

SEIS LAGOS UTILITY DISTRICT

Financial Statements
(With Auditor's Report Thereon)

September 30, 2021

SEIS LAGOS UTILITY DISTRICT
Annual Financial Report
For the Year Ended September 30, 2021

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Collin

I, Jerod Hangartner of the
(Name of Duly Authorized District Representative)

Seis Lagos Utility District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 27th day of January 2022 its annual audit report for the fiscal year or period ended September 30, 2021 and those copies of the annual audit report have been filed in the district office, located at:

2730 Country Club Road, Suite E1, Lucas, TX 75002

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: 02/07/2022

By: 
(Signature of District Representative)

Jerod Hangartner, President

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 7th day of February 2022

(SEAL)




(Signature of Notary)

My Commission Expires On: 10/23/2025

Notary Public in the State of Texas.



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INDEPENDENT AUDITOR'S REPORT

**To the Board Members
Seis Lagos Utility District
2730 Country Club Drive
Suite E1
Lucas, TX 75002**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seis Lagos Utility District, as of and for the year ended September 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Seis Lagos Utility District, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows there of 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 budgetary comparison information on pages 5 through 10, and budgetary information on pages 20 and 37 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 Seis Lagos Utility District's basic financial statements. The introductory section and Supplemental Schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Nabors CPA Services, P.C.

January 21, 2022

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Management's Discussion and Analysis

As management of the Seis Lagos Utility District, we offer readers of the Seis Lagos Utility District's financial statements this narrative overview and analysis of the financial activities of the Seis Lagos Utility District for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets of the Seis Lagos Utility District exceeded its liabilities at the close of the most recent fiscal year by \$4,063,693 (net position). Of this amount \$4,214,105, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Seis Lagos Utility District's governmental funds reported ending fund balance of \$2,056,924, an increase of \$367,529 in comparison with the prior year. Of this balance, \$1,602,194 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 196 percent of general fund expenditures, and 196 percent of total governmental fund expenditures. At the close of the current fiscal year, the Seis Lagos Utility District's governmental funds had a current ratio of approximately 1,000:1, based on the current assets of \$2,058,973 and current liabilities of \$2,049.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Seis Lagos Utility District's basic financial statements. The Seis Lagos Utility District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Seis Lagos Utility District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Seis Lagos Utility District's assets and liabilities, with the difference between the two 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 Seis Lagos Utility District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Seis Lagos Utility District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Seis Lagos Utility District include general government, public safety, and recreation (public works). The business-type activities of the Seis Lagos Utility District include the water and sewer system.

The government-wide financial statements can be found on pages 13-15 of this report.

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 Seis Lagos Utility District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Seis Lagos Utility District can be divided into two categories: governmental funds (General Fund) and proprietary funds (Water and Sewer Fund).

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Seis Lagos Utility District maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Seis Lagos Utility District adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds. The Seis Lagos Utility District maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Seis Lagos Utility District uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Seis Lagos Utility District Water and Sewer Fund operations.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-36 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Seis Lagos Utility District, assets exceed liabilities by \$4,063,693 at the close of the most recent fiscal year.

A portion of the Seis Lagos Utility District's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Seis Lagos Utility District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Seis Lagos Utility District's investment in its capital assets is reported not of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SEIS LAGOS UTILITY DISTRICT - Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,058,973	1,718,063	3,482,506	4,148,364	5,541,479	5,866,427
Capital Assets	107,177	133,850	3,139,250	2,021,994	3,246,427	2,155,844
Total assets	<u>2,166,150</u>	<u>1,851,913</u>	<u>6,621,756</u>	<u>6,170,358</u>	<u>8,787,906</u>	<u>8,022,271</u>
Long-term liabilities	18,193	33,447	3,960,000	4,075,000	3,978,193	4,108,447
Other liabilities	1,102	22,933	744,918	232,929	746,020	255,862
Total liabilities	<u>19,295</u>	<u>56,380</u>	<u>4,704,918</u>	<u>4,307,929</u>	<u>4,724,213</u>	<u>4,364,309</u>
Net position:						
Invested in capital assets						
net of related debt	88,984	99,176	(820,750)	(2,053,006)	(731,766)	(1,953,830)
Restricted			581,354	3,208,755	581,354	3,208,755
Unrestricted	<u>2,057,871</u>	<u>1,696,357</u>	<u>2,156,234</u>	<u>706,680</u>	<u>4,214,105</u>	<u>2,403,037</u>
Total net position	<u>2,146,855</u>	<u>1,795,533</u>	<u>1,916,838</u>	<u>1,862,429</u>	<u>4,063,693</u>	<u>3,657,962</u>

Governmental Activities:

- During the year revenues decreased by \$17,311 (1%), primarily due to and fire protection receipts.
- Expenses for the year decreased by \$18,235 (2%), primarily due to engineering fees.

Business-type Activities:

- Charges for services decreased by \$65,736 (5%) during the year primarily due to a decrease in water sales, while expenses decreased by \$205,922 (15%), due primarily to engineering and bond issuance costs.

SEIS LAGOS UTILITY DISTRICT - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 440,289	487,599	1,248,002	1,298,801	1,688,291	1,786,400
General revenues:						
Property taxes	749,978	709,988			749,978	709,988
Other	<u>1,906</u>	<u>11,897</u>	<u>50</u>	<u>14,987</u>	<u>1,956</u>	<u>26,884</u>
Total revenues	1,192,173	1,209,484	1,248,052	1,313,788	2,440,225	2,523,272
Expenses:						
General government	320,837	334,070			320,837	334,070
Public safety	442,705	406,144			442,705	406,144
Public works	75,968	116,776			75,968	116,776
Interest	1,341	2,096	128,778	59,437	130,119	61,533
Water & sewer			1,067,317	1,095,692	1,067,317	1,095,692
Bond issuance cost				<u>246,888</u>		<u>246,888</u>
Total expenses	<u>840,851</u>	<u>859,086</u>	<u>1,196,095</u>	<u>1,402,017</u>	<u>2,036,946</u>	<u>2,261,103</u>
Increase in net position before other transfers	351,322	350,398	51,957	(88,229)	403,279	262,169
Transfers	_____	_____	_____	_____	_____	_____
Increase/(decrease) in net position	351,322	350,398	51,957	(88,229)	403,279	262,169
Net position - beginning	<u>1,795,533</u>	<u>1,445,135</u>	<u>1,864,881</u>	<u>1,953,110</u>	<u>3,660,414</u>	<u>3,398,245</u>
Net position - ending	\$ <u>2,146,855</u>	<u>1,795,533</u>	<u>1,916,838</u>	<u>1,864,881</u>	<u>4,063,693</u>	<u>3,660,414</u>

Financial Analysis of the Government's Funds

As noted earlier, the Seis Lagos Utility District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Seis Lagos Utility District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Seis Lagos Utility District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the Seis Lagos Utility District's governmental funds reported ending fund balance of \$2,056,924, an increase of \$367,529 from the prior year. Of the current combined ending fund balance, \$1,602,194 is unassigned.

Proprietary Funds. The Seis Lagos Utility District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Enterprise Funds at the end of the year amounted to \$2,156,234. The factors concerning the finances of this fund have already been addressed in the discussion of the Seis Lagos Utility District's business type activities.

General Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by \$43,395, and expenditures were less than budgetary estimates by \$290,740. The budget had called for a \$33,394 increase in fund balance, however, more than budgeted revenues resulted in \$367,529 increase to fund balance.

Capital Assets and Debt Administration

Capital Assets. The Seis Lagos Utility District's investment in capital assets for its governmental and business-type activities as of September 30 2021, amounts to \$3,246,427 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

- Construction in progress totaling \$1,308,950 and was added to the water and sewer fund.

Additional information on the Seis Lagos Utility District's capital assets can be found in Note 3.C. on pages 32-33 of this report.

Long-term debt. The District has outstanding certificate of obligation bonds sold to finance construction of concrete streets.

Additional information on the Seis Lagos Utility District long-term debt can be found in Note 3.D. on pages 33-35 of this report.

Economic Factors and Next Year's Budgets and Rates

The 2022 budgeted revenues are projected to rise approximately 10% and expenses are projected to rise 20%. There is significant new development in the district which supports a favorable economic outlook, and the district has approved no increase in water rates for the upcoming 2022 fiscal year, however there will be a slight increase in fire protection.

Request for information

This financial report is designed to provide a general overview of the Seis Lagos Utility District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 2730 Country Club Drive, Suite E1, Lucas, TX 75002.

BASIC FINANCIAL STATEMENTS

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SEIS LAGOS UTILITY DISTRICT

Statement of Net Position

September 30, 2021

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 1,603,296	2,740,591	4,343,887
Cash and equivalents - restricted		581,354	581,354
Prepaid expenses	453,230		453,230
Security deposit	1,500		1,500
Receivables (Net of allowance for uncollectibles):			
Property taxes	947		947
Accounts receivable		160,561	160,561
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land		21,684	21,684
Furniture and equipment	6,206	64,108	70,314
Infrastructure	85,594	1,350,524	1,436,118
Vehicles and equipment	15,377		15,377
Construction in progress	<u> </u>	<u>1,702,934</u>	<u>1,702,934</u>
Total assets	<u>2,166,150</u>	<u>6,621,756</u>	<u>8,787,906</u>
 LIABILITIES			
Accounts payable		347,349	347,349
Retainage payable		74,270	74,270
Deposits payable		226,650	226,650
Other payables	1,102	96,649	97,751
Noncurrent liabilities:			
Bonds/notes payable:			
Due within one year	14,273	120,000	134,273
Due in more than one year	<u>3,920</u>	<u>3,840,000</u>	<u>3,843,920</u>
Total liabilities	<u>19,295</u>	<u>4,704,918</u>	<u>4,724,213</u>
 NET POSITION			
Invested in capital assets, net of related debt	88,984	(820,750)	(731,766)
Restricted		581,354	581,354
Unrestricted	<u>2,057,871</u>	<u>2,156,234</u>	<u>4,214,105</u>
Total net position	<u>\$ 2,146,855</u>	<u>1,916,838</u>	<u>4,063,693</u>

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

SEIS LAGOS UTILITY DISTRICT
Statement of Activities
For the Fiscal Year Ended September 30, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
Primary government:				
Governmental activities:				
General government	\$ 320,837			
Public safety	442,705	440,289		
Public works	75,968			
Interest	<u>1,341</u>			
Total governmental activities	<u>840,851</u>	<u>440,289</u>		
Business-type activities				
Water and sewer	1,067,317	1,248,002		
Interest	<u>128,778</u>			
Total business-type activities	<u>1,196,095</u>	<u>1,248,002</u>		
 Total primary government	 <u>\$ 2,036,946</u>	 <u>1,688,291</u>		

General revenues:
Property taxes
Investment earnings
Miscellaneous revenue
Total general revenues

Change in net position

Net position - beginning (as restated)

Net position - ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(320,837)		(320,837)
(2,416)		(2,416)
(75,968)		(75,968)
<u>(1,341)</u>		<u>(1,341)</u>
<u>(400,562)</u>		<u>(400,562)</u>
	180,685	180,685
	<u>(128,778)</u>	<u>(128,778)</u>
	<u>51,907</u>	<u>51,907</u>
		<u>(348,655)</u>
749,978		749,978
1,906		1,906
<u>50</u>	<u>50</u>	<u>50</u>
<u>751,884</u>	<u>50</u>	<u>751,934</u>
351,322	51,957	403,279
<u>1,795,533</u>	<u>1,864,881</u>	<u>3,660,414</u>
<u>\$ 2,146,855</u>	<u>1,916,838</u>	<u>4,063,693</u>

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

SEIS LAGOS UTILITY DISTRICT

Balance Sheet
Government Funds
September 30, 2021

	General <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 1,603,296	1,603,296
Prepaid expenses	453,230	453,230
Security deposit	1,500	1,500
Receivables (net of allowance for uncollectibles):		
Property taxes	<u>947</u>	<u>947</u>
Total assets	<u>\$ 2,058,973</u>	<u>2,058,973</u>
 LIABILITIES & FUND BALANCES		
Liabilities:		
Deferred revenue	\$ 947	947
Other liabilities	<u>1,102</u>	<u>1,102</u>
Total liabilities	<u>2,049</u>	<u>2,049</u>
Fund balances:		
Nonspendable	454,730	454,730
Unassigned	<u>1,602,194</u>	<u>1,602,194</u>
Total fund balance	<u>2,056,924</u>	<u>2,056,924</u>
 Total liabilities & fund balances	 <u>\$ 2,058,973</u>	 <u>2,058,973</u>

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

SEIS LAGOS UTILITY DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2021

Total Fund Balances - Governmental Funds \$ 2,056,924

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,503,205 and the accumulated depreciation was \$(2,369,355). In addition, long-term liabilities of \$(18,193), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. 115,657

Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year debt principal payments is to increase net assets. There were no capital expenditures in 2021.

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (26,673)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$947 of deferred revenue as revenue. 947

Net Position of Governmental Activities \$ 2,146,855

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

SEIS LAGOS UTILITY DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2021

	<u>General Funds</u>	<u>Total Governmental Funds</u>
REVENUES		
Taxes		
Property	\$ 754,766	754,766
Fees and service charges	440,289	440,289
Interest	<u>1,906</u>	<u>1,906</u>
Total revenues	<u>1,196,961</u>	<u>1,196,961</u>
 EXPENDITURES		
General government	294,164	294,164
Public safety	442,705	442,705
Public works	75,968	75,968
Debt service:		
Principal	15,254	15,254
Interest and fiscal charges	<u>1,341</u>	<u>1,341</u>
Total expenditures	<u>829,432</u>	<u>829,432</u>
Excess/(deficiency) of revenues over expenditures	<u>367,529</u>	<u>367,529</u>
Net change in fund balances	367,529	367,529
Fund balance, beginning	<u>1,689,395</u>	<u>1,689,395</u>
Fund balance, ending	<u>\$ 2,056,924</u>	<u>2,056,924</u>

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

SEIS LAGOS UTILITY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 367,529

Current year capital outlays and long-term debt principal payments of \$15,254 are expenditures and sources in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position. 15,254

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. Depreciation of \$(26,673) is not recognized as an expense in governmental funds since they do not require the use of current resources. The net effect of the current year's activity is to decrease net position. (26,673)

Deferred revenue is not recognized as revenue in the governmental activities. The net effect is to increase net position. (4,788)

Changes in Net Position of Governmental Activities \$ 351,322

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

SEIS LAGOS UTILITY DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	\$ 663,166	663,166	754,766	91,600
Fees and service charges	465,400	465,400	440,289	(25,111)
Interest	<u>25,000</u>	<u>25,000</u>	<u>1,906</u>	<u>(23,094)</u>
Total revenues	<u>1,153,566</u>	<u>1,153,566</u>	<u>1,196,961</u>	<u>43,395</u>
 EXPENDITURES				
General government	513,063	513,063	294,164	218,899
Public safety	475,055	475,055	442,705	32,350
Public works	113,500	113,500	75,968	37,532
Debt service:				
Principal	15,254	15,254	15,254	
Interest	<u>3,300</u>	<u>3,300</u>	<u>1,341</u>	<u>1,959</u>
Total expenditures	<u>1,120,172</u>	<u>1,120,172</u>	<u>829,432</u>	<u>290,740</u>
Excess (deficiency) of revenues over expenditures	<u>33,394</u>	<u>33,394</u>	<u>367,529</u>	<u>334,135</u>
Net change in fund balances	33,394	33,394	367,529	334,135
Fund balance, beginning	<u>1,689,395</u>	<u>1,689,395</u>	<u>1,689,395</u>	_____
Fund balance, ending	\$ <u>1,722,789</u>	<u>1,722,789</u>	<u>2,056,924</u>	<u>334,135</u>

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

SEIS LAGOS UTILITY DISTRICT

Statement of Net Position

Proprietary Funds

September 30, 2021

	<u>Proprietary Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 2,740,591
Cash and cash equivalents - restricted	581,354
Accounts receivable (net of allowance for uncollectibles)	<u>160,561</u>
Total current assets	<u>3,482,506</u>
Noncurrent assets:	
Capital assets:	
Land	21,684
Equipment	121,432
Water and sewer infrastructure	4,150,870
Construction in progress	1,702,933
Less: Accumulated depreciation	<u>(2,857,669)</u>
Total noncurrent assets	<u>3,139,250</u>
 Total assets	 \$ <u>6,621,756</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 347,349
Retainage payable	74,270
Customer deposits	226,650
Other payables	<u>96,649</u>
Total current liabilities	<u>744,918</u>
Long-term liabilities:	
Bonds payable	
Due within one year	120,000
Due in more than one year	<u>3,840,000</u>
Total long-term liabilities	<u>3,960,000</u>
 Total liabilities	 <u>4,704,918</u>
 NET POSITION	
Invested in capital assets, net of related debt	(820,750)
Restricted	581,354
Unrestricted (as restated)	<u>2,156,234</u>
Total net position	\$ <u>1,916,838</u>

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

SEIS LAGOS UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
September 30, 2021

	<u>Proprietary Fund</u>
OPERATING REVENUES	
Water	\$ 796,469
Sewer	334,681
Fees and services	116,852
Other income	<u>50</u>
Total operating revenues	<u>1,248,052</u>
 OPERATING EXPENSES	
Cost of water	446,836
Water sewer operations	428,786
Depreciation	<u>191,695</u>
Total operating expenses	<u>1,067,317</u>
Operating income (loss)	<u>180,735</u>
 NONOPERATING REVENUES (EXPENSES)	
Interest expense	<u>(128,778)</u>
Total nonoperating revenues (expenses)	<u>(128,778)</u>
Change in net position	51,957
Net position - beginning (as restated)	<u>1,864,881</u>
Net position - ending	<u>\$ 1,916,838</u>

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

SEIS LAGOS UTILITY DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2021

	Proprietary Utility Fund
Cash flows from operating activities:	
Cash received from customers and users	\$ 1,325,102
Cash payments to suppliers	<u>(419,783)</u>
Net cash provided by operating activities	<u>905,319</u>
Cash flows from capital and related financing activities:	
Acquisition/disposition of capital assets	<u>(1,308,950)</u>
Net cash used by capital and related financing activities	<u>(1,308,950)</u>
Cash flows from noncapital financing activities:	
Bond repayments	(115,000)
Interest expense	<u>(128,778)</u>
Net cash used by noncapital financing activities	<u>(243,778)</u>
Net increase in cash and cash equivalents	(647,409)
Cash and cash equivalents - beginning (as restated)	<u>3,969,354</u>
Cash and cash equivalents - ending	<u>\$ 3,321,945</u>

Reconciliation of Net Income to Net Cash Provided/(Used) by Operating Activities

Operating income	\$ 180,735
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	191,695
(Increase)/decrease in accounts receivable	20,900
Increase/(decrease) in accounts payable	347,349
Increase/(decrease) in retainage payable	74,270
Increase/(decrease) in customer deposits	56,150
Increase/(decrease) in other payables	<u>34,220</u>
Total adjustments	<u>724,584</u>
Net cash provided by operating activities	<u>\$ 905,319</u>

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

SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Seis Lagos Utility District, have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

Seis Lagos Utility District (the "District") is a Texas utility district that was created on March 12, 1973, by the Texas Water Commission and the legislature of the State of Texas and operates under Chapter 49 of the Texas Water Code. The electorate of Seis Lagos confirmed the organization on April 7, 1973.

The District has a contractual relationship with the Seis Lagos Community, Brockdale HOA and Common of Camden Community with regards to the water distribution and sewer collection systems to provide both services for the homes in the District.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following proprietary funds:

The water and sewer fund is used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The enterprise fund is for water and sewer operations.

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SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation(continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the governmental-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position or equity

1. Deposits

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. The District's temporary investment in TexStar is considered to be cash because of its liquidity.

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SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

2. Short-term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

3. Restricted Assets

Certain resources set aside for customer deposits are classified as restricted assets on the balance sheet because their use is limited.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings, systems and improvements	5 - 40
Furniture and equipment	3 - 10

-continued-

SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

6. Fund Equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board. These amounts cannot be used for any other purpose unless the District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of September 30, 2021.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the District Board delegates this authority.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

6. Fund Equity (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

As of September 30, 2021, fund balances are composed of the following:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$ 454,730	454,730
Restricted:		
Committed:		
Assigned:		
Unassigned:	<u>1,602,194</u>	<u>1,602,194</u>
Total fund balances	\$ <u>2,056,924</u>	<u>2,056,924</u>

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the District Board prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

-continued-

SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the District Board through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Board.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. One supplemental appropriation was made during the fiscal year.
5. The budget approved for the Water and Sewer Fund follows similar approval procedures. One supplemental appropriation was made during the fiscal year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District may invest in obligations of the U. S. Treasury or the State of Texas, certain U. S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2021, the District's carrying amount of deposits was \$187,833 and the bank balance was \$269,637. Of the bank balance, \$250,000 was covered by federal depository insurance. At September 30, 2021 the District had investments in the Texas short term asset reserve program ("Tax Star") totaling \$4,737,408, and was protected by the Securities Investor Protection Corporation ("SIPC").

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. *Custodial Credit Risk - Deposits:* In the case of deposits this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law, or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance.

-continued-

SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

- b. *Custodial Credit Risk* - Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
- c. *Credit Risk* - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk.
- d. *Interest Rate Risk* - This is the risk that changes in interest rates will adversely affect the fair value of an investment.
- e. *Foreign Currency Risk* - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. *Concentration of Credit Risk* - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer.

B. Receivables

Receivables at September 30, 2021 consisted of the following:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Property taxes	\$ 947		947
Accounts receivable	_____	<u>160,561</u>	<u>160,561</u>
Total receivables	<u>\$ 947</u>	<u>160,561</u>	<u>160,508</u>

-continued-

SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

Property taxes are based on the appraised values provided by the Collin County Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increase 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the District.

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2020, upon which the 2020/2021 levy was based, was approximately \$286,230,203. The tax rate for fiscal year 2020/2021 was \$0.294287 per \$100 of assessed valuation, with \$0.288378 per \$100 of assessed valuation allocated to maintenance and operation (M&O), and \$0.005909 allocated to debt service (I&S).

C. Capital Assets

Capital asset activity for the year ended September 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Vehicles	\$ 73,162			73,162
Infrastructure	2,322,664			2,322,664
Heavy equipment	10,569			10,569
Furniture & Equipment	46,343			46,343
Bond issue cost	<u>50,467</u>			<u>50,467</u>
Totals at historical cost	2,503,205			2,503,205
Less accumulated depreciation	<u>(2,369,355)</u>	<u>(26,673)</u>		<u>(2,396,028)</u>
Governmental activities capital assets, net	\$ <u>133,850</u>	<u>(26,673)</u>		<u>107,177</u>
Business-type activities:				
Land	\$ 21,684			21,684
Equipment	29,478			29,478
Infrastructure	4,150,870			4,150,870
Heavy equipment	91,954			91,954
Construction in progress	<u>393,982</u>	<u>1,308,951</u>		<u>1,702,933</u>
Totals at historical cost	4,687,968	1,308,951		5,996,919
Less accumulated depreciation	<u>(2,665,974)</u>	<u>(191,695)</u>		<u>(2,857,669)</u>
Business-type activities capital assets, net	\$ <u>2,021,994</u>	<u>1,117,256</u>		<u>3,139,250</u>

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SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Government Activities:

Administration	\$ 1,322
Public works	<u>25,351</u>

Total depreciation expense - government activities \$ 26,673

Business-type activities:

Water and sewer fund	\$ 191,695
Total depreciation expense - business-type activities	\$ <u>191,695</u>

D. Long-term Debt

Notes Payable

On July 5, 2017, the District entered into a finance agreement with American Bank of Texas for the purchase of a 2017 Dodge Ram 4500. The term of the note is sixty months with an interest rate of 4.99%, with monthly payments of \$884. The annual debt service requirements for governmental activities are as follows:

<u>Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>8,634</u>	<u>201</u>	<u>8,835</u>
Total	8,634	201	8,835

On May 4, 2018, the District entered into a finance agreement with American Bank of Texas for the purchase of a 2018 Dodge Ram 1500. The term of the note is sixty months with an interest rate of 4.99%, with monthly payments of \$499. The annual debt service requirements for governmental activities are as follows:

<u>Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	5,639	353	5,992
2023	<u>3,920</u>	<u>75</u>	<u>3,995</u>
Total	9,559	428	9,987

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SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

D. Long-term Debt (continued)

Bonds Payable

In October 2007, the District authorized the issuance of up to \$1,360,000 of Seis Lagos Utility District Utility System Revenue Bonds, Series 2007 (the “Bonds”). The Bonds bear interest ranging from 2.55% to 3.40% payable on March 1 and September 1 of each year through March 1, 2027. The bond indenture provides that the net revenues of the system, with the exception of those in excess of the amounts required to establish and maintain the special funds created for the payment and security of the bonds similarly secured, are hereby pledged to the payment of the bonds. The bond indenture also provides that a required reserve fund in the amount of \$93,167 will be created solely for the purpose of payment of the bonds.

In April 2020, the District authorized the issuance of up to \$3,475,000 of Seis Lagos Utility District Utility System Revenue Bonds, Series 2020 (the “Bonds”). The Bonds bear interest ranging from 2.50% to 4.000% payable on March 1 and September 1 of each year through September 1, 2045. The bond indenture provides that the net revenues of the system, with the exception of those in excess of the amounts required to establish and maintain the special funds created for the payment and security of the bonds similarly secured, are hereby pledged to the payment of the bonds. The bond indenture also provides that a required reserve fund in the amount of \$224,309 will be created solely for the purpose of payment of the bonds. The District is to deposit \$1991.83 per month into the existing reserve fund in order to reach the required balance by May 2025.

The District currently maintains a reserve fund of \$138,910. Additionally, the District is in compliance with the Public Funds Collateral Act. Interest expense for all bond issues was \$128,778 for the year ended September 30, 2021. The following is a summary of changes in bonds payable for the year:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Business-type Activities					
Utility System Revenue Bonds					
Series 2007, 1.99%, 2007-2027	\$ 600,000		(80,000)	520,000	80,000
Series 2020, 1.99%, 2020-2045	\$ 3,475,000		(35,000)	3,440,000	40,000
Total business-type activities	\$ <u>4,075,000</u>		<u>(115,000)</u>	<u>3,960,000</u>	<u>120,000</u>

Debt Service Requirement to Maturity

The annual debt service requirements to maturity for bonded debt are as follows at year-end:

Series 2007

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	80,000	16,085	96,085
2023	85,000	13,383	98,383
2024	90,000	10,473	100,473
2025	90,000	7,458	97,458
2026	95,000	4,335	99,335
2027	<u>80,000</u>	<u>1,360</u>	<u>81,360</u>
	\$ <u>520,000</u>	<u>53,094</u>	<u>573,094</u>

-continued-

SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

D. Long-term Debt (continued)

Debt Service Requirement to Maturity

The annual debt service requirements to maturity for bonded debt are as follows at year-end:

	<u>Series 2020</u>		
Year <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	40,000	100,375	140,375
2023	35,000	98,775	133,775
2024	35,000	97,375	132,375
2025	40,000	95,975	135,975
2026	40,000	94,375	134,375
Thereafter	<u>3,250,000</u>	<u>1,048,175</u>	<u>4,298,175</u>
	<u>\$ 3,440,000</u>	<u>1,535,050</u>	<u>4,975,050</u>

(4) OPERATING LEASES

The District has obligations under noncancellable lease agreements for office copier equipment and office rent. On January 17, 2017, Ricoh USA, Inc. leased new equipment to the District for 60 months. Future lease payments under these agreements are as follows with monthly payments of \$325.

<u>Year Ending December 31,</u>	<u>Canon Solutions America</u>
2022	<u>1,300</u>
Total	<u>\$ 1,300</u>

The District leased its office space under a non-cancelable operating lease. The lease calls for monthly payments ranging from \$1,500 to \$1,800 through fiscal 2022 which includes base rent and common area maintenance charges. Base rent expense for the District's office totaled approximately \$23,455 for 2021.

(5) OTHER INFORMATION

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; injuries to employees; and natural disasters. The District is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The District pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

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SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2021

-continued-

(6) RESTATEMENT OF NET POSITION

Net position has been restated at September 30, 2020 to adjust beginning cash in the water and sewer fund.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Total net assets	\$ <u>1,862,429</u>	<u>2,452</u>	<u>1,864,881</u>

(7) EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 21, 2022, the date which the financial statements were available to be issued.

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INDIVIDUAL FUND SCHEDULES

SEIS LAGOS UTILITY DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Budget and Actual Proprietary Fund
For the Fiscal Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Water sales, fees and service charges	\$ 1,048,584	1,048,584	1,248,002	199,418
Other income			<u>50</u>	<u>50</u>
Total operating revenues	<u>1,048,584</u>	<u>1,048,584</u>	<u>1,248,052</u>	<u>199,468</u>
OPERATING EXPENSES				
Cost of water	340,000	340,000	446,836	(106,836)
Contract services	20,000	20,000		20,000
Water and sewer operations	429,877	429,877	428,786	1,091
Depreciation			<u>191,695</u>	<u>(191,695)</u>
Total operating expenses	<u>789,877</u>	<u>789,877</u>	<u>1,067,317</u>	<u>(277,440)</u>
Operating income (loss)	<u>258,707</u>	<u>258,707</u>	<u>180,735</u>	<u>(77,972)</u>
NONOPERATING REVENUE (EXPENSE)				
Interest expense	<u>(99,200)</u>	<u>(99,200)</u>	<u>(128,778)</u>	<u>(29,578)</u>
Total nonoperating revenue (expense)	<u>(99,200)</u>	<u>(99,200)</u>	<u>(128,778)</u>	<u>(29,578)</u>
Change in net position (as restated)	159,507	159,507	51,957	(107,550)
Net position - beginning	<u>1,864,881</u>	<u>1,864,881</u>	<u>1,864,881</u>	_____
Net position - ending	<u>\$ 2,024,388</u>	<u>2,024,388</u>	<u>1,916,838</u>	<u>(107,550)</u>

SUPPLEMENTAL SCHEDULES

SEIS LAGOS UTILITY DISTRICT
 Services and Rates
 For The Year Ended September 30, 2021

1. Services Provided by the District:

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

2. Retail Rates Based on 1" Meter: Retail Rates Not Applicable

Most prevalent type of meter: 1"

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ 40	0	N	\$ 3.50	1 to 5,000 gallons
				\$ 4.00	5,001 to 10,000 gallons
				\$ 4.75	10,001 to 35,000 gallons
				\$ 5.25	35,001 to 50,000 gallons
				\$ 7.00	Over 50,000 gallons

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including surcharges) \$ 78

Water Retail Connections: Active 688 / Inactive 0 = Total 688

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
5/8"			x 1.0	
1"	676	676	x 2.5	1,588
1 1/2"			x 5.0	
2"	12	12	x 8.0	96
3"			x 15.0	
4"			x 25.0	
Total Water	688	688		1,684

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>119,722</u>
Gallons pumped per SLUD:	<u>119,125</u>
Water Accountability Ratio:	<u>173.62%</u>

SEIS LAGOS UTILITY DISTRICT
 Services and Rates
 For The Year Ended September 30, 2021
 -continued-

4. District has Standby Fees:
 Debt Service: No
 Operations and Maintenance: No

5. Location of District:

County(ies) in which District is located.	Collin
Is the District located entirely within one county?	Yes
Is the District located within a city?	No
City(ies) in which District is located.	N/A
Is the District located within a city's extraterritorial jurisdiction (ETJ)?	Yes
ETJ's in which District is located.	Lucas, TX
Is the general membership of the Board appointed by an office outside the District?	No
If Yes, by whom?	N/A

SEIS LAGOS UTILITY DISTRICT
Schedule of Expenditures
Proprietary Fund
For the Year Ended September 30, 2021

Personnel Expenditures (including benefits)	\$ 201,266
Purchased Services For Resale:	
Water Purchases	446,836
Water and sewer operations	227,520
Administrative Expenditures:	
Depreciation and amortization	<u>191,695</u>
TOTAL EXPENDITURES	<u>\$ 1,067,317</u>

Number of persons employed by the District: 7 Full Time 0 Part Time

SEIS LAGOS UTILITY DISTRICT
Schedule of Temporary Investments
For the Year Ended September 30, 2021

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance At End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
General Fund					
Money Market	1110	0.01%		\$ 4,490,167	\$ -
Debt Service Fund					
Money Market	8440	0.01%		108,331	-
Money Market	2330	0.01%		<u>138,911</u>	<u>-</u>
Total				\$ <u>4,737,409</u>	\$ <u>-</u>

SEIS LAGOS UTILITY DISTRICT
Taxes Levied and Receivable
For the Year Ended September 30, 2021

	Maintenance Taxes
Taxes receivable, beginning of year	\$ 5,735
2020 original tax levy	<u>753,902</u>
Total to be accounted for	<u>759,637</u>
Tax collections:	
Current year	754,479
Prior years	<u>4,211</u>
Total collections	<u>758,690</u>
 Taxes receivable, end of year	 \$ <u><u>947</u></u>
 Taxes receivable by year	
2019 and prior	(341)
2020	<u>1,288</u>
 Taxes receivable, end of year	 \$ <u><u>947</u></u>

	2021	2020	2019	2018
Property Valuations:				
Land	98,200,343	95,119,109	93,718,665	79,538,804
Improvements	257,628,338	223,876,157	220,997,861	199,796,423
Personal property	<u>4,368,818</u>	<u>3,939,210</u>	<u>4,021,981</u>	<u>4,205,666</u>
	<u><u>360,197,499</u></u>	<u><u>322,934,476</u></u>	<u><u>318,738,507</u></u>	<u><u>283,540,893</u></u>
 Tax rates per \$100 valuation				
Debt service tax rates	0.005909	0.006765	0.007554	
Maintenance tax rates	<u>0.288378</u>	<u>0.275437</u>	<u>0.267598</u>	<u>0.269235</u>
 Total tax rates per \$100 valuation	<u><u>0.294287</u></u>	<u><u>0.282202</u></u>	<u><u>0.275152</u></u>	<u><u>0.269235</u></u>
 Original Tax Levy	753,902	692,269	604,411	526,803
 Percent collected to levied	100.00%	100.00%	100.00%	100.00%

SEIS LAGOS UTILITY DISTRICT
 Long-Term Debt Service Requirements by Years
 For the Year Ended September 30, 2021

<u>Due During Year Ending</u>	<u>Annual Requirements for All Series</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	120,000	116,460	236,460
2023	120,000	112,158	232,158
2024	125,000	107,848	232,848
2025	130,000	103,433	233,433
2026	135,000	98,710	233,710
2027	140,000	94,135	234,135
2028	140,000	90,375	230,375
2029	145,000	86,875	231,875
2030	150,000	83,250	233,250
2031	150,000	79,500	229,500
2032	155,000	75,750	230,750
2033	160,000	71,875	231,875
2034	165,000	67,875	232,875
2035	170,000	63,750	233,750
2036	175,000	58,650	233,650
2037	175,000	53,400	228,400
2038	180,000	48,150	228,150
2039	185,000	42,750	227,750
2040	190,000	37,200	227,200
2041	200,000	31,500	231,500
2042	205,000	25,500	230,500
2043	210,000	19,350	229,350
2044	215,000	13,050	228,050
2045	<u>220,000</u>	<u>6,600</u>	<u>226,600</u>
Total	<u>\$ 3,960,000</u>	<u>1,588,144</u>	<u>5,548,144</u>

SEIS LAGOS UTILITY DISTRICT
Changes in Long-Term Bonded Debt
For the Year Ended September 30, 2021

Bond Issues:	<u>Series 2007</u>	<u>Total</u>
Interest Rate	2.55% - 3.4%	
Date Interest Payable	3/1, 9/1	
Maturity Dates	March 1, 2027	
Bonds Outstanding at Beginning of Current Year	\$ 600,000	600,000
Bonds Sold During Current Year		
Retirements:		
Principle	<u>(80,000)</u>	<u>(80,000)</u>
Bonds Outstanding at End of Current Year	<u>520,000</u>	<u>520,000</u>
Interest Paid During the Fiscal Year	\$ 16,085	

Paying Agent's Name and Address:

BOK Financial, NA
5956 Sherry Lane, Suite 1201
Dallas, TX 75225
(Series 2007)

Bond Authority:

Amount Authorized \$ 1,360,000
Amount Issued \$ 1,335,000

Debt service reserve balance as of September 30, 2021: \$ 86,667
Average annual debt service payments for remaining term: \$ 86,667

SEIS LAGOS UTILITY DISTRICT
Changes in Long-Term Bonded Debt
For the Year Ended September 30, 2021

Bond Issues:	<u>Series 2020</u>	<u>Total</u>
Interest Rate	2.50% - 4.00%	
Date Interest Payable	3/1, 9/1	
Maturity Dates	September 1, 2045	
Bonds Outstanding at Beginning of Current Year	\$ 3,475,000	3,475,000
Bonds Sold During Current Year		
Retirements: Principle	<u>(35,000)</u>	<u>(35,000)</u>
Bonds Outstanding at End of Current Year	<u>3,440,000</u>	<u>3,440,000</u>
Interest Paid During the Fiscal Year	\$ 100,375	

Paying Agent's Name and Address:

BOK Financial, NA
5956 Sherry Lane, Suite 1201
Dallas, TX 75225
(Series 2007)

Bond Authority:

Amount Authorized	\$ 3,475,000
Amount Issued	\$ 3,475,000

Debt service reserve balance as of September 30, 2021:	\$ 52,244
Average annual debt service payments for remaining term:	\$ 143,333

SEIS LAGOS UTILITY DISTRICT
 Comparative Schedule of Revenues and Expenses - General Fund
 For the Five Years Ended September 30, 2021

	<u>Amounts</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:					
Property taxes	\$ 754,766	706,512	618,852	585,762	467,793
Charges for services	440,289	487,599	387,181	365,851	324,821
Interest	1,906	11,897	26,128	8,251	3402
Transfers					<u>133,007</u>
	<u>1,196,961</u>	<u>1,206,008</u>	<u>1,032,161</u>	<u>959,864</u>	<u>929,023</u>
Expenditures:					
General government	131,502	165,691	223,140	149,822	103,399
Public safety	442,705	406,144	377,715	341,076	276,301
Public works	75,968	102,476	96,029	40,628	160,111
Interest	1,341	2,094	3,355	2,344	780
Salaries and benefits	136,728	111,615	25,930	24,020	177,342
Professional fees	<u>41,188</u>	<u>56,539</u>	<u>60,253</u>	<u>17,205</u>	<u>47,506</u>
	<u>829,432</u>	<u>844,559</u>	<u>786,422</u>	<u>575,095</u>	<u>765,439</u>
Net revenue over (under) expenditures	\$ <u>367,529</u>	<u>361,449</u>	<u>245,739</u>	<u>384,769</u>	<u>163,584</u>

	<u>Percent of Fund Revenue</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:					
Property taxes	63.06%	58.58%	59.96%	61.02%	50.35%
Charges for services	36.78%	40.43%	37.51%	38.11%	34.96%
Interest	0.16%	.99%	2.53%	.87%	0.01%
Transfers					<u>14.68%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Expenditures:					
General government	10.99%	13.74%	21.62%	15.61%	11.12%
Public safety	36.98%	33.67%	36.59%	35.53%	29.74%
Public works	6.35%	8.50%	9.30%	4.23%	17.23%
Interest	0.11%	0.17%	0.03%	0.02%	0.01%
Salaries and benefits	11.42%	9.25%	2.51%	2.50%	19.09%
Professional fees	<u>3.44%</u>	<u>4.69%</u>	<u>5.84%</u>	<u>1.79%</u>	<u>5.11%</u>
	<u>69.29%</u>	<u>70.02%</u>	<u>75.89%</u>	<u>59.68%</u>	<u>82.30%</u>
Net revenue over (under) expenditures	<u>30.71%</u>	<u>29.98%</u>	<u>24.11%</u>	<u>40.32%</u>	<u>17.70%</u>

SEIS LAGOS UTILITY DISTRICT
Comparative Schedule of Revenues and Expenses - Enterprise Fund
For the Five Years Ended September 30, 2021

	<u>Amounts</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:					
Water and sewer services	\$ 1,131,150	1,212,911	1,016,983	1,196,243	965,345
Customer charges/fees	116,852	85,890	178,430	137,792	129,684
Other revenue	<u>50</u>	<u>915</u>	<u>108,935</u>	<u>22,512</u>	<u>73,104</u>
Total operating revenues	<u>1,248,052</u>	<u>1,299,716</u>	<u>1,304,348</u>	<u>1,356,547</u>	<u>1,168,133</u>
 Operating expenses:					
Water and sewer operations	875,622	889,619	852,836	856,646	522,996
Contracted services		8,005	233,571	168,540	11,897
Other operating expenses	<u>191,695</u>	<u>198,068</u>	<u>197,045</u>	<u>185,632</u>	<u>189,685</u>
Total operating expenses	<u>1,067,317</u>	<u>1,095,692</u>	<u>1,283,452</u>	<u>1,210,818</u>	<u>724,578</u>
 Operating income	<u>180,735</u>	<u>204,024</u>	<u>20,896</u>	<u>145,729</u>	<u>443,555</u>
 Non-operating revenue (expenses):					
Interest revenue		14,072	12,869	11,395	907
Interest expense	(128,778)	(59,437)	(22,786)	(25,873)	(28,068)
Bond issuance cost		(246,888)			
Transfers					<u>(133,007)</u>
Total non-operating revenue (expense)	<u>(128,778)</u>	<u>(292,253)</u>	<u>(9,917)</u>	<u>(14,478)</u>	<u>(160,168)</u>
 Net income	<u>\$ 51,957</u>	<u>(88,229)</u>	<u>10,979</u>	<u>131,251</u>	<u>283,387</u>

SEIS LAGOS UTILITY DISTRICT
Comparative Schedule of Revenues and Expenses - Enterprise Fund
For the Five Years Ended September 30, 2021

	<u>Percent of Fund Total Revenues</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:					
Water and sewer services	90.63%	93.32%	77.96%	88.18%	82.60%
Customer charges/fees	9.36%	6.60%	13.68%	10.16%	11.10%
Other revenue	<u>0.01%</u>	<u>0.08%</u>	<u>8.36%</u>	<u>1.66%</u>	<u>6.30%</u>
Total operating revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Operating expenses:					
Water and sewer operations	70.16%	68.45%	65.38%	63.15%	44.77%
Contracted services		0.62%	17.91%	12.42%	0.01%
Other operating expenses	<u>15.36%</u>	<u>15.24%</u>	<u>15.11%</u>	<u>13.68%</u>	<u>16.23%</u>
Total operating expenses	<u>85.52%</u>	<u>84.31%</u>	<u>98.40%</u>	<u>89.25%</u>	<u>61.01%</u>
Operating income	<u>14.48%</u>	<u>15.69%</u>	<u>1.60%</u>	<u>10.75%</u>	<u>38.99%</u>
Non-operating revenue (expenses):					
Interest Revenue		0.10%	0.09%	0.08%	0.01%
Interest Expense	(10.32)%	-4.57%	-1.75%	-1.91%	-2.40%
Transfers	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>-11.38%</u>
Total non-operating revenue (expense)	<u>(10.32)%</u>	<u>-4.47%</u>	<u>-1.66%</u>	<u>-1.83%</u>	<u>-13.77%</u>
Net income	<u>4.16%</u>	<u>11.22%</u>	<u>-0.06%</u>	<u>8.92%</u>	<u>27.61%</u>

SEIS LAGOS UTILITY DISTRICT
 Board of Directors
 For the Year Ended September 30, 2021

Seis Lagos Utility District
 2730 Country Club Drive
 Suite E1
 Lucas, TX 75002

District business telephone number: 972-442-6875

Submission Date of the most recent District Registration Form: November 21, 2019
 (TWC Sections 36.054 and 49.054)

Limit on Fees of Office that a Director may receive during a fiscal year: \$600 per year
 (Set by Board Resolution-TWC Section 49.060)

<u>Name</u>	<u>Term of Office Elected/Expires Or Date Hired</u>	<u>Fees & Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
<u>Board Members:</u>				
Brian Holmes	(Elected) 5/16-5/24	\$ 600	President	Yes
Nick Calautti	(Elected) 5/18-5/22	600	Director	Yes
Keith Weinman	(Elected) 5/18-10/20	50	Director	Yes
Jeffery Henderson	(Elected) 5/20-5/24	600	Sec/Treas	Yes
Jerod Hangartner	(Elected) 5/20-5/24	600	Vice President	Yes
Scott Hengemuhle	Appointed 6/21-5/22	100	Director	Yes
<u>Key administrative personnel</u>				
R. Dewane Clark			Superintendent	No
Doris Vinson			Office Manager	No
<u>Consultants</u>				
Nabors CPA Services, P.C.		18,500	Auditor	No
Julie Fort Attorney P.L.L.C.		18,188	Attorney	No
McManus and Johnson		\$ 176,351	Consultant	No

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.