

ENCANTO REAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

ENCANTO REAL UTILITY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Encanto Real Utility District
Harris County, Texas

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2021, 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.

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 any 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
Certified Public Accountants
Houston, Texas

October 19, 2021

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. 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.

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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.

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 by \$3,137,046 as of June 30, 2021. 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, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of the Statement of Net Position as of June 30, 2021, and June 30, 2020:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 10,881,490	\$ 11,625,655	\$ (744,165)
Capital Assets (Net of Accumulated Depreciation)	<u>29,052,656</u>	<u>29,096,621</u>	<u>(43,965)</u>
Total Assets	<u>\$ 39,934,146</u>	<u>\$ 40,722,276</u>	<u>\$ (788,130)</u>
Deferred Outflows of Resources	<u>\$ 22,450</u>	<u>\$ -0-</u>	<u>\$ 22,450</u>
Due to Developer	\$ 3,890,601	\$ 3,806,948	\$ (83,653)
Long -Term Liabilities	38,473,826	39,620,412	1,146,586
Other Liabilities	<u>729,215</u>	<u>1,097,067</u>	<u>367,852</u>
Total Liabilities	<u>\$ 43,093,642</u>	<u>\$ 44,524,427</u>	<u>\$ 1,430,785</u>
Net Position:			
Net Investment in Capital Assets	\$ (8,111,767)	\$ (8,753,641)	\$ 641,874
Restricted	2,239,554	2,181,345	58,209
Unrestricted	<u>2,735,167</u>	<u>2,770,145</u>	<u>(34,978)</u>
Total Net Position	<u>\$ (3,137,046)</u>	<u>\$ (3,802,151)</u>	<u>\$ 665,105</u>

The District's net position increased by \$665,105. The following table provides a comparative analysis of the District's operations for the years ended June 30, 2021, and June 30, 2020.

	<u>Summary of Changes in the Statement of Activities</u>		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,893,978	\$ 2,847,677	\$ 46,301
Charges for Services	1,422,549	1,288,802	133,747
Other Revenues	<u>57,932</u>	<u>237,937</u>	<u>(180,005)</u>
Total Revenues	<u>\$ 4,374,459</u>	<u>\$ 4,374,416</u>	<u>\$ 43</u>
Expenses for Services	<u>3,709,354</u>	<u>4,056,144</u>	<u>346,790</u>
Change in Net Position	\$ 665,105	\$ 318,272	\$ 346,833
Net Position, Beginning of Year	<u>(3,802,151)</u>	<u>(4,120,423)</u>	<u>318,272</u>
Net Position, End of Year	<u>\$ (3,137,046)</u>	<u>\$ (3,802,151)</u>	<u>\$ 665,105</u>

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2021, totaled \$10,304,305, a decrease of \$388,930 from the prior year.

The General Fund fund balance decreased by \$45,854, primarily due to operating costs exceeding service and tax revenues.

The Debt Service Fund fund balance increased by \$55,020, primarily due to the structure of the District's outstanding debt and the issuance of the Series 2021 refunding bonds.

The Capital Projects Fund fund balance decreased by \$398,096, primarily due to capital expenditures for the wastewater treatment plant expansion and water well no. 2 improvements.

BUDGETARY HIGHLIGHTS

In the General Fund, actual revenues were \$122,433 more than budgeted revenues primarily due to higher than anticipated regional water authority fees. Actual expenditures were \$436,441 less than budgeted expenditures primarily due to less than anticipated capital outlay expenditures.

CAPITAL ASSETS

Capital assets totaled \$29,052,656 as of June 30, 2021, 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 additions for Water Well No. 2 at Water Plant No. 1 and wastewater treatment plant expansion.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,859,371	\$ 3,859,371	\$
Construction in Progress	5,063,010	4,644,665	418,345
Capital Assets, Net of Accumulated Depreciation:			
Water System	7,536,876	7,734,324	(197,448)
Wastewater System	7,226,020	7,443,972	(217,952)
Equipment	56,470	62,004	(5,534)
Detention	5,047,058	5,087,631	(40,573)
Parks and Recreation	263,851	264,654	(803)
Total Net Capital Assets	\$ 29,052,656	\$ 29,096,621	\$ (43,965)

**ENCANTO REAL UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

LONG-TERM DEBT ACTIVITY

As of June 30, 2021, the District had total bond debt payable of \$38,350,000. The changes in the debt position of the District during the fiscal year ended June 30, 2021, are summarized as follows:

Bond Debt Payable, July 1, 2020	\$ 39,605,000
Add: Bond Sale - Series 2021	1,490,000
Less: Bond Principal Paid	<u>2,745,000</u>
Bond Debt Payable, June 30, 2021	<u>\$ 38,350,000</u>

The District’s Series 2012 Refunding Bonds are not rated. The Series 2006 Bonds have an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Corporation. The Series 2015 Bonds, Series 2015A Bonds, Series 2019 and Series 2021 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”. 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, 2022 projects an increase of \$2,130 to the General Fund fund balance. Revenue is expected to be \$1,843,163 and expenditures are expected to be \$1,841,033.

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, 2021**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 197,443	\$ 89,170
Investments	2,596,476	2,326,428
Receivables:		
Property Taxes	3,829	27,755
Penalty and Interest on Delinquent Taxes		
Service Accounts	118,164	
Accrued Interest	6,202	2,178
Due from Developers	60,152	
Due from Other Funds	22,766	
Prepaid Costs	55,182	
Capital Assets (Net of Accumulated Depreciation):		
Land		
Construction in Progress		
Water and Wastewater Systems		
Equipment		
Detention		
Parks and Recreation		
TOTAL ASSETS	\$ 3,060,214	\$ 2,445,531
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,060,214	\$ 2,445,531

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>
\$ 100	\$ 286,713	\$	\$ 286,713
5,380,995	10,303,899		10,303,899
	31,584		31,584
		4,811	4,811
	118,164		118,164
	8,380		8,380
	60,152		60,152
	22,766	(22,766)	
	55,182	12,605	67,787
		3,859,371	3,859,371
		5,063,010	5,063,010
		14,762,896	14,762,896
		56,470	56,470
		5,047,058	5,047,058
		263,851	263,851
<u>\$ 5,381,095</u>	<u>\$ 10,886,840</u>	<u>\$ 29,047,306</u>	<u>\$ 39,934,146</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 22,450</u>	<u>\$ 22,450</u>
<u>\$ 5,381,095</u>	<u>\$ 10,886,840</u>	<u>\$ 29,069,756</u>	<u>\$ 39,956,596</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, 2021**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 250,002	\$
Retainage Payable		
Accrued Interest Payable		1,640
Due to Developers		
Due to Other Funds		4,734
Due to Taxpayers		3,384
Security Deposits	87,650	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 337,652	\$ 9,758
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 3,829	\$ 27,755
FUND BALANCES		
Nonspendable -		
Prepaid Costs	\$ 55,182	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,408,018
Unassigned	2,663,551	
TOTAL FUND BALANCES	\$ 2,718,733	\$ 2,408,018
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,060,214	\$ 2,445,531
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
\$ 18,575	\$ 268,577	\$	\$ 268,577
166,934	166,934		166,934
	1,640	201,030	202,670
		3,890,601	3,890,601
18,032	22,766	(22,766)	
	3,384		3,384
	87,650		87,650
		1,365,000	1,365,000
		37,108,826	37,108,826
<u>\$ 203,541</u>	<u>\$ 550,951</u>	<u>\$ 42,542,691</u>	<u>\$ 43,093,642</u>
<u>\$ -0-</u>	<u>\$ 31,584</u>	<u>\$ (31,584)</u>	<u>\$ -0-</u>
\$	\$ 55,182	\$ (55,182)	\$
5,177,554	5,177,554	(5,177,554)	
	2,408,018	(2,408,018)	
	2,663,551	(2,663,551)	
<u>\$ 5,177,554</u>	<u>\$ 10,304,305</u>	<u>\$ (10,304,305)</u>	<u>\$ - 0 -</u>
<u>\$ 5,381,095</u>	<u>\$ 10,886,840</u>		
		\$ (8,111,767)	\$ (8,111,767)
		2,239,554	2,239,554
		2,735,167	2,735,167
		<u>\$ (3,137,046)</u>	<u>\$ (3,137,046)</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, 2021**

Total Fund Balances - Governmental Funds \$ 10,304,305

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. 12,605

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 29,052,656

Deferred inflows of resources related to property tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District. 36,395

Deferred charges on refunding bonds are not an expenditure of the current period. 22,450

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	\$ (3,890,601)	
Accrued Interest Payable	(201,030)	
Bonds Payable	<u>(38,473,826)</u>	<u>(42,565,457)</u>

Total Net Position - Governmental Activities \$ (3,137,046)

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, 2021

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 342,343	\$ 2,555,782
Water Service	397,263	
Wastewater Service	327,705	
Regional Water Authority Fees	631,016	
Penalty and Interest	33,299	19,793
Tap Connection and Inspection Fees	13,826	
Investment Revenues	21,400	15,248
Miscellaneous Revenues	11,324	186
TOTAL REVENUES	\$ 1,778,176	\$ 2,591,009
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 151,181	\$ 7,386
Contracted Services	361,956	42,376
Purchased Water Service	4,019	
Utilities	71,817	
Regional Water Authority Assessment	545,343	
Repairs and Maintenance	408,722	
Depreciation		
Other	255,385	7,404
Capital Outlay	25,607	
Debt Service:		
Bond Principal		1,250,000
Bond Interest		1,212,410
Bond Issuance Costs		101,729
TOTAL EXPENDITURES/EXPENSES	\$ 1,824,030	\$ 2,621,305
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	\$ (45,854)	\$ (30,296)
OTHER FINANCING SOURCES (USES)		
Refunding Bonds	\$	\$ 1,490,000
Payment to Refunded Bond Escrow Agent		(1,518,403)
Premium on Sale of Bonds		113,719
TOTAL OTHER FINANCING SOURCES, NET	\$ -0-	\$ 85,316
NET CHANGE IN FUND BALANCES	\$ (45,854)	\$ 55,020
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2020	2,764,587	2,352,998
FUND BALANCES/NET POSITION - JUNE 30, 2021	\$ 2,718,733	\$ 2,408,018

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 Activities</u>
\$	\$ 2,898,125	\$ (4,147)	\$ 2,893,978
	397,263		397,263
	327,705		327,705
	631,016		631,016
	53,092	(353)	52,739
	13,826		13,826
9,774	46,422		46,422
	11,510		11,510
<u>\$ 9,774</u>	<u>\$ 4,378,959</u>	<u>\$ (4,500)</u>	<u>\$ 4,374,459</u>
\$	\$ 158,567	\$	\$ 158,567
484	404,816		404,816
	4,019		4,019
	71,817		71,817
	545,343		545,343
	408,722		408,722
		562,036	562,036
23	262,812		262,812
407,363	432,970	(432,970)	
	1,250,000	(1,250,000)	
	1,212,410	(9,777)	1,202,633
	101,729	(13,140)	88,589
<u>\$ 407,870</u>	<u>\$ 4,853,205</u>	<u>\$ (1,143,851)</u>	<u>\$ 3,709,354</u>
<u>\$ (398,096)</u>	<u>\$ (474,246)</u>	<u>\$ 1,139,351</u>	<u>\$ 665,105</u>
\$	\$ 1,490,000	\$ (1,490,000)	\$
	(1,518,403)	1,518,403	
	113,719	(113,719)	
<u>\$ -0-</u>	<u>\$ 85,316</u>	<u>\$ (85,316)</u>	<u>\$ -0-</u>
\$ (398,096)	\$ (388,930)	\$ 388,930	\$
		665,105	665,105
<u>5,575,650</u>	<u>10,693,235</u>	<u>(14,495,386)</u>	<u>(3,802,151)</u>
<u>\$ 5,177,554</u>	<u>\$ 10,304,305</u>	<u>\$ (13,441,351)</u>	<u>\$ (3,137,046)</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, 2021**

Net Change in Fund Balances - Governmental Funds	\$ (388,930)
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.	(4,147)
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.	(353)
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.	(562,036)
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.	432,970
Governmental funds report bond discounts and bond premiums as other financing sources/uses in the year 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.	(96,762)
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.	1,250,000
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.	5,960
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(1,490,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>1,518,403</u>
Change in Net Position - Governmental Activities	<u>\$ 665,105</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, 2021

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, 2021

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, 2021**

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, 2021**

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, 2021, the Debt Service Fund owes the General Fund \$4,734 for maintenance tax collections and the Capital Projects Fund owes the General Fund \$18,032 for water well no. 2 expenditures.

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, 2021, 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:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
All Other Equipment	3-20

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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 did 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, 2021

NOTE 3. LONG-TERM DEBT

	Series 2006	Refunding Series 2012	Series 2015
Amount Outstanding - June 30, 2021	\$ 80,000	\$ 130,000	\$ 2,860,000
Interest Rates	4.40%	3.15%	3.25% - 5.00%
Maturity Dates -Serially Beginning/Ending	May 1, 2022	May 1, 2022	May 1, 2029/2040
Interest Payment Dates	November 1 / May 1	November 1 /May 1	November 1 / May 1
Callable Dates	May 1, 2015*	May 1, 2020*	May 1, 2023*
	Series 2015A	Series 2016	Series 2017
Amount Outstanding - June 30, 2021	\$ 6,200,000	\$ 7,950,000	\$ 8,200,000
Interest Rates	2.25% - 4.00%	2.00% - 3.00%	2.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	May 1, 2022/2041	May 1, 2022/2041	May 1, 2022/2042
Interest Payment Dates	November 1 / May 1	November 1 / May 1	November 1 / May 1
Callable Dates	May 1, 2023*	May 1, 2024*	May 1, 2024*

* 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.

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2018</u>	<u>Series 2019</u>	<u>Refunding Series 2021</u>
Amount Outstanding - June 30, 2021	\$ 8,800,000	\$ 2,640,000	\$ 1,490,000
Interest Rates	2.50% - 3.75%	2.00% - 4.00%	2.00% - 3.00%
Maturity Dates - Serially Beginning/Ending	May 1, 2022/2043	May 1, 2022/2043	May 1, 2022/2028
Interest Payment Dates	November 1 /May 1	November 1 /May 1	November 1 /May 1
Callable Dates	May 1, 2024**	May 1, 2025**	May 1, 2026**

** Or on any date thereafter, at a price of par, plus accrued interest to the date of redemption. 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.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2021:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Bonds Payable	\$ 39,605,000	\$ 1,490,000	\$ 2,745,000	\$ 38,350,000
Unamortized Premiums	15,412	113,719	5,305	123,826
Bonds Payable	<u>\$ 39,620,412</u>	<u>\$ 1,603,719</u>	<u>\$ 2,750,305</u>	<u>\$ 38,473,826</u>
		Amount Due Within One Year		\$ 1,365,000
		Amount Due After One Year		<u>37,108,826</u>
		Bonds Payable		<u>\$ 38,473,826</u>

On March 16, 2021, the District issued \$1,490,000 of Unlimited Tax Refunding Bonds, Series 2021, with interest rates ranging from 2.00% to 3.00% to currently refund \$600,000 and \$895,000 of its previously issued Series 2006 and Series 2012 Bonds in order to lower its overall debt service requirements. The net proceeds of \$1,520,043 (after a \$17,000 contribution to the refunding agent by the District and payment of the underwriting fees and other issuance costs) were used for the following: \$1,518,403 was deposited with an escrow agent to provide the debt service payment on the portion of bonds refunded and \$1,640 was deposited in the Debt Service Fund for future interest costs. As a result, \$1,495,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$23,403; this amount is considered a deferred outflow of resources and amortized over the life of the refunded debt which is shorter than or equal to the life of the new debt issued. The current refunding resulted in an economic gain of \$111,339 and an overall debt service savings to the District of \$120,898.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2021, the District has authorized but unissued tax bonds in the amount of \$89,600,000, authorized but unissued park bonds in the amount of \$8,300,000, authorized but unissued road bonds in the amount of \$14,600,000 and available refunding bonds authorization of \$7,550,000.

As of June 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 1,365,000	\$ 1,199,742	\$ 2,564,742
2023	1,400,000	1,158,294	2,558,294
2024	1,405,000	1,120,669	2,525,669
2025	1,465,000	1,082,894	2,547,894
2026	1,480,000	1,041,944	2,521,944
2027-2031	8,025,000	4,602,912	12,627,912
2032-2036	9,605,000	3,300,692	12,905,692
2037-2041	10,565,000	1,669,014	12,234,014
2042-2043	3,040,000	151,650	3,191,650
	<u>\$ 38,350,000</u>	<u>\$ 15,327,811</u>	<u>\$ 53,677,811</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, and the Series 2006 bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

During the year ended June 30, 2021, the District levied an ad valorem debt service tax rate of \$0.785 per \$100 of assessed valuation, which resulted in a tax levy of \$2,563,633 on the adjusted taxable valuation of \$326,578,152 for the 2020 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, 2021**

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 \$4,151,713 and the bank balance was \$4,181,666. The entire bank balance was covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2021, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 197,443	\$ 2,160,000	\$ 2,357,443
DEBT SERVICE FUND	89,170	1,705,000	1,794,170
CAPITAL PROJECTS FUND	<u>100</u>	<u> </u>	<u>100</u>
TOTAL DEPOSITS	<u>\$ 286,713</u>	<u>\$ 3,865,000</u>	<u>\$ 4,151,713</u>

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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. Wells Fargo 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, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2021, 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	\$ 436,476	\$ 436,476
Certificates of Deposit	2,160,000	2,160,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	621,428	621,428
Certificates of Deposit	1,705,000	1,705,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>5,380,995</u>	<u>5,380,995</u>
TOTAL INVESTMENTS	<u>\$ 10,303,899</u>	<u>\$ 10,303,899</u>

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, 2021, 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, 2021**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021:

	July 1, 2020	Increases	Decreases	June 30, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,859,371	\$	\$	\$ 3,859,371
Construction in Progress	4,644,665	418,345		5,063,010
Total Capital Assets Not Being Depreciated	\$ 8,504,036	\$ 418,345	\$ - 0 -	\$ 8,922,381
Capital Assets Subject to Depreciation				
Water System	\$ 8,941,235	\$	\$	\$ 8,941,235
Wastewater System	9,351,764	8,680		9,360,444
Equipment	114,027			114,027
Detention	5,570,204	85,100		5,655,304
Parks and Recreation	276,964	5,946		282,910
Total Capital Assets Subject to Depreciation	\$ 24,254,194	\$ 99,726	\$ - 0 -	\$ 24,353,920
Accumulated Depreciation				
Water System	\$ 1,206,911	\$ 197,448	\$	\$ 1,404,359
Wastewater System	1,907,792	226,632		2,134,424
Equipment	52,023	5,534		57,557
Detention	482,573	125,673		608,246
Parks and Recreation	12,310	6,749		19,059
Total Accumulated Depreciation	\$ 3,661,609	\$ 562,036	\$ - 0 -	\$ 4,223,645
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 20,592,585	\$ (462,310)	\$ - 0 -	\$ 20,130,275
Total Capital Assets, Net of Accumulated Depreciation	\$ 29,096,621	\$ (43,965)	\$ - 0 -	\$ 29,052,656

The District has financed drainage facilities which have been conveyed to other entities for maintenance. During fiscal year 2021, no capital assets were conveyed.

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, 2021, the District levied an ad valorem maintenance tax rate of \$0.105 per \$100 of assessed valuation, which resulted in a tax levy of \$342,906 on the adjusted taxable valuation of \$326,578,152 for the 2020 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, 2021**

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, 2021 charged by the Authority is \$4.60 per 1,000 gallons of water pumped. Pumpage fees paid for the year ended June 30, 2021, were \$545,343.

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. Water fees and pumpage fees paid for the year ended June 30, 2021 related to this agreement, were \$4,019 and \$13,585, respectively.

**ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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 March 1, 2020 to February 28, 2021, the District agreed to pay the County \$18,138 monthly except for the last month which is \$18,141. For the period March 1, 2021 to February 28, 2022, the District agreed to pay the County \$18,592 monthly except for the last month which is \$18,589. For the year ended June 30, 2021, the District recognized \$219,475 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, 2021, Developers within the District indicated that approximately \$3,890,601 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, June 30, 2020	\$ 3,805,500
Add - Amounts Owed	<u>85,101</u>
Due to Developers, June 30, 2021	<u>\$ 3,890,601</u>

NOTE 13. USE OF SURPLUS FUNDS

On February 18, 2020, the Board of Directors of the District approved a resolution authorizing the use of \$253,287 in surplus construction funds from the previously issued Series 2015 bonds to pay for the costs associated with the purchase of a draft aerator stripping tower at Water Plant No. 1. On June 15, 2021, the Board of Directors of the District approved a resolution authorizing the use of \$205,893 in surplus construction funds from the previously issued Series 2015 bonds to pay for additional costs associated with the draft aerator stripping tower at Water Plant No. 1. During fiscal year 2021, the District recognized \$244,179 related to this project. The total included in construction in progress on the balance sheet at June 30, 2021 was \$294,837.

ENCANTO REAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

ENCANTO REAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

ENCANTO REAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 326,193	\$ 342,343	\$ 16,150
Water Service	394,300	397,263	2,963
Wastewater Service	334,700	327,705	(6,995)
Regional Water Authority Fees	505,000	631,016	126,016
Penalty and Interest	39,500	33,299	(6,201)
Tap Connection and Inspection Fees	16,900	13,826	(3,074)
Investment Revenues	25,340	21,400	(3,940)
Miscellaneous Revenues	<u>13,810</u>	<u>11,324</u>	<u>(2,486)</u>
TOTAL REVENUES	<u>\$ 1,655,743</u>	<u>\$ 1,778,176</u>	<u>\$ 122,433</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 164,750	\$ 151,181	\$ 13,569
Contracted Services	352,306	361,956	(9,650)
Purchased Water Service		4,019	(4,019)
Utilities	68,000	71,817	(3,817)
Regional Water Authority Assessment	505,000	545,343	(40,343)
Repairs and Maintenance	323,500	408,722	(85,222)
Other	216,915	255,385	(38,470)
Capital Outlay	<u>630,000</u>	<u>25,607</u>	<u>604,393</u>
TOTAL EXPENDITURES	<u>\$ 2,260,471</u>	<u>\$ 1,824,030</u>	<u>\$ 436,441</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (604,728)</u>	<u>\$ (45,854)</u>	<u>\$ 558,874</u>
OTHER FINANCING SOURCES			
Transfers In	<u>\$ 4,606</u>	<u>\$</u>	<u>\$ (4,606)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (600,122)</u>	<u>\$ (45,854)</u>	<u>\$ 554,268</u>
FUND BALANCE - JULY 1, 2020	<u>2,764,587</u>	<u>2,764,587</u>	
FUND BALANCE - JUNE 30, 2021	<u>\$ 2,164,465</u>	<u>\$ 2,718,733</u>	<u>\$ 554,268</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, 2021

**ENCANTO REAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective February 21, 2017.

	<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	5,001 to 10,000
				\$1.00	10,001 to 15,000
				\$1.50	15,001 to 20,000
				\$2.00	20,001 and up
WASTEWATER:	\$ 22.00		Y		
SURCHARGE:					
Regional Water	\$4.60 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: \$50.60

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2021**

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			x 1.0	
≤ ³ / ₄ "	<u>1,100</u>	<u>1,086</u>	x 1.0	<u>1,086</u>
1"	<u>153</u>	<u>153</u>	x 2.5	<u>383</u>
1½"			x 5.0	
2"	<u>23</u>	<u>23</u>	x 8.0	<u>184</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>1,282</u></u>	<u><u>1,268</u></u>		<u><u>2,023</u></u>
Total Wastewater Connections	<u><u>1,238</u></u>	<u><u>1,224</u></u>	x 1.0	<u><u>1,224</u></u>

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

Gallons pumped into system:	152,445,000	Water Accountability Ratio: 86.5 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	133,680,000	
Gallons purchased:	3,802,000	From: Northampton MUD
Gallons sold:	1,436,000	To: Northampton MUD

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021**

PROFESSIONAL FEES:	
Auditing	\$ 14,500
Engineering	63,116
Legal	<u>73,565</u>
TOTAL PROFESSIONAL FEES	<u>\$ 151,181</u>
PURCHASED SERVICES FOR RESALE -	
Purchased Water Service	<u>\$ 4,019</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 28,455
Operations and Billing	100,896
Arbitrage	6,500
Other Contracted Services	<u>6,030</u>
TOTAL CONTRACTED SERVICES	<u>\$ 141,881</u>
UTILITIES:	
Electricity	\$ 65,648
Telephone	<u>6,169</u>
TOTAL UTILITIES	<u>\$ 71,817</u>
REPAIRS AND MAINTENANCE	<u>\$ 408,722</u>
ADMINISTRATIVE EXPENDITURES:	
Consumer Confidence Report	\$ 4,653
Director Fees	7,350
Election Costs	11,041
Insurance	23,658
Legal Notices	34
Office Supplies and Postage	18,962
Payroll Taxes	562
Travel and Meetings	20
Other	<u>2,390</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 68,670</u>
CAPITAL OUTLAY -	
Capitalized Assets	<u>\$ 25,607</u>
TAP CONNECTIONS	<u>\$ 6,336</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021**

SECURITY	\$ <u>220,075</u>
OTHER EXPENDITURES:	
Chemicals	\$ 31,745
Laboratory Fees	27,687
Permit Fees	19,990
Inspection Fees	5,737
Regional Water Authority Assessment	545,343
Regulatory Assessment	3,633
Sludge Hauling	74,206
Other	<u>17,381</u>
TOTAL OTHER EXPENDITURES	\$ <u>725,722</u>
 TOTAL EXPENDITURES	 \$ <u><u>1,824,030</u></u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2021**

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	\$ 436,476	\$
Certificate of Deposit	XXXX3810	0.20%	06/03/22	240,000	37
Certificate of Deposit	XXXX3881	0.48%	05/27/22	240,000	107
Certificate of Deposit	XXXX1806	0.60%	08/25/21	240,000	1,219
Certificate of Deposit	XXXX2427	0.45%	01/26/22	240,000	459
Certificate of Deposit	XXXX3737	0.65%	07/30/21	200,000	1,175
Certificate of Deposit	XXXX0424	0.35%	02/20/22	200,000	249
Certificate of Deposit	XXXX0795	0.55%	10/06/21	200,000	805
Certificate of Deposit	XXXX7166	0.75%	09/03/21	200,000	1,233
Certificate of Deposit	XXXX4446	0.40%	12/15/21	200,000	432
Certificate of Deposit	XXXX0262	0.40%	11/20/21	200,000	486
TOTAL GENERAL FUND				\$ 2,596,476	\$ 6,202
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 621,428	\$
Certificate of Deposit	XXXX9983	0.20%	04/16/22	245,000	101
Certificate of Deposit	XXXX9930	0.48%	04/19/22	245,000	238
Certificate of Deposit	XXXX2307	0.50%	04/17/22	245,000	248
Certificate of Deposit	XXXX5762	0.55%	10/26/21	240,000	893
Certificate of Deposit	XXXX0617	0.20%	04/11/22	245,000	20
Certificate of Deposit	XXXX0283	0.30%	04/11/22	245,000	30
Certificate of Deposit	XXXX4265	0.40%	10/27/21	240,000	648
TOTAL DEBT SERVICE FUND				\$ 2,326,428	\$ 2,178
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0005	Varies	Daily	\$ 256,311	\$
Texas CLASS	XXXX0006	Varies	Daily	173,319	
Texas CLASS	XXXX0007	Varies	Daily	11,012	
Texas CLASS	XXXX0008	Varies	Daily	804,441	
Texas CLASS	XXXX0009	Varies	Daily	2,750,668	
Texas CLASS	XXXX0010	Varies	Daily	1,385,244	
TOTAL CAPITAL PROJECTS FUND				\$ 5,380,995	\$ -0-
TOTAL - ALL FUNDS				\$ 10,303,899	\$ 8,380

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2021**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JULY 1, 2020	\$	5,558		\$ 30,173
Adjustments to Beginning Balance		<u>(2,292)</u>	\$ 3,266	<u>(10,269)</u> \$ 19,904
Original 2020 Tax Levy	\$	312,907		\$ 2,339,349
Adjustment to 2020 Tax Levy		<u>29,999</u>	<u>342,906</u>	<u>224,284</u> <u>2,563,633</u>
TOTAL TO BE ACCOUNTED FOR			\$ 346,172	\$ 2,583,537
TAX COLLECTIONS:				
Prior Years	\$	2,839		\$ 17,586
Current Year		<u>339,504</u>	<u>342,343</u>	<u>2,538,196</u> <u>2,555,782</u>
TAXES RECEIVABLE - JUNE 30, 2021			<u>\$ 3,829</u>	<u>\$ 27,755</u>
TAXES RECEIVABLE BY YEAR:				
2020			\$ 3,402	\$ 25,437
2019			<u>427</u>	<u>2,318</u>
TOTAL			<u>\$ 3,829</u>	<u>\$ 27,755</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PROPERTY VALUATIONS:				
Land	\$ 71,939,379	\$ 67,292,970	\$ 73,684,748	\$ 67,556,744
Improvements	269,649,214	265,236,901	245,657,130	212,099,211
Personal Property	14,434,187	13,668,285	9,712,547	8,911,863
Exemptions	<u>(29,444,628)</u>	<u>(29,859,488)</u>	<u>(31,170,068)</u>	<u>(9,618,596)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 326,578,152</u>	<u>\$ 316,338,668</u>	<u>\$ 297,884,357</u>	<u>\$ 278,949,222</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.7850	\$ 0.7600	\$ 0.7600	\$ 0.7600
Maintenance	<u>0.1050</u>	<u>0.1400</u>	<u>0.1500</u>	<u>0.1700</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.8900</u>	<u>\$ 0.9000</u>	<u>\$ 0.9100</u>	<u>\$ 0.9300</u>
ADJUSTED TAX LEVY*	<u>\$ 2,906,539</u>	<u>\$ 2,847,043</u>	<u>\$ 2,710,743</u>	<u>\$ 2,594,222</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.01 %</u>	<u>99.90 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

* 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, 2021**

S E R I E S - 2 0 0 6			
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2022	\$ 80,000	\$ 3,520	\$ 83,520
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	\$ 80,000	\$ 3,520	\$ 83,520

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

REFUNDING SERIES - 2012			
Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2022	\$ 130,000	\$ 4,095	\$ 134,095
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	\$ 130,000	\$ 4,095	\$ 134,095

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

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
2022		\$ 104,513	\$ 104,513
2023		104,513	104,513
2024		104,513	104,513
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			
	\$ 2,860,000	\$ 1,451,827	\$ 4,311,827

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

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
2022	\$ 150,000	\$ 210,944	\$ 360,944
2023	175,000	207,569	382,569
2024	175,000	203,194	378,194
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			
	\$ 6,200,000	\$ 2,868,537	\$ 9,068,537

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

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
2022	\$ 350,000	\$ 195,000	\$ 545,000
2023	350,000	188,000	538,000
2024	350,000	181,000	531,000
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			
	\$ 7,950,000	\$ 2,278,500	\$ 10,228,500

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

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
2022	\$ 200,000	\$ 262,875	\$ 462,875
2023	200,000	258,875	458,875
2024	200,000	253,875	453,875
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			
	\$ 8,200,000	\$ 3,580,125	\$ 11,780,125

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

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
2022	\$ 350,000	\$ 298,062	\$ 648,062
2023	350,000	289,312	639,312
2024	350,000	278,812	628,812
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
	\$ 8,800,000	\$ 3,994,874	\$ 12,794,874

See accompanying independent auditor's report.

ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021

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
2022	\$ 100,000	\$ 74,825	\$ 174,825
2023	100,000	70,825	170,825
2024	100,000	66,825	166,825
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
	\$ 2,640,000	\$ 968,775	\$ 3,608,775

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

REFUNDING SERIES - 2021

Due During Fiscal Years Ending June 30	Principal Due May 1	Interest Due November 1/ May 1	Total
2022	\$ 5,000	\$ 45,908	\$ 50,908
2023	225,000	39,200	264,200
2024	230,000	32,450	262,450
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			
	<u>\$ 1,490,000</u>	<u>\$ 177,558</u>	<u>\$ 1,667,558</u>

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2021**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 1,365,000	\$ 1,199,742	\$ 2,564,742
2023	1,400,000	1,158,294	2,558,294
2024	1,405,000	1,120,669	2,525,669
2025	1,465,000	1,082,894	2,547,894
2026	1,480,000	1,041,944	2,521,944
2027	1,490,000	1,002,544	2,492,544
2028	1,495,000	965,494	2,460,494
2029	1,595,000	928,344	2,523,344
2030	1,710,000	879,562	2,589,562
2031	1,735,000	826,968	2,561,968
2032	1,860,000	776,319	2,636,319
2033	1,895,000	720,313	2,615,313
2034	1,920,000	661,911	2,581,911
2035	1,950,000	602,412	2,552,412
2036	1,980,000	539,737	2,519,737
2037	2,010,000	473,938	2,483,938
2038	2,050,000	405,725	2,455,725
2039	2,085,000	336,300	2,421,300
2040	2,170,000	264,975	2,434,975
2041	2,250,000	188,076	2,438,076
2042	1,800,000	107,700	1,907,700
2043	1,240,000	43,950	1,283,950
	<u>\$ 38,350,000</u>	<u>\$ 15,327,811</u>	<u>\$ 53,677,811</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, 2021**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2020
Encanto Real Utility District Waterworks and Sewer Sytem Combination Unlimited Tax and Revenue Bonds - Series 2006	\$ 1,280,000	\$ 755,000
Encanto Real Utility District Unlimited Tax Refunding Bonds - Series 2012	1,950,000	1,150,000
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	6,350,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2016	9,700,000	8,300,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2017	9,000,000	8,400,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2018	9,850,000	9,150,000
Encanto Real Utility District Unlimited Tax Bonds - Series 2019	2,640,000	2,640,000
Encanto Real Utility District Unlimited Tax Refunding Bonds - Series 2021	<u>1,490,000</u>	
TOTAL	<u>\$ 45,670,000</u>	<u>\$ 39,605,000</u>
	Refunding	
Bond Authority:	Tax Bonds	Park Bonds
Amount Authorized by Voters	\$ 129,600,000	\$ 8,300,000
Amount Issued	<u>40,000,000</u>	<u>400,000</u>
Remaining to be Issued	<u>\$ 89,600,000</u>	<u>\$ 8,300,000</u>
Debt Service Fund cash and investments balances as of June 30, 2021:		<u>\$ 2,415,598</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 2,439,901</u>

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding June 30, 2021	Paying Agent
	Principal	Interest		
\$	\$ 675,000	\$ 20,485	\$ 80,000	Wells Fargo Bank, N.A. Dallas, TX
	1,020,000	23,832	130,000	Wells Fargo Bank N.A. Dallas, TX
		104,513	2,860,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	213,944	6,200,000	Amegy Bank N.A. Houston, TX
	350,000	202,000	7,950,000	Amegy Bank N.A. Houston, TX
	200,000	266,875	8,200,000	Amegy Bank N.A. Houston, TX
	350,000	305,937	8,800,000	Amegy Bank N.A. Houston, TX
		74,824	2,640,000	Zions Bancorporation N.A. Houston, TX
<u>1,490,000</u>			<u>1,490,000</u>	Zions Bancorporation N.A. Houston, TX
<u>\$ 1,490,000</u>	<u>\$ 2,745,000</u>	<u>\$ 1,212,410</u>	<u>\$ 38,350,000</u>	
<u>Road Bonds</u>				
\$	14,600,000			
	<u>14,600,000</u>			

See accompanying independent auditor's report.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 342,343	\$ 442,944	\$ 447,509
Water Service	397,263	382,856	380,674
Wastewater Service	327,705	325,325	327,612
Regional Water Authority Fees	631,016	507,031	457,415
Penalty and Interest	33,299	37,682	41,548
Tap Connection and Inspection Fees	13,826	13,715	15,995
Investment Revenues	21,400	56,658	48,646
Miscellaneous Revenues	11,324	12,878	22,056
TOTAL REVENUES	\$ 1,778,176	\$ 1,779,089	\$ 1,741,455
EXPENDITURES			
Professional Fees	\$ 151,181	\$ 189,119	\$ 143,118
Contracted Services	361,956	357,843	317,592
Purchased Water Service	4,019		
Utilities	71,817	70,552	71,429
Regional Water Authority Assessment	545,343	473,993	419,411
Repairs and Maintenance	408,722	343,368	311,831
Other	255,385	236,864	182,083
Capital Outlay	25,607	14,938	6,044
TOTAL EXPENDITURES	\$ 1,824,030	\$ 1,686,677	\$ 1,451,508
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (45,854)	\$ 92,412	\$ 289,947
OTHER FINANCING SOURCES			
Transfers In	\$	\$	\$
Sale of Capital Assets	-	-	-
TOTAL OTHER FINANCING SOURCES	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (45,854)	\$ 92,412	\$ 289,947
BEGINNING FUND BALANCE	2,764,587	2,672,175	2,382,228
ENDING FUND BALANCE	\$ 2,718,733	\$ 2,764,587	\$ 2,672,175

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 476,084	\$ 636,631	19.3 %	24.9 %	25.7 %	27.6 %	33.1 %
335,084	381,362	22.3	21.5	21.8	19.4	19.8
257,508	298,393	18.4	18.3	18.8	14.9	15.5
458,757	371,971	35.5	28.5	26.3	26.5	19.4
25,914	19,515	1.9	2.1	2.4	1.5	1.0
140,229	175,993	0.8	0.8	0.9	8.1	9.2
20,157	8,109	1.2	3.2	2.8	1.2	0.4
13,612	29,830	0.6	0.7	1.3	0.8	1.6
<u>\$ 1,727,345</u>	<u>\$ 1,921,804</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 177,221	\$ 153,255	8.5 %	10.7 %	8.3 %	10.2 %	8.0 %
263,643	238,759	20.4	20.1	18.2	15.3	12.4
		0.2				
72,827	67,232	4.0	4.0	4.1	4.2	3.5
364,215	364,812	30.7	26.6	24.1	21.1	19.0
225,810	286,394	23.0	19.3	17.9	13.1	14.9
206,526	186,557	14.4	13.3	10.5	12.0	9.7
	29,420	1.4	0.8	0.3		1.5
<u>\$ 1,310,242</u>	<u>\$ 1,326,429</u>	<u>102.6 %</u>	<u>94.8 %</u>	<u>83.4 %</u>	<u>75.9 %</u>	<u>69.0 %</u>
<u>\$ 417,103</u>	<u>\$ 595,375</u>	<u>(2.6) %</u>	<u>5.2 %</u>	<u>16.6 %</u>	<u>24.1 %</u>	<u>31.0 %</u>
\$ 42,000	\$ 82,198					
<u>\$ 42,000</u>	<u>\$ 82,198</u>					
\$ 459,103	\$ 677,573					
<u>1,923,125</u>	<u>1,245,552</u>					
<u>\$ 2,382,228</u>	<u>\$ 1,923,125</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 2,555,782	\$ 2,400,359	\$ 2,264,530
Penalty and Interest	19,793	21,067	18,871
Investment Revenues	15,248	52,322	52,666
Miscellaneous Revenues	186	441	450
TOTAL REVENUES	\$ 2,591,009	\$ 2,474,189	\$ 2,336,517
EXPENDITURES			
Tax Collection Expenditures	\$ 52,851	\$ 49,742	\$ 37,525
Debt Service Principal	1,250,000	1,245,000	1,235,000
Debt Service Interest and Fees	1,216,725	1,239,954	1,097,934
Bond Issuance Costs	101,729		
TOTAL EXPENDITURES	\$ 2,621,305	\$ 2,534,696	\$ 2,370,459
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (30,296)	\$ (60,507)	\$ (33,942)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	\$ 1,490,000	\$	\$
Payment to Refunded Bond Escrow Agent	(1,518,403)		
Bond Premium	113,719		
TOTAL OTHER FINANCING SOURCES, NET	\$ 85,316	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 55,020	\$ (60,507)	\$ (33,942)
BEGINNING FUND BALANCE	2,352,998	2,413,505	2,447,447
ENDING FUND BALANCE	\$ 2,408,018	\$ 2,352,998	\$ 2,413,505
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,268	1,270	1,262
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,224	1,226	1,211

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 2,117,552	\$ 1,798,485	98.6 %	97.0 %	96.9 %	97.7 %	97.9 %
13,038	29,497	0.8	0.9	0.8	0.6	1.6
25,568	9,715	0.6	2.1	2.3	1.2	0.5
10,305	303				0.5	
<u>\$ 2,166,463</u>	<u>\$ 1,838,000</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 38,566	\$ 35,196	2.1 %	2.0 %	1.7 %	1.8 %	1.9 %
855,000	640,000	48.2	50.3	52.9	39.5	34.8
911,410	569,058	47.0	50.1	46.9	42.0	31.0
		3.9				
<u>\$ 1,804,976</u>	<u>\$ 1,244,254</u>	<u>101.2 %</u>	<u>102.4 %</u>	<u>101.5 %</u>	<u>83.3 %</u>	<u>67.7 %</u>
\$ 361,487	\$ 593,746	<u>(1.2) %</u>	<u>(2.4) %</u>	<u>(1.5) %</u>	<u>16.7 %</u>	<u>32.3 %</u>
\$	\$ 115,000					
<u>\$ - 0 -</u>	<u>\$ 115,000</u>					
\$ 361,487	\$ 708,746					
2,085,960	1,377,214					
<u>\$ 2,447,447</u>	<u>\$ 2,085,960</u>					
<u>1,252</u>	<u>1,205</u>					
<u>1,211</u>	<u>1,160</u>					

See accompanying independent auditor's report.

**ENCANTO REAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2021**

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, 2021</u>	Expense Reimbursements for the year ended <u>June 30, 2021</u>	<u>Title</u>
Bruce D. Burkhardt	05/18 05/22 (Elected)	\$ 1,650	\$ -0-	President
Katherine Sloan	05/18 05/22 (Elected)	\$ 1,500	\$ -0-	Vice President
Phil Knox	05/18 05/22 (Elected)	\$ 1,800	\$ 20	Secretary/ Records Management Officer
Jeffrey Lowery	11/20 05/24 (Elected)	\$ 1,200	\$ -0-	Assistant Secretary
Jonathon Zitzmann	07/21 05/24 (Appointed)	\$ -0-	\$ -0-	Director
David Mills	11/20 06/21 (Elected)	\$ 1,200	\$ -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: January 15, 2021

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, 2021**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2021</u>	<u>Title</u>
Marks Richardson PC	04/15/06	\$ 82,297 \$ 20,510	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	06/17/14	\$ 14,500 \$ 1,500	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	2002	\$ 33,020 \$ 1,250	Bookkeeper Bond Related
Ted A. Cox, P.C.	04/19/95	\$ 7,386	Delinquent Tax Attorney
Dannenbaum Engineering	01/03/78	\$ 166,840 \$ 2,384	Engineer Bond Related
Masterson Advisors LLC	04/17/18	\$ 17,702	Financial Advisor
Water District Management Company, Inc.	06/08/77	\$ 476,105	Operator
Wheeler & Associates, Inc.	11/74	\$ 22,269	Tax Assessor/ Collector

See accompanying independent auditor's report.

