

ENCANTO REAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
JUNE 30, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Encanto Real Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Encanto Real Utility District (the "District") as of and for the year ended June 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2024, and the respective changes in financial position 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. 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 the 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 twelve 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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.

Board of Directors
Encanto Real Utility District

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 17, 2024

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Management's discussion and analysis of Encanto Real Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$5,824,913 as of June 30, 2024. A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of the Statement of Net Position as of June 30, 2024, and June 30, 2023:

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 7,832,975	\$ 7,465,986	\$ 366,989
Capital Assets (Net of Accumulated Depreciation)	<u>28,582,953</u>	<u>27,084,324</u>	<u>1,498,629</u>
Total Assets	<u>\$ 36,415,928</u>	<u>\$ 34,550,310</u>	<u>\$ 1,865,618</u>
Deferred Outflows of Resources	<u>\$ 12,596</u>	<u>\$ 15,887</u>	<u>\$ (3,291)</u>
Due to Developer	\$ 1,163,034	\$ 993,714	\$ (169,320)
Bonds Payable	40,574,329	39,712,824	(861,505)
Other Liabilities	<u>516,074</u>	<u>815,855</u>	<u>299,781</u>
Total Liabilities	<u>\$ 42,253,437</u>	<u>\$ 41,522,393</u>	<u>\$ (731,044)</u>
Net Position:			
Net Investment in Capital Assets	\$ (11,450,756)	\$ (11,887,227)	\$ 436,471
Restricted	2,642,467	2,379,886	262,581
Unrestricted	<u>2,983,376</u>	<u>2,551,145</u>	<u>432,231</u>
Total Net Position	<u>\$ (5,824,913)</u>	<u>\$ (6,956,196)</u>	<u>\$ 1,131,283</u>

The District's net position increased by \$1,131,283. The following table provides a comparative analysis of the District's operations for the years ended June 30, 2024, and June 30, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,565,097	\$ 3,383,758	\$ 181,339
Charges for Services	1,545,180	1,610,763	(65,583)
Other Revenues	<u>389,154</u>	<u>276,128</u>	<u>113,026</u>
Total Revenues	<u>\$ 5,499,431</u>	<u>\$ 5,270,649</u>	<u>\$ 228,782</u>
Expenses for Services	<u>4,368,148</u>	<u>4,179,940</u>	<u>(188,208)</u>
Change in Net Position	\$ 1,131,283	\$ 1,090,709	\$ 40,574
Net Position, Beginning of Year	<u>(6,956,196)</u>	<u>(8,046,905)</u>	<u>1,090,709</u>
Net Position, End of Year	<u>\$ (5,824,913)</u>	<u>\$ (6,956,196)</u>	<u>\$ 1,131,283</u>

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2024, totaled \$7,448,918, an increase of \$684,054 from the prior year.

The General Fund fund balance increased by \$431,709, primarily due to service revenues, tax revenues and a transfer from the Capital Projects Fund exceeding operating costs and capital outlay.

The Debt Service Fund fund balance increased by \$280,387, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$28,042, primarily due to capital expenditures, bond issuance costs and a transfer to the General Fund exceeding proceeds from the Series 2024 Park bond issuance and investment revenues.

BUDGETARY HIGHLIGHTS

In the General Fund, actual revenues were \$238,328 more than budgeted revenues primarily due to higher than anticipated property tax revenues. Actual expenditures were \$218,946 less than budgeted expenditures primarily due to less than anticipated repairs and maintenance and regional water authority assessment expenditures.

CAPITAL ASSETS

Capital assets totaled \$28,582,953 as of June 30, 2024, and included land and land improvements, construction in progress, equipment, parks and recreation and the water, wastewater and detention systems. Capital asset activity during the current year included completion of the wastewater treatment plant expansion project and additions for the water distribution and sanitary sewer force main facilities project.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 5,871,723	\$ 4,935,543	\$ 936,180
Construction in Progress	190,652	2,187,285	(1,996,633)
Capital Assets, Net of Accumulated Depreciation:			
Water System	7,302,287	7,355,116	(52,829)
Wastewater System	9,309,189	6,885,426	2,423,763
Equipment	39,915	45,464	(5,549)
Detention	5,020,428	5,166,301	(145,873)
Parks and Recreation	848,759	509,189	339,570
Total Net Capital Assets	\$ 28,582,953	\$ 27,084,324	\$ 1,498,629

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

LONG-TERM DEBT ACTIVITY

As of June 30, 2024, the District had total bond debt payable of \$40,520,000. The changes in the debt position of the District during the fiscal year ended June 30, 2024, are summarized as follows:

Bond Debt Payable, July 1, 2023	\$ 39,625,000
Add: Bond Sale - Series 2024	2,300,000
Less: Bond Principal Paid	<u>1,405,000</u>
Bond Debt Payable, June 30, 2024	<u>\$ 40,520,000</u>

The Series 2015 Bonds, Series 2015A Bonds, Series 2019, Series 2021 Refunding, Series 2022 and Series 2024 Bonds have an underlying rating of “Baa1” and carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2016 and 2017 Bonds have an underlying rating of “Baa1” and carry an insured rating of “Baa2” by virtue of bond insurance issued by National Public Finance Guarantee Corp. The Series 2018 Bonds have an underlying rating of “Baa1” and carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The above rating reflects all rating changes through fiscal year end.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year ending June 30, 2025 projects an increase of \$191,901 to the General Fund fund balance. Revenues are expected to be \$2,395,362 and expenditures are expected to be \$2,203,461.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Encanto Real Utility District, c/o Marks Richardson PC, 3700 Buffalo Speedway, Suite 830, Houston, TX 77098.

**ENCANTO REAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 216,898	\$ 91,876
Investments	2,787,914	2,695,403
Receivables:		
Property Taxes	14,036	54,245
Penalty and Interest on Delinquent Taxes		
Service Accounts	125,564	
Accrued Interest	32,175	23,972
Other		
Due from Other Funds	23,946	
Prepaid Costs	66,359	
Capital Assets (Net of Accumulated Depreciation):		
Land		
Construction in Progress		
Water and Wastewater Systems		
Equipment		
Detention		
Parks and Recreation		
TOTAL ASSETS	\$ 3,266,892	\$ 2,865,496
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,266,892	\$ 2,865,496

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 420	\$ 309,194	\$	\$ 309,194
1,707,310	7,190,627		7,190,627
	68,281		68,281
	125,564	9,731	9,731
	56,147		125,564
	23,946	(23,946)	56,147
	66,359	7,072	73,431
		5,871,723	5,871,723
		190,652	190,652
		16,611,476	16,611,476
		39,915	39,915
		5,020,428	5,020,428
		848,759	848,759
<u>\$ 1,707,730</u>	<u>\$ 7,840,118</u>	<u>\$ 28,575,810</u>	<u>\$ 36,415,928</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 12,596</u>	<u>\$ 12,596</u>
<u>\$ 1,707,730</u>	<u>\$ 7,840,118</u>	<u>\$ 28,588,406</u>	<u>\$ 36,428,524</u>

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

**ENCANTO REAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 181,038	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		10,774
Due to Taxpayers		4,885
Security Deposits	109,550	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 290,588	\$ 15,659
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 14,036	\$ 54,245
FUND BALANCES		
Nonspendable -		
Prepaid Costs	\$ 66,359	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,795,592
Unassigned	2,895,909	
TOTAL FUND BALANCES	\$ 2,962,268	\$ 2,795,592
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,266,892	\$ 2,865,496
NET POSITION		
Net Investment in Capital Assets		
Restricted Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 3,500	\$ 184,538	\$	\$ 184,538
		217,101	217,101
		1,163,034	1,163,034
13,172	23,946	(23,946)	
	4,885		4,885
	109,550		109,550
		1,465,000	1,465,000
		39,109,329	39,109,329
<u>\$ 16,672</u>	<u>\$ 322,919</u>	<u>\$ 41,930,518</u>	<u>\$ 42,253,437</u>
<u>\$ -0-</u>	<u>\$ 68,281</u>	<u>\$ (68,281)</u>	<u>\$ -0-</u>
\$ 1,691,058	\$ 66,359	\$ (66,359)	\$
	1,691,058	(1,691,058)	
	2,795,592	(2,795,592)	
	2,895,909	(2,895,909)	
<u>\$ 1,691,058</u>	<u>\$ 7,448,918</u>	<u>\$ (7,448,918)</u>	<u>\$ - 0 -</u>
<u>\$ 1,707,730</u>	<u>\$ 7,840,118</u>		
		\$ (11,450,756)	\$ (11,450,756)
		2,642,467	2,642,467
		2,983,376	2,983,376
		<u>\$ (5,824,913)</u>	<u>\$ (5,824,913)</u>

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

**ENCANTO REAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balances - Governmental Funds		\$ 7,448,918
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid bond insurance costs are amortized over the term of the bonds in the government-wide financial statements.		7,072
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		28,582,953
Deferred inflows of resources related to property tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		78,012
Deferred charges on refunding bonds are not an expenditure of the current period.		12,596
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	\$ (1,163,034)	
Accrued Interest Payable	(217,101)	
Bonds Payable	<u>(40,574,329)</u>	<u>(41,954,464)</u>
Total Net Position - Governmental Activities		<u>\$ (5,824,913)</u>

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

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ENCANTO REAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 746,818	\$ 2,824,148
Water Service	444,901	
Wastewater Service	345,903	
Regional Water Authority Fees	614,409	
Penalty and Interest	37,690	38,312
Tap Connection and Inspection Fees	64,355	
Investment Revenues	137,367	142,381
Miscellaneous Revenues	11,577	2,019
TOTAL REVENUES	\$ 2,403,020	\$ 3,006,860
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 192,510	\$ 14,840
Contracted Services	442,928	42,545
Utilities	116,666	
Regional Water Authority Assessment	518,161	
Repairs and Maintenance	465,957	
Depreciation		
Other	276,599	16,419
Developer Interest		
Capital Outlay	56,332	
Debt Service:		
Bond Principal		1,405,000
Bond Interest		1,247,669
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 2,069,153	\$ 2,726,473
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	\$ 333,867	\$ 280,387
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ 97,842	\$
Long-Term Debt Issued		
Bond Discount		
TOTAL OTHER FINANCING SOURCES, NET	\$ 97,842	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 431,709	\$ 280,387
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2023	2,530,559	2,515,205
FUND BALANCES/NET POSITION - JUNE 30, 2024	\$ 2,962,268	\$ 2,795,592

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,570,966	\$ (5,869)	\$ 3,565,097
	444,901		444,901
	345,903		345,903
	614,409		614,409
	76,002	(390)	75,612
	64,355		64,355
95,810	375,558		375,558
	13,596		13,596
<u>\$ 95,810</u>	<u>\$ 5,505,690</u>	<u>\$ (6,259)</u>	<u>\$ 5,499,431</u>
\$	\$ 207,350	\$	\$ 207,350
1,829	487,302		487,302
	116,666		116,666
	518,161		518,161
	465,957		465,957
		669,107	669,107
96	293,114		293,114
113,679	113,679		113,679
1,942,084	1,998,416	(1,998,416)	
	1,405,000	(1,405,000)	
	1,247,669	(2,110)	1,245,559
251,253	251,253		251,253
<u>\$ 2,308,941</u>	<u>\$ 7,104,567</u>	<u>\$ (2,736,419)</u>	<u>\$ 4,368,148</u>
<u>\$ (2,213,131)</u>	<u>\$ (1,598,877)</u>	<u>\$ 2,730,160</u>	<u>\$ 1,131,283</u>
\$ (97,842)	\$	\$	\$
2,300,000	2,300,000	(2,300,000)	
(17,069)	(17,069)	17,069	
<u>\$ 2,185,089</u>	<u>\$ 2,282,931</u>	<u>\$ (2,282,931)</u>	<u>\$ -0-</u>
\$ (28,042)	\$ 684,054	\$ (684,054)	\$
		1,131,283	1,131,283
<u>1,719,100</u>	<u>6,764,864</u>	<u>(13,721,060)</u>	<u>(6,956,196)</u>
<u>\$ 1,691,058</u>	<u>\$ 7,448,918</u>	<u>\$ (13,273,831)</u>	<u>\$ (5,824,913)</u>

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

**ENCANTO REAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Governmental Funds	\$	684,054
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(5,869)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(390)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(669,107)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,998,416
Governmental funds report bond premiums and bond discounts as other financing sources/uses in the year received/paid. However, in the Statement of Net Position, the bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		28,356
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		1,405,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(9,177)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		<u>(2,300,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>1,131,283</u></u>

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

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1. CREATION OF DISTRICT

Encanto Real Utility District (the “District”), located in Harris County, Texas, was created effective June 4, 1971, by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on February 22, 1972, and the first bonds were sold on June 5, 1973.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District’s fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as an other financing source or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2024, the Debt Service Fund owed the General Fund \$10,774 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$13,172 for bond related expenditures. During the current fiscal year, the Capital Projects Fund transferred \$97,842 to reimburse the General Fund for costs paid by the General Fund in the prior year, See Note 13.

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management’s evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At June 30, 2024, the District had no allowance for doubtful accounts.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Detention Facilities	10-45
Parks and Recreation	10-45
All Other Equipment	3-20

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees except that the Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. LONG-TERM DEBT

	<u>Series 2015</u>	<u>Series 2015A</u>	<u>Series 2016</u>
Amount Outstanding - June 30, 2024	\$ 2,860,000	\$ 5,700,000	\$ 6,900,000
Interest Rates	3.25% - 5.00%	3.00% - 4.00%	2.00% - 3.00%
Maturity Dates -Serially Beginning/Ending	May 1, 2029/2040	May 1, 2025/2041	May 1, 2025/2041
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2023*	May 1, 2023*	May 1, 2024*
	<u>Series 2017</u>	<u>Series 2018</u>	<u>Series 2019</u>
Amount Outstanding - June 30, 2024	\$ 7,600,000	\$ 7,750,000	\$ 2,340,000
Interest Rates	3.00% - 3.50%	3.00 - 3.75%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	May 1, 2025/2042	May 1, 2025/2043	May 1, 2025/2043
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2024*	May 1, 2024*	May 1, 2025*

* Or on any date thereafter, at a price of par, plus accrued interest to the date of redemption. Series 2015A term bonds maturing on May 1, 2026, May 1, 2028, May 1, 2030, May 1, 2039, and May 1, 2041, are subject to mandatory redemption on May 1, 2025, May 1, 2027, May 1, 2029, May 1, 2037, and May 1, 2040, respectively. Series 2019 term bonds maturing on May 1, 2032, May 1, 2035, May 1, 2038 and May 1, 2041, are subject to mandatory redemption on May 1, 2030, May 1, 2033, May 1, 2036, and May 1, 2039, respectively.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2021	Series 2022	Series 2024
Amount Outstanding - June 30, 2024	\$ 1,030,000	\$ 4,040,000	\$ 2,300,000
Interest Rates	2.00% - 3.00%	3.00% - 3.25%	4.00% - 4.125%
Maturity Dates - Serially Beginning/Ending	May 1, 2025/2028	May 1, 2042/2046	May 1, 2037/2048
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2026**	May 1, 2027**	May 1, 2030**

** Or on any date thereafter, at a price of par, plus accrued interest to the date of redemption. Series 2022 term bonds maturing on May 1, 2044 are subject to mandatory redemption on May 1, 2043.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2024:

	July 1, 2023	Additions	Retirements	June 30, 2024
Bonds Payable	\$ 39,625,000	\$ 2,300,000	\$ 1,405,000	\$ 40,520,000
Unamortized Discounts	(2,761)	(17,069)	(240)	(19,590)
Unamortized Premiums	90,585		16,666	73,919
Bonds Payable	<u>\$ 39,712,824</u>	<u>\$ 2,282,931</u>	<u>\$ 1,421,426</u>	<u>\$ 40,574,329</u>
			Amount Due Within One Year	\$ 1,465,000
			Amount Due After One Year	<u>39,109,329</u>
			Bonds Payable	<u>\$ 40,574,329</u>

On April 30, 2024, the District issued \$2,300,000 of Unlimited Tax Park Bonds, Series 2024, with interest rates ranging from 4.00% to 4.125%. The net proceeds of \$2,085,881 (after payment of underwriting fees and other issuance costs) were deposited in the Capital Projects Fund to reimburse developer costs and pay bond issuance costs.

As of June 30, 2024, the District has authorized but unissued tax bonds in the amount of \$89,600,000, authorized but unissued park bonds in the amount of \$6,000,000, authorized but unissued road bonds in the amount of \$10,560,000 and available refunding bonds authorization of \$7,550,000.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 1,465,000	\$ 1,303,403	\$ 2,768,403
2026	1,480,000	1,262,194	2,742,194
2027	1,490,000	1,222,794	2,712,794
2028	1,495,000	1,185,744	2,680,744
2029	1,595,000	1,148,594	2,743,594
2030-2034	9,120,000	4,966,323	14,086,323
2035-2039	10,390,000	3,447,162	13,837,162
2040-2044	10,485,000	1,536,151	12,021,151
2045-2048	3,000,000	199,375	3,199,375
	<u>\$ 40,520,000</u>	<u>\$ 16,271,740</u>	<u>\$ 56,791,740</u>

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

During the year ended June 30, 2024, the District levied an ad valorem debt service tax rate of \$0.64 per \$100 of assessed valuation, which was composed of a utility debt service tax rate of \$0.635 and a road debt service tax rate of \$0.005. These resulted in a total tax levy of \$2,830,640 on the adjusted taxable valuation of \$442,288,357 for the 2023 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are usually insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents, or casualties against which and to the extent insurance is usually carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in such insurance.

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of annual financial information and operating data to the Municipal Securities Rulemaking Board. This information is of the general type included in the annual audit report. It is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$2,644,194 and the bank balance was \$2,790,294. Of the bank balance, \$2,734,029 was covered by federal depository insurance and the remaining balance was covered by pledged collateral held by a third party in the District’s name. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2024, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 216,898	\$ 1,400,000	\$ 1,616,898
DEBT SERVICE FUND	91,876	935,000	1,026,876
CAPITAL PROJECTS FUND	420		420
TOTAL DEPOSITS	\$ 309,194	\$ 2,335,000	\$ 2,644,194

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

Certificates of deposit are recorded at acquisition cost.

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities - Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 1,387,914	\$ 1,387,914
Certificates of Deposit	1,400,000	1,400,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	1,760,403	1,760,403
Certificates of Deposit	935,000	935,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	1,707,310	1,707,310
TOTAL INVESTMENTS	\$ 7,190,627	\$ 7,190,627

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage. As of June 30, 2024, the District’s investments in Texas CLASS were rated “AAAm” by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change of value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024:

	July 1, 2023	Increases	Decreases	June 30, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 4,935,543	\$ 936,180	\$	\$ 5,871,723
Construction in Progress	<u>2,187,285</u>	<u>26,000</u>	<u>2,022,633</u>	<u>190,652</u>
Total Capital Assets Not Being Depreciated	<u>\$ 7,122,828</u>	<u>\$ 962,180</u>	<u>\$ 2,022,633</u>	<u>\$ 6,062,375</u>
Capital Assets Subject to Depreciation				
Water System	\$ 9,214,264	\$ 175,233	\$	\$ 9,389,497
Wastewater System	9,514,791	2,681,326		12,196,117
Equipment	114,027			114,027
Detention	6,538,186			6,538,186
Parks and Recreation	<u>589,683</u>	<u>371,630</u>		<u>961,313</u>
Total Capital Assets Subject to Depreciation	<u>\$ 25,970,951</u>	<u>\$ 3,228,189</u>	<u>\$ - 0 -</u>	<u>\$ 29,199,140</u>
Accumulated Depreciation				
Water System	\$ 1,859,148	\$ 228,062	\$	\$ 2,087,210
Wastewater System	2,629,365	257,563		2,886,928
Equipment	68,563	5,549		74,112
Detention	1,371,885	145,873		1,517,758
Parks and Recreation	<u>80,494</u>	<u>32,060</u>		<u>112,554</u>
Total Accumulated Depreciation	<u>\$ 6,009,455</u>	<u>\$ 669,107</u>	<u>\$ - 0 -</u>	<u>\$ 6,678,562</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,961,496</u>	<u>\$ 2,559,082</u>	<u>\$ - 0 -</u>	<u>\$ 22,520,578</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 27,084,324</u>	<u>\$ 3,521,262</u>	<u>\$ 2,022,633</u>	<u>\$ 28,582,953</u>

The District has financed drainage and road facilities which have been conveyed to other entities for maintenance. There were no capital assets conveyed during fiscal year 2024.

NOTE 7. MAINTENANCE TAX

On August 14, 1976, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended June 30, 2024, the District levied an ad valorem maintenance tax rate of \$0.17 per \$100 of assessed valuation, which resulted in a tax levy of \$751,889 on the adjusted taxable valuation of \$442,288,357 for the 2023 tax year. The taxes are to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater systems.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the seventy-fifth Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater and for the reduction of groundwater withdrawals. The Authority has entered into a contract for purchase of surface water from the City of Houston, Texas to assure that its participants comply with the Harris-Galveston Subsidence District (“HGSD”) pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of its water use to surface water by certain established intervals.

The Authority currently charges a fee based on the amount of water pumped from a well to the owner of wells located within the boundaries of the Authority. This fee enables the Authority to operate and to finance its capital improvements to provide surface water to portions of its service area. The fee as of June 30, 2024 charged by the Authority is \$3.60 per 1,000 gallons of water - pumped. Pumpage fees recognized for the year ended June 30, 2024, were \$518,161.

NOTE 9. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. EMERGENCY WATER SUPPLY AGREEMENTS

On September 24, 1985, the District entered into an agreement with Northampton Municipal Utility District (“Northampton”) to provide emergency water supply services. All necessary costs of constructing the interconnect, including a two-way meter for the purpose of measuring the water provided, shall be borne by the District. Each district is responsible for maintaining the respective interconnect lines within their boundaries. The agreement was amended on August 21, 2000, December 20, 2011, and September 28, 2020. The charge for service to either district is \$1.25 per thousand gallons of water delivered plus the North Harris County Regional Water Authority pumpage fee. The agreement shall be in force until December 31, 2040.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 11. LAW ENFORCEMENT AGREEMENT

The District has entered into Agreement for Law Enforcement Services (the “Agreement”) with Harris County (the “County”). The County agrees to provide three Constable Precinct Four deputies to devote 70 percent of their working time to provide law enforcement services within the District’s geographical area, as further defined in Exhibit A of the Agreement. For the period October 1, 2023 to September 30, 2024, the District agreed to pay the County \$20,370 monthly. For the year ended June 30, 2024, the District recognized \$241,530 in security expense related to this agreement.

NOTE 12. UNREIMBURSED COSTS

The District has executed development financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, sewer and drainage facilities until such time as the District can sell bonds. As of June 30, 2024, Developers within the District indicated that approximately \$1,163,034 had been expended on behalf of the District in accordance with the financing agreements on completed projects. These liabilities have been recorded in the Statement of Net Position for these projects and reimbursement is contingent upon approval from the Commission and future sale of bonds. The following is a summary of activity for due to developers liability:

Due to Developers, July 1, 2023	\$ 993,714
Add - Amounts Owed	2,060,868
Less - Payments	<u>1,891,548</u>
Due to Developers, June 30, 2024	<u>\$ 1,163,034</u>

NOTE 13. USE OF SURPLUS FUNDS

On September 19, 2023, the Board of Directors of the District approved a resolution authorizing the use of \$122,378 in surplus construction funds from the previously issued Series 2015A, Series 2017 and Series 2018 bonds to pay for the costs associated with emergency repairs of the manholes/sanitary sewer lines at the entrance of Tres Lago community and at the Wastewater Treatment Plant site. During fiscal year 2023 and 2024, the District recognized \$97,842 and \$24,536, respectively, related to these projects.

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ENCANTO REAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024

ENCANTO REAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 517,967	\$ 746,818	\$ 228,851
Water Service	428,576	444,901	16,325
Wastewater Service	341,026	345,903	4,877
Regional Water Authority Fees	699,784	614,409	(85,375)
Penalty and Interest	31,532	37,690	6,158
Tap Connection and Inspection Fees	13,000	64,355	51,355
Investment Revenues	124,107	137,367	13,260
Miscellaneous Revenues	8,700	11,577	2,877
TOTAL REVENUES	<u>\$ 2,164,692</u>	<u>\$ 2,403,020</u>	<u>\$ 238,328</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 201,500	\$ 192,510	\$ 8,990
Contracted Services	414,255	442,928	(28,673)
Utilities	97,740	116,666	(18,926)
Regional Water Authority Assessment	694,949	518,161	176,788
Repairs and Maintenance	564,800	465,957	98,843
Other	294,855	276,599	18,256
Capital Outlay	20,000	56,332	(36,332)
TOTAL EXPENDITURES	<u>\$ 2,288,099</u>	<u>\$ 2,069,153</u>	<u>\$ 218,946</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (123,407)</u>	<u>\$ 333,867</u>	<u>\$ 457,274</u>
OTHER FINANCING SOURCES			
Transfers In	<u>\$ -0-</u>	<u>\$ 97,842</u>	<u>\$ 97,842</u>
NET CHANGE IN FUND BALANCE	\$ (123,407)	\$ 431,709	\$ 555,116
FUND BALANCE - JULY 1, 2023	<u>2,530,559</u>	<u>2,530,559</u>	<u></u>
FUND BALANCE - JUNE 30, 2024	<u>\$ 2,407,152</u>	<u>\$ 2,962,268</u>	<u>\$ 555,116</u>

See accompanying independent auditor's report.

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ENCANTO REAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2024

**ENCANTO REAL UTILITY DISTRICT
 SERVICES AND RATES
 FOR THE YEAR ENDED JUNE 30, 2024**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> X </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective May 21, 2024.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 22.00	5,000	N	\$0.75 \$1.00 \$1.50 \$2.00	5,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 and up
WASTEWATER:	\$ 22.00		Y		
SURCHARGE:					
Regional Water	\$3.60 plus				
Authority Fees	10% admin fee per 1,000 gallons				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$25.75 Wastewater: \$22.00 Surcharge: \$39.60

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>2</u>	_____	x 1.0	_____
≤ ³ / ₄ "	<u>1,115</u>	<u>1,109</u>	x 1.0	<u>1,109</u>
1"	<u>160</u>	<u>159</u>	x 2.5	<u>397.5</u>
1½"	_____	_____	x 5.0	_____
2"	<u>30</u>	<u>30</u>	x 8.0	<u>240</u>
3"	_____	_____	x 15.0	_____
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	_____	_____	x 50.0	_____
8"	<u>4</u>	<u>4</u>	x 80.0	<u>320</u>
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>1,313</u></u>	<u><u>1,304</u></u>		<u><u>2,116.5</u></u>
Total Wastewater Connections	<u><u>1,268</u></u>	<u><u>1,259</u></u>	x 1.0	<u><u>1,259</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	169,397,000	Water Accountability Ratio: 87.7 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	148,535,000	

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

Does the District have Operation and Maintenance standby fees? Yes No

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024**

PROFESSIONAL FEES:	
Auditing	\$ 16,750
Engineering	78,967
Legal	<u>96,793</u>
TOTAL PROFESSIONAL FEES	<u>\$ 192,510</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 65,955
Operations and Billing	121,846
Arbitrage	3,250
Other Contracted Services	<u>9,012</u>
TOTAL CONTRACTED SERVICES	<u>\$ 200,063</u>
UTILITIES:	
Electricity	\$ 108,802
Telephone	<u>7,864</u>
TOTAL UTILITIES	<u>\$ 116,666</u>
REPAIRS AND MAINTENANCE	<u>\$ 465,957</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 12,155
Election Costs	11,607
Insurance	30,422
Legal Notices	1,134
Office Supplies and Postage	19,617
Payroll Taxes	930
Travel and Meetings	1,079
Other	<u>4,230</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 81,174</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024**

CAPITAL OUTLAY -	
Capitalized Assets	<u>\$ 56,332</u>
TAP CONNECTIONS	<u>\$ 25,354</u>
SECURITY	<u>\$ 242,865</u>
OTHER EXPENDITURES:	
Chemicals	\$ 33,909
Laboratory Fees	35,315
Permit Fees	17,405
Reconnection Fees	2,295
Inspection Fees	13,307
Regional Water Authority Assessment	518,161
Regulatory Assessment	3,748
Sludge Hauling	46,461
Other	<u>17,631</u>
TOTAL OTHER EXPENDITURES	<u>\$ 688,232</u>
TOTAL EXPENDITURES	<u>\$ 2,069,153</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2024**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	\$ 1,387,914	\$
Certificate of Deposit	XXXX0718	5.00%	04/26/25	200,000	1,781
Certificate of Deposit	XXXX5294	5.50%	10/05/24	200,000	8,077
Certificate of Deposit	XXXX6000	5.50%	09/08/24	200,000	3,315
Certificate of Deposit	XXXX4269	5.00%	06/07/25	200,000	630
Certificate of Deposit	XXXX0357	5.00%	07/24/24	200,000	8,384
Certificate of Deposit	XXXX5291	5.15%	05/16/25	200,000	1,270
Certificate of Deposit	XXXX9257	5.20%	08/29/24	200,000	8,718
TOTAL GENERAL FUND				<u>\$ 2,787,914</u>	<u>\$ 32,175</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 1,543,339	\$
Texas CLASS	XXXX0012	Varies	Daily	217,064	
Certificate of Deposit	XXXX8104	5.50%	10/08/24	235,000	2,833
Certificate of Deposit	XXXX0283	5.50%	04/10/25	235,000	2,868
Certificate of Deposit	XXXX4265	5.54%	10/26/24	230,000	8,623
Certificate of Deposit	XXXX0794	5.55%	10/05/24	235,000	9,648
TOTAL DEBT SERVICE FUND				<u>\$ 2,695,403</u>	<u>\$ 23,972</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0006	Varies	Daily	\$ 124,372	\$
Texas CLASS	XXXX0008	Varies	Daily	289,896	
Texas CLASS	XXXX0009	Varies	Daily	372,775	
Texas CLASS	XXXX0010	Varies	Daily	873,401	
Texas CLASS	XXXX0011	Varies	Daily	3,220	
Texas CLASS	XXXX0013	Varies	Daily	43,646	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 1,707,310</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 7,190,627</u>	<u>\$ 56,147</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2024**

	Maintenance Taxes		Debt Service Taxes
TAXES RECEIVABLE -			
JULY 1, 2023	\$ 11,666		\$ 62,484
Adjustments to Beginning			
Balance	(2,701)	\$ 8,965	(14,731) \$ 47,753
Original 2023 Tax Levy	\$ 710,737		\$ 2,675,714
Adjustment to 2023 Tax Levy	41,152	751,889	154,926 2,830,640
TOTAL TO BE			
ACCOUNTED FOR		\$ 760,854	\$ 2,878,393
TAX COLLECTIONS:			
Prior Years	\$ 8,062		\$ 42,949
Current Year	738,756	746,818	2,781,199 2,824,148
TAXES RECEIVABLE -			
JUNE 30, 2024		\$ 14,036	\$ 54,245
TAXES RECEIVABLE BY			
YEAR:			
2023		\$ 13,133	\$ 49,441
2022		874	4,664
2021		28	135
2019		1	5
TOTAL		\$ 14,036	\$ 54,245

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2024**

	2023	2022	2021	2020
PROPERTY VALUATIONS:				
Land	\$ 114,125,470	\$ 110,687,355	\$ 91,467,317	\$ 71,939,379
Improvements	361,269,207	311,296,454	277,497,325	269,649,214
Personal Property	19,959,052	19,168,865	15,356,581	14,434,187
Exemptions	(53,065,372)	(45,025,672)	(37,584,020)	(29,444,628)
TOTAL PROPERTY VALUATIONS	\$ 442,288,357	\$ 396,127,002	\$ 346,737,203	\$ 326,578,152
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.6400	\$ 0.7200	\$ 0.7300	\$ 0.7850
Maintenance	0.1700	0.1350	0.1500	0.1050
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.8100	\$ 0.8550	\$ 0.8800	\$ 0.8900
ADJUSTED TAX LEVY*	\$ 3,582,529	\$ 3,386,879	\$ 3,051,281	\$ 2,906,539
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.25 %	99.84 %	99.99 %	100.00 %

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – A maintenance tax rate not to exceed \$0.50 per \$100 of assessed valuation was approved by voters on August 14, 1976.

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2025	\$	\$ 104,513	\$ 104,513
2026		104,513	104,513
2027		104,513	104,513
2028		104,513	104,513
2029	180,000	104,513	284,513
2030	185,000	95,512	280,512
2031	195,000	86,262	281,262
2032	205,000	79,925	284,925
2033	220,000	73,262	293,262
2034	230,000	66,112	296,112
2035	240,000	58,350	298,350
2036	255,000	49,950	304,950
2037	265,000	41,025	306,025
2038	280,000	31,750	311,750
2039	295,000	21,950	316,950
2040	310,000	11,625	321,625
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	\$ 2,860,000	\$ 1,138,288	\$ 3,998,288

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

S E R I E S - 2 0 1 5 A

Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2025	\$ 175,000	\$ 198,819	\$ 373,819
2026	175,000	193,569	368,569
2027	175,000	188,319	363,319
2028	175,000	183,069	358,069
2029	265,000	177,819	442,819
2030	275,000	169,537	444,537
2031	290,000	160,944	450,944
2032	305,000	151,881	456,881
2033	325,000	142,350	467,350
2034	340,000	131,787	471,787
2035	360,000	120,737	480,737
2036	375,000	108,587	483,587
2037	395,000	95,462	490,462
2038	420,000	80,650	500,650
2039	440,000	64,900	504,900
2040	460,000	48,400	508,400
2041	750,000	30,000	780,000
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 5,700,000</u>	<u>\$ 2,246,830</u>	<u>\$ 7,946,830</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total	
2025	\$ 400,000	\$ 174,000	\$	574,000
2026	400,000	166,000		566,000
2027	400,000	158,000		558,000
2028	400,000	150,000		550,000
2029	400,000	142,000		542,000
2030	400,000	133,000		533,000
2031	400,000	124,000		524,000
2032	400,000	115,000		515,000
2033	400,000	105,000		505,000
2034	400,000	95,000		495,000
2035	400,000	85,000		485,000
2036	400,000	74,000		474,000
2037	400,000	63,000		463,000
2038	400,000	51,000		451,000
2039	400,000	39,000		439,000
2040	450,000	27,000		477,000
2041	450,000	13,500		463,500
2042				
2043				
2044				
2045				
2046				
2047				
2048				
	\$ 6,900,000	\$ 1,714,500	\$	8,614,500

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

S E R I E S - 2 0 1 7

Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2025	\$ 200,000	\$ 248,875	\$ 448,875
2026	200,000	242,875	442,875
2027	200,000	236,875	436,875
2028	200,000	230,875	430,875
2029	300,000	224,875	524,875
2030	400,000	215,875	615,875
2031	400,000	203,875	603,875
2032	500,000	191,375	691,375
2033	500,000	175,750	675,750
2034	500,000	159,500	659,500
2035	500,000	143,250	643,250
2036	500,000	127,000	627,000
2037	500,000	110,125	610,125
2038	500,000	93,875	593,875
2039	500,000	77,000	577,000
2040	500,000	59,500	559,500
2041	600,000	42,000	642,000
2042	600,000	21,000	621,000
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 7,600,000</u>	<u>\$ 2,804,500</u>	<u>\$ 10,404,500</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total	
2025	\$ 350,000	\$ 268,312	\$	618,312
2026	350,000	257,812		607,812
2027	350,000	247,312		597,312
2028	350,000	236,812		586,812
2029	350,000	226,312		576,312
2030	350,000	214,938		564,938
2031	350,000	203,562		553,562
2032	350,000	192,188		542,188
2033	350,000	180,376		530,376
2034	350,000	168,562		518,562
2035	350,000	156,750		506,750
2036	350,000	144,500		494,500
2037	350,000	131,376		481,376
2038	350,000	118,250		468,250
2039	350,000	106,000		456,000
2040	350,000	93,750		443,750
2041	350,000	80,626		430,626
2042	900,000	67,500		967,500
2043	900,000	33,750		933,750
2044				
2045				
2046				
2047				
2048				
	\$ 7,750,000	\$ 3,128,688	\$	10,878,688

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

S E R I E S - 2 0 1 9				
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total	
2025	\$ 100,000	\$ 62,825	\$	162,825
2026	100,000	58,825		158,825
2027	100,000	56,825		156,825
2028	100,000	54,825		154,825
2029	100,000	52,825		152,825
2030	100,000	50,700		150,700
2031	100,000	48,325		148,325
2032	100,000	45,950		145,950
2033	100,000	43,575		143,575
2034	100,000	40,950		140,950
2035	100,000	38,325		138,325
2036	100,000	35,700		135,700
2037	100,000	32,950		132,950
2038	100,000	30,200		130,200
2039	100,000	27,450		127,450
2040	100,000	24,700		124,700
2041	100,000	21,950		121,950
2042	300,000	19,200		319,200
2043	340,000	10,200		350,200
2044				
2045				
2046				
2047				
2048				
	\$ 2,340,000	\$ 756,300	\$	3,096,300

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

REFUNDING SERIES - 2021

Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2025	\$ 240,000	\$ 25,550	\$ 265,550
2026	255,000	18,350	273,350
2027	265,000	10,700	275,700
2028	270,000	5,400	275,400
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 1,030,000</u>	<u>\$ 60,000</u>	<u>\$ 1,090,000</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

S E R I E S - 2 0 2 2			
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2025	\$	\$ 127,000	\$ 127,000
2026		127,000	127,000
2027		127,000	127,000
2028		127,000	127,000
2029		127,000	127,000
2030		127,000	127,000
2031		127,000	127,000
2032		127,000	127,000
2033		127,000	127,000
2034		127,000	127,000
2035		127,000	127,000
2036		127,000	127,000
2037		127,000	127,000
2038		127,000	127,000
2039		127,000	127,000
2040		127,000	127,000
2041		127,000	127,000
2042	400,000	127,000	527,000
2043	640,000	115,000	755,000
2044	1,000,000	95,000	1,095,000
2045	1,000,000	63,750	1,063,750
2046	1,000,000	32,500	1,032,500
2047			
2048			
	\$ 4,040,000	\$ 2,592,250	\$ 6,632,250

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

S E R I E S - 2 0 2 4

Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2025	\$	\$ 93,509	\$ 93,509
2026		93,250	93,250
2027		93,250	93,250
2028		93,250	93,250
2029		93,250	93,250
2030		93,250	93,250
2031		93,250	93,250
2032		93,250	93,250
2033		93,250	93,250
2034		93,250	93,250
2035		93,250	93,250
2036		93,250	93,250
2037	100,000	93,250	193,250
2038	105,000	89,250	194,250
2039	110,000	85,050	195,050
2040	115,000	80,650	195,650
2041	120,000	76,050	196,050
2042	250,000	71,250	321,250
2043	250,000	61,250	311,250
2044	250,000	51,250	301,250
2045	250,000	41,250	291,250
2046	250,000	30,938	280,938
2047	250,000	20,626	270,626
2048	250,000	10,311	260,311
	<u>\$ 2,300,000</u>	<u>\$ 1,830,384</u>	<u>\$ 4,130,384</u>

See accompanying independent auditor's report.

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**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 1,465,000	\$ 1,303,403	\$ 2,768,403
2026	1,480,000	1,262,194	2,742,194
2027	1,490,000	1,222,794	2,712,794
2028	1,495,000	1,185,744	2,680,744
2029	1,595,000	1,148,594	2,743,594
2030	1,710,000	1,099,812	2,809,812
2031	1,735,000	1,047,218	2,782,218
2032	1,860,000	996,569	2,856,569
2033	1,895,000	940,563	2,835,563
2034	1,920,000	882,161	2,802,161
2035	1,950,000	822,662	2,772,662
2036	1,980,000	759,987	2,739,987
2037	2,110,000	694,188	2,804,188
2038	2,155,000	621,975	2,776,975
2039	2,195,000	548,350	2,743,350
2040	2,285,000	472,625	2,757,625
2041	2,370,000	391,126	2,761,126
2042	2,450,000	305,950	2,755,950
2043	2,130,000	220,200	2,350,200
2044	1,250,000	146,250	1,396,250
2045	1,250,000	105,000	1,355,000
2046	1,250,000	63,438	1,313,438
2047	250,000	20,626	270,626
2048	250,000	10,311	260,311
	<u>\$ 40,520,000</u>	<u>\$ 16,271,740</u>	<u>\$ 56,791,740</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2024**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2023
Encanto Real Utility District Unlimited Tax Bonds - Series 2015	\$ 2,860,000	\$ 2,860,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2015A	6,900,000	5,875,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2016	9,700,000	7,250,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2017	9,000,000	7,800,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2018	9,850,000	8,100,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2019	2,640,000	2,440,000
Encanto Real Utility District Unlimited Tax Refunding Bonds - Series 2021	1,490,000	1,260,000
Encanto Real Utility District Unlimited Tax Road Bonds - Series 2022	4,040,000	4,040,000
Encanto Real Utility District Unlimited Tax Park Bonds - Series 2024	2,300,000	
TOTAL	\$ 48,780,000	\$ 39,625,000

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2024</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$	\$ 104,513	\$ 2,860,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	203,194	5,700,000	Amegy Bank N.A. Houston, TX
	350,000	181,000	6,900,000	Amegy Bank N.A. Houston, TX
	200,000	253,875	7,600,000	Amegy Bank N.A. Houston, TX
	350,000	278,812	7,750,000	Amegy Bank N.A. Houston, TX
	100,000	66,825	2,340,000	Zions Bancorporation N.A. Houston, TX
	230,000	32,450	1,030,000	Zions Bancorporation N.A. Houston, TX
		127,000	4,040,000	Zions Bancorporation N.A. Houston, TX
<u>2,300,000</u>			<u>2,300,000</u>	Zions Bancorporation N.A. Houston, TX
<u>\$ 2,300,000</u>	<u>\$ 1,405,000</u>	<u>\$ 1,247,669</u>	<u>\$ 40,520,000</u>	

See accompanying independent auditor's report.

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**ENCANTO REAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2024**

Bond Authority:	Tax Bonds	Refunding Bonds	Park Bonds	Road Bonds
Amount Authorized by Voters	\$ 129,600,000	\$ 7,950,000	\$ 8,300,000	\$ 14,600,000
Amount Issued	40,000,000	400,000	2,300,000	4,040,000
Remaining to be Issued	\$ 89,600,000	\$ 7,550,000	\$ 6,000,000	\$ 10,560,000

Debt Service Fund cash and investments balances as of June 30, 2024: \$ 2,787,279

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 2,366,323

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 746,818	\$ 530,065	\$ 520,145
Water Service	444,901	416,523	384,018
Wastewater Service	345,903	334,728	329,611
Regional Water Authority Fees	614,409	675,019	590,587
Penalty and Interest	37,690	31,349	30,758
Tap Connection and Inspection Fees	64,355	125,740	7,260
Investment Revenues	137,367	86,732	9,289
Miscellaneous Revenues	11,577	7,964	15,082
TOTAL REVENUES	\$ 2,403,020	\$ 2,208,120	\$ 1,886,750
EXPENDITURES			
Professional Fees	\$ 192,510	\$ 193,310	\$ 221,454
Contracted Services	442,928	398,246	366,765
Purchased Water Service			2,354
Utilities	116,666	97,404	89,014
Regional Water Authority Assessment	518,161	666,208	576,594
Repairs and Maintenance	465,957	539,704	403,960
Other	276,599	338,833	236,308
Capital Outlay	56,332	138,264	14,626
TOTAL EXPENDITURES	\$ 2,069,153	\$ 2,371,969	\$ 1,911,075
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 333,867	\$ (163,849)	\$ (24,325)
OTHER FINANCING SOURCES			
Transfers In	\$ 97,842	\$	\$
NET CHANGE IN FUND BALANCE	\$ 431,709	\$ (163,849)	\$ (24,325)
BEGINNING FUND BALANCE	2,530,559	2,694,408	2,718,733
ENDING FUND BALANCE	\$ 2,962,268	\$ 2,530,559	\$ 2,694,408

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 342,343	\$ 442,944	31.0 %	23.9 %	27.5 %	19.3 %	24.9 %
397,263	382,856	18.5	18.9	20.4	22.3	21.5
327,705	325,325	14.4	15.2	17.5	18.4	18.3
631,016	507,031	25.6	30.6	31.3	35.5	28.5
33,299	37,682	1.6	1.4	1.6	1.9	2.1
13,826	13,715	2.7	5.7	0.4	0.8	0.8
21,400	56,658	5.7	3.9	0.5	1.2	3.2
11,324	12,878	0.5	0.4	0.8	0.6	0.7
<u>\$ 1,778,176</u>	<u>\$ 1,779,089</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 151,181	\$ 189,119	8.0 %	8.9 %	11.8 %	8.5 %	10.7 %
361,956	357,843	18.4	18.0	19.5	20.4	20.1
4,019				0.1	0.2	
71,817	70,552	4.9	4.4	4.7	4.0	4.0
545,343	473,993	21.6	30.2	30.6	30.7	26.6
408,722	343,368	19.4	24.4	21.4	23.0	19.3
255,385	236,864	11.5	15.3	12.5	14.4	13.3
25,607	14,938	2.3	6.3	0.8	1.4	0.8
<u>\$ 1,824,030</u>	<u>\$ 1,686,677</u>	<u>86.1 %</u>	<u>107.5 %</u>	<u>101.4 %</u>	<u>102.6 %</u>	<u>94.8 %</u>
\$ (45,854)	\$ 92,412	13.9 %	(7.5) %	(1.4) %	(2.6) %	5.2 %
\$	\$					
\$ (45,854)	\$ 92,412	13.9 %	(7.5) %	(1.4) %	(2.6) %	5.2 %
<u>2,764,587</u>	<u>2,672,175</u>					
<u>\$ 2,718,733</u>	<u>\$ 2,764,587</u>					

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 2,824,148	\$ 2,803,915	\$ 2,535,813
Penalty and Interest	38,312	20,665	21,478
Investment Revenues	142,381	95,606	8,721
Miscellaneous Revenues	2,019	267	1,029
TOTAL REVENUES	\$ 3,006,860	\$ 2,920,453	\$ 2,567,041
EXPENDITURES			
Tax Collection Expenditures	\$ 69,479	\$ 55,688	\$ 54,639
Debt Service Principal	1,405,000	1,400,000	1,365,000
Debt Service Interest and Fees	1,251,994	1,302,612	1,202,368
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 2,726,473	\$ 2,758,300	\$ 2,622,007
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 280,387	\$ 162,153	\$ (54,966)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	\$	\$	\$
Payment to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES, NET	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 280,387	\$ 162,153	\$ (54,966)
BEGINNING FUND BALANCE	2,515,205	2,353,052	2,408,018
ENDING FUND BALANCE	\$ 2,795,592	\$ 2,515,205	\$ 2,353,052
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,304	1,297	1,278
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,259	1,235	1,234

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 2,555,782	\$ 2,400,359	93.9 %	96.0 %	98.8 %	98.6 %	97.0 %
19,793	21,067	1.3	0.7	0.8	0.8	0.9
15,248	52,322	4.7	3.3	0.3	0.6	2.1
186	441	0.1		0.1		
<u>\$ 2,591,009</u>	<u>\$ 2,474,189</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 52,851	\$ 49,742	2.4 %	1.9 %	2.1 %	2.1 %	2.0 %
1,250,000	1,245,000	46.7	47.9	53.2	48.2	50.3
1,216,725	1,239,954	41.6	44.6	46.8	47.0	50.1
101,729					3.9	
<u>\$ 2,621,305</u>	<u>\$ 2,534,696</u>	<u>90.7 %</u>	<u>94.4 %</u>	<u>102.1 %</u>	<u>101.2 %</u>	<u>102.4 %</u>
<u>\$ (30,296)</u>	<u>\$ (60,507)</u>	<u>9.3 %</u>	<u>5.6 %</u>	<u>(2.1) %</u>	<u>(1.2) %</u>	<u>(2.4) %</u>
\$ 1,490,000	\$					
(1,518,403)						
113,719						
<u>\$ 85,316</u>	<u>\$ - 0 -</u>					
\$ 55,020	\$ (60,507)					
2,352,998	2,413,505					
<u>\$ 2,408,018</u>	<u>\$ 2,352,998</u>					
1,268	1,270					
<u>1,224</u>	<u>1,226</u>					

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024**

District Mailing Address - Encanto Real Utility District
c/o Marks Richardson PC
3700 Buffalo Speedway, Suite 830
Houston, TX 77098

District Telephone Number - (713) 942-9922

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>June 30, 2024</u>	Expense Reimbursements for the year ended <u>June 30, 2024</u>	<u>Title</u>
Bruce D. Burkhardt	05/22 05/26 (Elected)	\$ 2,431	\$ -0-	President
Katherine Sloan	05/22 05/26 (Elected)	\$ 2,431	\$ -0-	Vice President
Jonathan Zitzmann	05/24 05/28 (Elected)	\$ 2,431	\$ -0-	Secretary
Phil Knox	05/22 05/26 (Elected)	\$ 2,431	\$ 118	Assistant Secretary
Robert Relick	05/24 05/28 (Elected)	\$ -0-	\$ -0-	Director
Jeffrey Lowery	11/20 05/24 (Elected)	\$ 2,431	\$ -0-	Former Director

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form: September 10, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2024</u>	<u>Title</u>
Marks Richardson PC	04/15/06	\$ 111,286 \$ 68,705	General Counsel Bond Related
McCall Gibson Swedlund Barfoot PLLC	06/17/14	\$ 16,750 \$ 15,250	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	2002	\$ 71,721 \$ 4,000	Bookkeeper Bond Related
Ted A. Cox, P.C.	04/19/95	\$ 14,840	Delinquent Tax Attorney
Dannenbaum Engineering	01/03/78	\$ 88,172 \$ 20,827	Engineer Bond Related
Masterson Advisors LLC	04/17/18	\$ 53,643	Financial Advisor
Water District Management Company, Inc.	06/08/77	\$ 567,262	Operator
Wheeler & Associates, Inc.	11/74	\$ 17,040 \$ 3,500	Tax Assessor/ Collector Bond Related

See accompanying independent auditor's report.

