

EMERALD FOREST UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

EMERALD FOREST UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-30
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	32
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	34-36
GENERAL FUND EXPENDITURES	37-38
INVESTMENTS	39
TAXES LEVIED AND RECEIVABLE	40-41
LONG-TERM DEBT SERVICE REQUIREMENTS	42-44
CHANGE IN LONG-TERM BOND DEBT	45-46
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	47-50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	51-52

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Emerald Forest Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Emerald Forest Utility District (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 September 30, 2022, 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
Emerald Forest 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
Certified Public Accountants
Houston, Texas

January 24, 2023

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management's discussion and analysis of Emerald Forest Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2022. 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 Fund 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, liabilities and, if applicable, deferred inflows and outflows of resources, 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 expenditures 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 two 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.

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial 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 Fund 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"). The 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, assets and deferred outflows of resources exceeded liabilities by \$18,836,914 as of September 30, 2022.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, water and wastewater facilities, less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of the government-wide changes in net position:

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 13,633,162	\$ 11,480,366	\$ 2,152,796
Capital Assets (Net of Accumulated Depreciation)	16,169,521	14,129,289	2,040,232
Total Assets	\$ 29,802,683	\$ 25,609,655	\$ 4,193,028
Deferred Outflows of Resources	\$ 205,696	\$ 249,354	\$ (43,658)
Bonds Payable	\$ 3,657,240	\$ 4,418,761	\$ 761,521
Due to Developers	6,422,688	3,703,432	(2,719,256)
Other Liabilities	1,091,537	853,047	(238,490)
Total Liabilities	\$ 11,171,465	\$ 8,975,240	\$ (2,196,225)
Net Position:			
Net Investment in Capital Assets	\$ 6,384,067	\$ 6,347,783	\$ 36,284
Restricted	1,447,334	483,398	963,936
Unrestricted	11,005,513	10,052,588	952,925
Total Net Position	\$ 18,836,914	\$ 16,883,769	\$ 1,953,145

The following table provides a summary of the District's operations for the years ended September 30, 2022, and September 30, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,043,008	\$ 2,694,489	\$ 348,519
Charges for Services	3,209,440	3,212,661	(3,221)
Other Revenues	316,196	46,903	269,293
Total Revenues	\$ 6,568,644	\$ 5,954,053	\$ 614,591
Expenses for Services	4,615,499	4,504,437	(111,062)
Change in Net Position	\$ 1,953,145	\$ 1,449,616	\$ 503,529
Net Position, Beginning of Year	16,883,769	15,434,153	1,449,616
Net Position, End of Year	\$ 18,836,914	\$ 16,883,769	\$ 1,953,145

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2022, were \$12,364,213, an increase of \$1,910,588 from the prior year.

The General Fund fund balance increased by \$951,566, primarily due to developer contributions offsetting operating and capital expenditures exceeding property tax and service revenues.

The Debt Service Fund fund balance increased by \$959,022, primarily due to the structure of the District's debt service payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not amend the budget during the current fiscal year. Actual revenues were \$794,127 more than budgeted revenues. Actual expenditures were \$1,420,091 less than budgeted expenditures. Developer contributions of \$1,354,100 were not budgeted for. This resulted in a positive budget variance of \$3,568,318. See the budget to actual comparison for further information.

CAPITAL ASSETS

Capital assets as of September 30, 2022, total \$16,169,521 (net of accumulated depreciation) and include the water and wastewater systems. Significant capital asset events completed during the current fiscal year included the lift station no. 5 force main extension and the Industrial at FM 1960 detention pond and purchase of land.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,663,655	\$ 1,346,318	\$ 317,337
Construction in Progress	1,629,018	814,602	814,416
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,679,998	2,854,432	(174,434)
Wastewater System	5,992,242	5,554,398	437,844
Drainage System	4,204,608	3,559,539	645,069
Total Net Capital Assets	\$ 16,169,521	\$ 14,129,289	\$ 2,040,232

Additional information on the District's capital assets can be found in Note 6 of this report.

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

LONG-TERM DEBT ACTIVITY

As of September 30, 2022, the District had total long-term debt payable of \$3,365,000. The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

Bond Debt Payable, October 1, 2021	\$ 4,080,000
Less: Bond Principal Paid	<u>715,000</u>
Bond Debt Payable, September 30, 2022	<u><u>\$ 3,365,000</u></u>

The District's bonds carry an underlying rating of "A2" from Moody's Investors Service. The District's Series 2013 Refunding bonds carry an insured rating of "A1" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The District's Series 2016 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company.

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 Emerald Forest Utility District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

**EMERALD FOREST UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 343,317	\$ 59,983
Investments	11,453,827	1,333,544
Receivables:		
Property Taxes	28,270	46,236
Penalty and Interest on Delinquent Taxes		
Service Accounts	342,573	
Accrued Interest	268	
Due from Other Funds		2,741
Prepaid Costs	175	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 12,168,430	\$ 1,442,504
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,168,430	\$ 1,442,504

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 403,300	\$	\$ 403,300
12,787,371		12,787,371
74,506		74,506
	24,969	24,969
342,573		342,573
268		268
2,741	(2,741)	
175		175
	1,663,655	1,663,655
	1,629,018	1,629,018
	<u>12,876,848</u>	<u>12,876,848</u>
<u>\$ 13,610,934</u>	<u>\$ 16,191,749</u>	<u>\$ 29,802,683</u>
<u>\$ - 0 -</u>	<u>\$ 205,696</u>	<u>\$ 205,696</u>
<u>\$ 13,610,934</u>	<u>\$ 16,397,445</u>	<u>\$ 30,008,379</u>

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

**EMERALD FOREST UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 718,362	\$
Accrued Interest Payable		
Due to Developers	88,778	
Due to Taxpayers		9,298
Due to Other Funds	2,741	
Security Deposits	353,036	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,162,917	\$ 9,298
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 28,270	\$ 46,236
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 175	\$
Restricted for Debt Service		1,386,970
Assigned to 2023 Budget	319,121	
Unassigned	10,657,947	
TOTAL FUND BALANCES	\$ 10,977,243	\$ 1,386,970
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,168,430	\$ 1,442,504
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 718,362	\$	\$ 718,362
	10,841	10,841
88,778	6,333,910	6,422,688
9,298		9,298
2,741	(2,741)	
353,036		353,036
	320,000	320,000
	<u>3,337,240</u>	<u>3,337,240</u>
<u>\$ 1,172,215</u>	<u>\$ 9,999,250</u>	<u>\$ 11,171,465</u>
<u>\$ 74,506</u>	<u>\$ (74,506)</u>	<u>\$ - 0 -</u>
\$ 175	\$ (175)	\$
1,386,970	(1,386,970)	
319,121	(319,121)	
<u>10,657,947</u>	<u>(10,657,947)</u>	
<u>\$ 12,364,213</u>	<u>\$ (12,364,213)</u>	<u>\$ - 0 -</u>
<u>\$ 13,610,934</u>		
	\$ 6,384,067	\$ 6,384,067
	1,447,334	1,447,334
	<u>11,005,513</u>	<u>11,005,513</u>
	<u>\$ 18,836,914</u>	<u>\$ 18,836,914</u>

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

**EMERALD FOREST UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balances - Governmental Funds	\$ 12,364,213
--	---------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.	205,696
--	---------

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	16,169,521
--	------------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenues in the governmental activities of the District.	99,475
---	--------

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	\$ (6,333,910)	
Accrued Interest Payable	(10,841)	
Bonds Payable	(3,657,240)	(10,001,991)

Total Net Position - Governmental Activities	\$ 18,836,914
--	---------------

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

THIS PAGE INTENTIONALLY LEFT BLANK

EMERALD FOREST UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,178,086	\$ 1,861,887
Water Service	874,404	
Wastewater Service	953,954	
Regional Water Authority Fees	1,078,005	
Penalty and Interest	40,195	23,360
Tap Connection and Inspection Fees	53,428	
Capacity Reservation Fees	184,760	
Investment Revenues	77,148	12,295
Miscellaneous Revenues	526,176	1,992
	<u>\$ 4,966,156</u>	<u>\$ 1,899,534</u>
TOTAL REVENUES		
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 415,852	\$ 7,269
Contracted Services	704,162	55,205
Purchased Water Service	14,632	
Utilities	229,669	
Regional Water Authority Assessments	1,167,981	
Repairs and Maintenance	760,475	
Depreciation		
Other	377,029	10,100
Capital Outlay	1,698,890	
Debt Service:		
Bond Principal		715,000
Bond Interest		152,938
	<u>\$ 5,368,690</u>	<u>\$ 940,512</u>
TOTAL EXPENDITURES/EXPENSES		
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	<u>\$ (402,534)</u>	<u>\$ 959,022</u>
OTHER FINANCING SOURCES (USES)		
Developer Contributions	<u>\$ 1,354,100</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	\$ 951,566	\$ 959,022
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
OCTOBER 1, 2021	<u>10,025,677</u>	<u>427,948</u>
FUND BALANCES/NET POSITION -		
SEPTEMBER 30, 2022	<u>\$ 10,977,243</u>	<u>\$ 1,386,970</u>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 3,039,973	\$ 3,035	\$ 3,043,008
874,404		874,404
953,954		953,954
1,078,005		1,078,005
63,555	1,334	64,889
53,428		53,428
184,760		184,760
89,443		89,443
528,168	(301,415)	226,753
<u>\$ 6,865,690</u>	<u>\$ (297,046)</u>	<u>\$ 6,568,644</u>
\$ 423,121	\$	\$ 423,121
759,367		759,367
14,632		14,632
229,669		229,669
1,167,981		1,167,981
760,475		760,475
	724,953	724,953
387,129		387,129
1,698,890	(1,698,890)	
715,000	(715,000)	
152,938	(4,766)	148,172
<u>\$ 6,309,202</u>	<u>\$ (1,693,703)</u>	<u>\$ 4,615,499</u>
<u>\$ 556,488</u>	<u>\$ 1,396,657</u>	<u>\$ 1,953,145</u>
<u>\$ 1,354,100</u>	<u>\$ (1,354,100)</u>	<u>\$ -0-</u>
\$ 1,910,588	\$ (1,910,588)	\$
	1,953,145	1,953,145
<u>10,453,625</u>	<u>6,430,144</u>	<u>16,883,769</u>
<u>\$ 12,364,213</u>	<u>\$ 6,472,701</u>	<u>\$ 18,836,914</u>

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

**EMERALD FOREST UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ 1,910,588

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied. 3,035

Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalties and interest are assessed. 1,334

Governmental funds report the proceeds received from the sale of land as revenues. However, in the government-wide statements, the asset is deducted and a gain or loss on disposal is recorded in the Statement of Activities. (301,415)

Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (724,953)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities. 1,698,890

Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected. 715,000

Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end. 4,766

Governmental funds report developer contributions as other financing sources. However, in the Statement of Net Assets, developer contributions, net any amount paid to the developer, are recorded as a liability. (1,354,100)

Change in Net Position - Governmental Activities \$ 1,953,145

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

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION OF DISTRICT

Emerald Forest Utility District, located in Harris County, Texas (the “District”) was created effective June 1, 1971 by an act of the State of Texas, Regular Session, 1971, in accordance with the Texas Water Code. The District operates under the supervision of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 54 and 49 of the Texas Water Code, as amended, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests, establish, operate and maintain a fire department to perform all fire-fighting activities and develop and finance roads within the District. The Board of Directors held its first meeting on July 8, 1971, and the first bonds were delivered on August 7, 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 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”).

The 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:

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 is 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 by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

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 Governmental Funds Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has two governmental funds and considers these funds to be major funds.

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.

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 revenues 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 revenues 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.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. 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 September 30, 2022, the General Fund owes the Debt Service Fund \$2,741 for an excess transfer of maintenance tax collections.

**EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fair market 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 of \$10,000 or more and an estimated useful life of at least two years following the date of acquisition. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

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

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for 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

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources 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 Governmental Funds 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 formal action by the Board. The District does not have any committed fund balances.

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. As of September 30, 2022, the District has assigned \$319,121 of the General Fund fund balance to cover a portion of the 2023 fiscal year.

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.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT

	Refunding Series 2013	Refunding Series 2016
Amount Outstanding – September 30, 2022	\$ 155,000	\$ 3,210,000
Interest Rates	3.25%	3.00% - 4.00%
Maturity Dates - Beginning/Ending	September 1, 2023	September 1, 2023/2032
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2019*	September 1, 2024*

* Or on any date thereafter, in whole or in part, at the option of the District, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Refunding Series 2013 term bonds maturing September 1, 2023 are subject to mandatory redemption beginning September 1, 2019 by lot or other customary random method. The Refunding Series 2016 term bonds maturing September 1, 2032 are subject to mandatory redemption beginning September 1, 2030, by lot or other customary random method.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2022:

	October 1, 2021	Additions	Retirements	September 30, 2022
Bonds Payable	\$ 4,080,000	\$	\$ 715,000	\$ 3,365,000
Unamortized Premiums	338,761		46,521	292,240
Bonds Payable, Net	<u>\$ 4,418,761</u>	<u>\$ -0-</u>	<u>\$ 761,521</u>	<u>\$ 3,657,240</u>
		Amount Due Within One Year		\$ 320,000
		Amount Due After One Year		3,337,240
		Bonds Payable, Net		<u>\$ 3,657,240</u>

**EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 320,000	\$ 130,087	\$ 450,087
2024	170,000	120,100	290,100
2025	425,000	115,000	540,000
2026	435,000	98,000	533,000
2027	440,000	80,600	520,600
2028-2032	1,575,000	162,400	1,737,400
	<u>\$ 3,365,000</u>	<u>\$ 706,187</u>	<u>\$ 4,071,187</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. The District has authorized but unissued tax bonds totaling \$48,365,000 for utilities, \$11,170,000 for refundings, and \$5,020,000 for parks and recreation.

During the year ended September 30, 2022, the District levied an ad valorem debt service tax at the rate of \$0.395 per \$100 of assessed valuation, which resulted in a tax levy of \$1,861,250 on the adjusted taxable valuation of \$471,202,626 for the 2021 tax year. The bond orders require the District 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 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.

**EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of each issue.
- B. The bond orders state that the District is required to annually provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. This information, along with the audited annual financial statements, 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 \$648,000 and the bank balances were \$648,376. 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 September 30, 2022, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 343,317	\$ 244,700	\$ 588,017
DEBT SERVICE FUND	59,983		59,983
TOTAL DEPOSITS	\$ 403,300	\$ 244,700	\$ 648,000

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS

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 TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc. provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. 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 TexSTAR.

Certificates of deposit are valued at acquisition cost at the date of purchase.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 9,339,910	\$ 9,339,910
TexSTAR	1,869,217	1,869,217
Certificate of Deposit	244,700	244,700
<u>DEBT SERVICE FUND</u>		
TexPool	<u>1,333,544</u>	<u>1,333,544</u>
TOTAL INVESTMENTS	<u>\$ 12,787,371</u>	<u>\$ 12,787,371</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, the District’s investments in TexPool and TexSTAR were rated “AAAm” by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit with balances covered in accordance with Texas statutes.

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

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.

**EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2022:

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,346,318	\$ 618,752	\$ 301,415	\$ 1,663,655
Construction in Progress	814,602	3,066,600	2,252,184	1,629,018
Total Capital Assets Not Being Depreciated	<u>\$ 2,160,920</u>	<u>\$ 3,685,352</u>	<u>\$ 2,553,599</u>	<u>\$ 3,292,673</u>
Capital Assets Subject to Depreciation				
Water System	\$ 7,101,895	\$	\$	\$ 7,101,895
Wastewater System	12,989,239	884,474		13,873,713
Drainage System	3,612,099	748,958		4,361,057
Total Capital Assets Subject to Depreciation	<u>\$ 23,703,233</u>	<u>\$ 1,633,432</u>	<u>\$ - 0 -</u>	<u>\$ 25,336,665</u>
Less Accumulated Depreciation				
Water System	\$ 4,247,463	\$ 174,434	\$	\$ 4,421,897
Wastewater System	7,434,841	446,630		7,881,471
Drainage System	52,560	103,889		156,449
Total Accumulated Depreciation	<u>\$ 11,734,864</u>	<u>\$ 724,953</u>	<u>\$ - 0 -</u>	<u>\$ 12,459,817</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,968,369</u>	<u>\$ 908,479</u>	<u>\$ - 0 -</u>	<u>\$ 12,876,848</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,129,289</u>	<u>\$ 4,593,831</u>	<u>\$ 2,553,599</u>	<u>\$ 16,169,521</u>

The District has financed certain drainage facilities which have been conveyed to other entities for maintenance. Capital assets are added above when the facilities are placed into service.

NOTE 7. MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended September 30, 2022, the District levied an ad valorem maintenance tax at the rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$1,178,007 on the adjusted taxable valuation of \$471,202,626 for the 2021 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 8. CONTRACTS WITH OTHER ENTITIES

On August 25, 1977, the District entered into a contract to supply water and sewer services to the Cypress-Fairbanks Independent School District (the “School”) to a tract outside the District for a term of 30 years. The contract was most recently amended February 14, 2011 and extended the term from year to year unless terminated with six months’ notice. The maximum amount of water to be supplied is 100,000 gallons per day, and the maximum amount of sewage to be treated is 75,000 gallons per day. The School is billed as a single-family unit at the rates set forth in the District’s rate order.

On August 11, 2003, the District entered into the third amendment to the Water Service Agreement with Harris County Fresh Water Supply District No. 61 (“District No. 61”) to provide 35,000 gallons per day to the District. The District is responsible for payment of surface water fees to the North Harris County Regional Water Authority for water received from District No. 61. The District recorded \$14,632 in expenditures for water purchases from District No. 61 during the current fiscal year.

NOTE 9. 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 their water use to surface water over a period of time.

On July 6, 2020, the District and the Authority entered into an interlocal agreement which calls on the Authority to contract and install, at its sole cost and expense, certain chloramination equipment at the District’s water plants nos. 2 and 3 and additional Authority equipment, including, but not limited to water lines and control valves and related equipment. This is being done as part of the expansion of the Authority’s surface water distribution system to meet the 2025 surface water conservation requirements of the HGSD.

Additionally, the agreement calls for the Authority to install and construct the necessary equipment to convert the District existing chlorine gas disinfection system to a bleach disinfection system at water plants nos. 2 and 3. Upon completion of this project, the District will reimburse the Authority 100% of all reasonable and necessary costs associated with the permitting, construction and inspection by the Authority. The current cost estimate for the construction and installation of this conversion project is \$330,000.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

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, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. As of April 1, 2021, the rate is \$4.60 per 1,000 gallons of water pumped from each well and \$5.05 per 1,000 gallons of surface water received from the Authority. On February 1, 2023, the rate will decrease to \$4.10 per 1,000 gallons of water pumped and \$4.55 per 1,000 gallons of water received from the Authority. The District recorded an expenditure of \$1,167,981 for fees assessed during the current fiscal year.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective May 9, 2002, the District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston, Texas. The term of the SPA is 30 years from the effective date. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Texas Local Government Code, the City has annexed the District for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the District.

The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The taxable property within the District is not liable for any present or future debts of the City, and current and future taxes levied by the City may not be levied on taxable property within the District. The City’s municipal courts have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and certain state laws. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation. The District will pay an annual \$100 fee to the City for the provision of city services in lieu of full-purpose annexation. The qualified voters of the District may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the District.

The City shall impose a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City agrees to pay to the District an amount equal to one-half of all Sales and Use Tax receipts generated within the District. The City agrees to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller’s office. During the current fiscal year, the District recorded no revenues related to the SPA.

NOTE 11. 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.

**EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12. DUE TO DEVELOPERS

The District has executed development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with water, wastewater and drainage facilities, until such time as the District sells bonds. As of September 30, 2022, the District recorded an estimated liability of \$6,333,910 in relation to these agreements for facilities that have been completed.

	Beginning Balance	Additions	Reimbursements	Ending Balance
Due to Developers	<u>\$ 3,612,099</u>	<u>\$ 2,721,811</u>	<u>\$ - 0 -</u>	<u>\$ 6,333,910</u>

NOTE 13. ANNEXATION OF LAND

On May 24, 2022, the District approved the annexation of approximately 61 acres and redefined the boundaries of the District. The annexation of the land was deemed feasible and advantageous to the District. The District has sufficient waterworks, sanitary sewer, and drainage capacity to supply annexed tracts and is currently constructing the necessary facilities to supply services to the annexed land.

NOTE 14. SUBSEQUENT EVENT – BOND SALE

On October 12, 2022, subsequent to year end, the District issued \$4,830,000 of Unlimited Tax Bonds, Series 2022. Proceeds from the bonds were used to reimburse a developer for construction, engineering and land costs for Industrial at FM 1960 detention and are also being used for the District’s water meter replacement project. Additional proceeds were used to pay for issuance costs of the bonds.

EMERALD FOREST UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022

**EMERALD FOREST UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,161,329	\$ 1,178,086	\$ 16,757
Water Service	808,000	874,404	66,404
Wastewater Service	883,000	953,954	70,954
Regional Water Authority Fees	1,097,000	1,078,005	(18,995)
Penalty and Interest	38,000	40,195	2,195
Tap Connection and Inspection Fees	14,100	53,428	39,328
Capacity Reservation Fees	145,000	184,760	39,760
Investment Revenues	8,000	77,148	69,148
Miscellaneous Revenues	<u>17,600</u>	<u>526,176</u>	<u>508,576</u>
TOTAL REVENUES	<u>\$ 4,172,029</u>	<u>\$ 4,966,156</u>	<u>\$ 794,127</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 483,000	\$ 415,852	\$ 67,148
Contracted Services	619,856	704,162	(84,306)
Purchased Water Service	25,000	14,632	10,368
Utilities	206,000	229,669	(23,669)
Regional Water Authority Fees	1,097,000	1,167,981	(70,981)
Repairs and Maintenance	781,600	760,475	21,125
Other	457,325	377,029	80,296
Capital Outlay	<u>3,119,000</u>	<u>1,698,890</u>	<u>1,420,110</u>
TOTAL EXPENDITURES	<u>\$ 6,788,781</u>	<u>\$ 5,368,690</u>	<u>\$ 1,420,091</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (2,616,752)</u>	<u>\$ (402,534)</u>	<u>\$ 2,214,218</u>
OTHER FINANCING SOURCES(USES)			
Developer Contributions	<u>\$ -0-</u>	<u>\$ 1,354,100</u>	<u>\$ 1,354,100</u>
NET CHANGE IN FUND BALANCE	\$ (2,616,752)	\$ 951,566	\$ 3,568,318
FUND BALANCE - OCTOBER 1, 2021	<u>10,025,677</u>	<u>10,025,677</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2022	<u>\$ 7,408,925</u>	<u>\$ 10,977,243</u>	<u>\$ 3,568,318</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

EMERALD FOREST UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2022

**EMERALD FOREST UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	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 on July 11, 2022.

	<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:	\$ 17.00	6,000	N	\$ 2.75 \$ 3.25 \$ 3.75 \$ 4.25	6,001 to 10,000 10,001 to 15,000 15,001 to 25,000 25,001 and up
WASTEWATER:	\$ 22.00	6,000	N	\$ 3.75	6,001 and up
SURCHARGE:					
Regional Water Authority Fees				\$ 5.06	All

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$28.00 Wastewater: \$37.00 Surcharge: \$50.60 Total: \$115.60

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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>1</u>	<u>1</u>	x 1.0	<u>1</u>
≤ ³ / ₄ "	<u>1,869</u>	<u>1,844</u>	x 1.0	<u>1,844</u>
1"	<u>26</u>	<u>23</u>	x 2.5	<u>58</u>
1½"	<u>12</u>	<u>11</u>	x 5.0	<u>55</u>
2"	<u>26</u>	<u>26</u>	x 8.0	<u>208</u>
3"	<u>3</u>	<u>2</u>	x 15.0	<u>30</u>
4"	<u>5</u>	<u>5</u>	x 25.0	<u>125</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u><u>1,946</u></u>	<u><u>1,916</u></u>		<u><u>2,616</u></u>
Total Wastewater Connections	<u><u>1,944</u></u>	<u><u>1,897</u></u>	x 1.0	<u><u>1,897</u></u>

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

Gallons pumped into system:	257,381,000	Water Accountability Ratio: 82.9% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	1,690,000	From: <u>Harris County Fresh Water Supply District No. 61</u>
Gallons billed to customers:	214,650,000	

Note: The District is aware of the low accountability ratio and is in the process of performing leak surveys, commercial meter testing and replacing meters with electronic smart meters.

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 or Counties 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 extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's 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.

**EMERALD FOREST UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

PROFESSIONAL FEES:	
Auditing	\$ 15,000
Engineering	225,260
Legal	<u>175,592</u>
TOTAL PROFESSIONAL FEES	<u>\$ 415,852</u>
 PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 14,632</u>
 CONTRACTED SERVICES:	
Bookkeeping	\$ 21,912
Operations and Billing	218,338
Security	<u>463,912</u>
TOTAL CONTRACTED SERVICES	<u>\$ 704,162</u>
 UTILITIES:	
Electricity	\$ 123,555
Telephone	<u>106,114</u>
TOTAL UTILITIES	<u>\$ 229,669</u>
 REPAIRS AND MAINTENANCE	<u>\$ 760,475</u>
 ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 20,580
Dues	700
Insurance	56,415
Office Supplies and Postage	39,270
Payroll Taxes	1,905
Travel and Meetings	6,071
Other	<u>31,082</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 156,023</u>
 CAPITAL OUTLAY	<u>\$ 1,698,890</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

TAP CONNECTIONS	<u>\$ 15,476</u>
OTHER EXPENDITURES:	
Chemicals	\$ 89,143
Laboratory Fees	60,304
Permit Fees	14,133
Inspection Fees	5,422
Regional Water Authority Assessments	1,167,981
Regulatory Assessment	8,842
Sludge Hauling	<u>27,686</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,373,511</u>
TOTAL EXPENDITURES	<u>\$ 5,368,690</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
INVESTMENTS
SEPTEMBER 30, 2022**

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>					
TexPool	XXXX0005	Varies	Daily	\$ 9,339,910	\$
TexSTAR	XXXX1110	Varies	Daily	1,869,217	
Certificate of Deposit	XXXX7800	0.85%	02/10/23	<u>244,700</u>	<u>268</u>
TOTAL GENERAL FUND				<u>\$ 11,453,827</u>	<u>\$ 268</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 1,333,544</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 12,787,371</u>	<u>\$ 268</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Maintenance Taxes		Debt Service Taxes
TAXES RECEIVABLE -			
OCTOBER 1, 2021	\$ 26,911		\$ 44,560
Adjustments to Beginning			
Balance	1,438	\$ 28,349	2,313
			\$ 46,873
Original 2021 Tax Levy	\$ 1,006,829		\$ 1,590,790
Adjustment to 2021 Tax Levy	171,178	1,178,007	270,460
TOTAL TO BE			
ACCOUNTED FOR		\$ 1,206,356	\$ 1,908,123
 TAX COLLECTIONS:			
Prior Years	\$ 12,785		\$ 20,711
Current Year	1,165,301	1,178,086	1,841,176
			1,861,887
 TAXES RECEIVABLE -			
SEPTEMBER 30, 2022		\$ 28,270	\$ 46,236
 TAXES RECEIVABLE BY			
YEAR:			
2021		\$ 12,706	\$ 20,074
2020		4,304	6,973
2019		3,038	4,921
2018		2,394	3,879
2017		1,003	1,625
2016		1,274	2,090
2015 and prior		3,551	6,674
TOTAL		\$ 28,270	\$ 46,236

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS:				
Land	\$ 124,327,099	\$ 101,491,241	\$ 88,246,159	\$ 80,419,466
Improvements	354,026,321	316,776,511	309,938,534	284,810,065
Personal Property	14,080,826	14,824,650	13,810,542	11,291,427
Exemptions	<u>(21,231,620)</u>	<u>(18,436,021)</u>	<u>(17,098,307)</u>	<u>(13,179,997)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 471,202,626</u>	<u>\$ 414,656,381</u>	<u>\$ 394,896,928</u>	<u>\$ 363,340,961</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.395	\$ 0.405	\$ 0.405	\$ 0.405
Maintenance	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.645</u>	<u>\$ 0.655</u>	<u>\$ 0.655</u>	<u>\$ 0.655</u>
ADJUSTED TAX LEVY*	<u>\$ 3,039,257</u>	<u>\$ 2,715,999</u>	<u>\$ 2,586,576</u>	<u>\$ 2,379,884</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.92 %</u>	<u>99.58 %</u>	<u>99.69 %</u>	<u>99.74 %</u>

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

** Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation was approved by voters on November 6, 2007.

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022**

SERIES - 2013 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 155,000	\$ 5,037	\$ 160,037
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
	<u>\$ 155,000</u>	<u>\$ 5,037</u>	<u>\$ 160,037</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022**

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 165,000	\$ 125,050	\$ 290,050
2024	170,000	120,100	290,100
2025	425,000	115,000	540,000
2026	435,000	98,000	533,000
2027	440,000	80,600	520,600
2028	450,000	63,000	513,000
2029	455,000	45,000	500,000
2030	215,000	26,800	241,800
2031	220,000	18,200	238,200
2032	235,000	9,400	244,400
	<u>\$ 3,210,000</u>	<u>\$ 701,150</u>	<u>\$ 3,911,150</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 320,000	\$ 130,087	\$ 450,087
2024	170,000	120,100	290,100
2025	425,000	115,000	540,000
2026	435,000	98,000	533,000
2027	440,000	80,600	520,600
2028	450,000	63,000	513,000
2029	455,000	45,000	500,000
2030	215,000	26,800	241,800
2031	220,000	18,200	238,200
2032	235,000	9,400	244,400
	<u>\$ 3,365,000</u>	<u>\$ 706,187</u>	<u>\$ 4,071,187</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2021
Emerald Forest Utility District Unlimited Tax Refunding Bonds - Series 2013	\$ 4,475,000	\$ 715,000
Emerald Forest Utility District Unlimited Tax Refunding Bonds - Series 2016	<u>3,545,000</u>	<u>3,365,000</u>
TOTAL	<u><u>\$ 8,020,000</u></u>	<u><u>\$ 4,080,000</u></u>

Bond Authority:	<u>Tax Bonds</u>	<u>Park Bonds</u>	<u>Refunding Bonds*</u>
Amount Authorized by Voters	\$ 61,000,000	\$ 5,020,000	\$ 13,650,000
Amount Issued	<u>12,635,000</u>	<u> </u>	<u>2,480,000</u>
Remaining to be Issued	<u><u>\$ 48,365,000</u></u>	<u><u>\$ 5,020,000</u></u>	<u><u>\$ 11,170,000</u></u>

Debt Service Fund cash and investment balances as of September 30, 2022: \$ 1,393,527

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 407,119

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

* Amount issued refers to incremental debt, not total issued.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 560,000	\$ 23,238	\$ 155,000	The Bank of New York Mellon Trust Company, N.A. Dallas, Texas
	<u>155,000</u>	<u>129,700</u>	<u>3,210,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, Texas
<u>\$ - 0 -</u>	<u>\$ 715,000</u>	<u>\$ 152,938</u>	<u>\$ 3,365,000</u>	

See accompanying independent auditor's report.

EMERALD FOREST UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amount		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 1,178,086	\$ 1,023,602	\$ 983,307
Water Service	874,404	930,286	757,848
Wastewater Service	953,954	797,693	867,908
Regional Water Authority Fees	1,078,005	979,950	855,760
Penalty and Interest	40,195	36,629	32,353
Tap Connection and Inspection Fees	53,428	260,724	12,543
Investment Revenues	77,148	12,029	116,062
Miscellaneous Revenues	710,936	214,077	282,002
TOTAL REVENUES	\$ 4,966,156	\$ 4,254,990	\$ 3,907,783
EXPENDITURES			
Professional Fees	\$ 415,852	\$ 383,264	\$ 283,484
Contracted Services	704,162	577,542	487,593
Purchased Water Service	14,632	22,888	13,839
Utilities	229,669	224,667	174,760
Regional Water Authority Fees	1,167,981	1,240,953	1,039,475
Repairs and Maintenance	760,475	696,157	545,844
Other	377,029	417,012	351,050
Capital Outlay	1,698,890	410,179	247,163
TOTAL EXPENDITURES	\$ 5,368,690	\$ 3,972,662	\$ 3,143,208
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (402,534)	\$ 282,328	\$ 764,575
OTHER FINANCING SOURCES (USES)			
Developer Contributions	\$ 1,354,100	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 951,566	\$ 282,328	\$ 764,575
BEGINNING FUND BALANCE	10,025,677	9,743,349	8,978,774
ENDING FUND BALANCE	\$ 10,977,243	\$ 10,025,677	\$ 9,743,349

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2019	2018	2022	2021	2020	2019	2018		
\$ 904,554	\$ 892,140	23.7 %	24.1 %	25.2 %	23.8 %	23.6 %		
749,534	794,203	17.6	21.9	19.4	19.7	21.1		
883,299	903,772	19.2	18.7	22.2	23.2	24.0		
766,471	703,357	21.7	23.0	21.9	20.2	18.6		
39,821	40,881	0.8	0.9	0.8	1.0	1.1		
23,047	63,460	1.1	6.1	0.3	0.6	1.7		
201,944	114,511	1.6	0.3	3.0	5.3	3.0		
234,033	259,422	14.3	5.0	7.2	6.2	6.9		
<u>\$ 3,802,703</u>	<u>\$ 3,771,746</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 303,944	\$ 248,920	8.4 %	9.0 %	7.3 %	8.0 %	6.6 %		
485,221	497,847	14.2	13.6	12.5	12.8	13.2		
15,702	17,919	0.3	0.5	0.4	0.4	0.5		
165,472	185,831	4.6	5.3	4.5	4.4	4.9		
898,337	816,898	23.5	29.2	26.6	23.6	21.7		
522,292	524,644	15.3	16.4	14.0	13.7	13.9		
371,722	385,711	7.6	9.8	9.0	9.8	10.2		
388,992	112,288	34.2	9.6	6.3	10.2	3.0		
<u>\$ 3,151,682</u>	<u>\$ 2,790,058</u>	<u>108.1 %</u>	<u>93.4 %</u>	<u>80.6 %</u>	<u>82.9 %</u>	<u>74.0 %</u>		
<u>\$ 651,021</u>	<u>\$ 981,688</u>	<u>(8.1) %</u>	<u>6.6 %</u>	<u>19.4 %</u>	<u>17.1 %</u>	<u>26.0 %</u>		
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>							
\$ 651,021	\$ 981,688							
<u>8,327,753</u>	<u>7,346,065</u>							
<u>\$ 8,978,774</u>	<u>\$ 8,327,753</u>							

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amount		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 1,861,887	\$ 1,658,260	\$ 1,592,955
Penalty and Interest	23,360	22,475	22,368
Investment Revenues	12,295	616	9,087
Miscellaneous Revenues	1,992	751	
TOTAL REVENUES	\$ 1,899,534	\$ 1,682,102	\$ 1,624,410
EXPENDITURES			
Tax Collection Expenditures	\$ 71,324	\$ 62,724	\$ 65,923
Debt Service Principal	715,000	1,995,000	770,000
Debt Service Interest and Fees	154,188	206,007	243,810
TOTAL EXPENDITURES	\$ 940,512	\$ 2,263,731	\$ 1,079,733
NET CHANGE IN FUND BALANCE	\$ 959,022	\$ (581,629)	\$ 544,677
BEGINNING FUND BALANCE	427,948	1,009,577	464,900
ENDING FUND BALANCE	\$ 1,386,970	\$ 427,948	\$ 1,009,577
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,916	1,911	1,899
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,897	1,892	1,878

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 1,465,451	\$ 1,446,305	98.1 %	98.7 %	98.0 %	96.0 %	95.4 %
25,733	50,811	1.2	1.3	1.4	1.7	3.3
33,489	19,863	0.6		0.6	2.2	1.3
1,505		0.1			0.1	
<u>\$ 1,526,178</u>	<u>\$ 1,516,979</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 66,975	\$ 71,635	3.8 %	3.7 %	4.1 %	4.4 %	4.7 %
1,910,000	805,000	37.6	118.6	47.4	125.1	53.1
307,515	328,490	8.1	12.2	15.0	20.1	21.7
<u>\$ 2,284,490</u>	<u>\$ 1,205,125</u>	<u>49.5 %</u>	<u>134.5 %</u>	<u>66.5 %</u>	<u>149.6 %</u>	<u>79.5 %</u>
\$ (758,312)	\$ 311,854	<u>50.5 %</u>	<u>(34.5) %</u>	<u>33.5 %</u>	<u>(49.6) %</u>	<u>20.5 %</u>
1,223,212	911,358					
<u>\$ 464,900</u>	<u>\$ 1,223,212</u>					
1,903	1,894					
<u>1,885</u>	<u>1,875</u>					

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022**

District Mailing Address - Emerald Forest Utility District
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2022	Expense Reimbursements for the year ended September 30, 2022	Title
Bobby G. Dillard	05/20 05/24 (Elected)	\$ 4,800	\$ 1,952	President
Robert M. Kimball	05/20 05/24 (Elected)	\$ 4,380	\$ 1,771	Vice President
William B. Schmidt	05/22 05/26 (Elected)	\$ 4,800	\$ 1,354	Secretary/ Investment Officer
Donald F. Brooks	05/22 05/26 (Elected)	\$ 2,550	\$ -0-	Assistant Vice President
DeWayne High	05/22 05/26 (Elected)	\$ 4,050	\$ 1,060	Assistant Secretary

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: May 9, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 17, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 161,708	General Counsel
McCall Gibson Swedlund Barfoot PLLC	09/11/17	\$ 15,000	Auditor
District Data Services, Inc.	03/09/20	\$ 21,912	Bookkeeper
AEI Engineering, a Baxter & Woodman Company	10/08/18	\$ 438,232	Engineer
Masterson Advisors LLC	05/14/18	\$ -0-	Financial Advisor
Regional Water Corporation	06/26/12	\$ 1,045,050	Operator
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/11/96	\$ 7,269	Delinquent Tax Attorney
Bob Leared Interests	05/24/74	\$ 38,743	Tax Assessor/ Collector

See accompanying independent auditor's report.

