082	1,420,839	491,785	903,441
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	225,962	193,248	(812,198)	264,173	(339,102)
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in (out)	-	45,258	97,832	-	(115,016)
Reimbursement from governmental entity	-	-	989,993	-	-
Total other financing sources (uses)	0	45,258	1,087,825	0	(115,016)
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	225,962	238,506	275,627	264,173	(454,118)
<b>Fund Balance, Beginning of Year</b>	1,124,846	886,340	610,713	346,540	800,658
<b>Fund Balance, End of Year</b>	\$ 1,350,808	\$ 1,124,846	\$ 886,340	\$ 610,713	\$ 346,540
<b>Total Active Retail Water Connections</b>	N/A	N/A	N/A	N/A	N/A
<b>Total Active Retail Wastewater Connections</b>	N/A	N/A	N/A	N/A	N/A

**Percent of Fund Total Revenues**

<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
89.2 %	96.4 %	96.9 %	95.4 %	94.6 %
7.8	0.7	0.2	0.6	2.2
3.0	2.9	2.9	4.0	3.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
12.2	11.9	13.6	12.4	14.1
6.1	4.2	2.9	2.3	3.2
40.8	31.9	213.4	41.3	135.0
4.2	4.4	3.5	3.0	4.3
-	15.9	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>6.1</u>	<u>3.5</u>
<u>63.3</u>	<u>68.3</u>	<u>233.4</u>	<u>65.1</u>	<u>160.1</u>
<u>36.7 %</u>	<u>31.7 %</u>	<u>(133.4) %</u>	<u>34.9 %</u>	<u>(60.1) %</u>