

**SEIS LAGOS UTILITY DISTRICT**

Financial Statements  
(With Auditor's Report Thereon)

September 30, 2025



**SEIS LAGOS UTILITY DISTRICT**  
**Annual Financial Report**  
**For the Year Ended September 30, 2024**

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# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Collin

I, Choi Shepard 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 29 day of January 2026 its annual audit report for the fiscal year or period ended September 30, 2025 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)

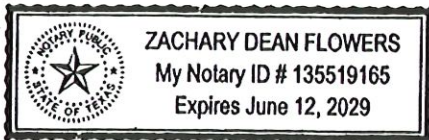
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: Feb 3, 2026 By: Choi Shepard  
(Signature of District Representative)

Choi Shepard, President Seis Lagos Utility District  
(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 3 day of February  
(SEAL)

[Signature]  
(Signature of Notary)



My Commission Expires On: June 12, 2029  
Notary Public in the State of Texas.



**Nabors CPA Services, P.C.**

**CERTIFIED PUBLIC ACCOUNTANT  
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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**

### **Opinions**

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, 2025, and the related notes to the financial statements, which collectively comprise the Seis Lagos Utility District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the respective changes in financial position the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Seis Lagos Utility District as of September 30, 2025, 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**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Seis Lagos Utility District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Seis Lagos Utility 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**

My 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 my 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, I:

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 Seis Lagos Utility 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Seis Lagos Utility District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

My 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 supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

*Nabors CPA Services, P.C.*

Celina, Texas  
January 29, 2026

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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, 2025.

### Financial Highlights

- The assets of the Seis Lagos Utility District exceeded its liabilities at the close of the most recent fiscal year by \$7,789,895 (net position). Of this amount \$8,646,317 (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 \$3,894,666, an increase of \$526,732 in comparison with the prior year. Of this balance, \$2,783,501 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 214 percent of general fund expenditures, and 213 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 34,000:1, based on the current assets of \$3,133,501 and current liabilities of \$92.

### 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 16-19 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 24-41 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 \$7,789,895 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			
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 3,907,123	3,414,342	5,322,146	5,175,604	9,229,269	8,589,946
Capital Assets	75,324	67,389	2,163,365	2,356,969	2,238,689	2,424,358
Deferred outflows	19,807	26,457			19,807	26,457
Total assets	<u>4,002,254</u>	<u>3,508,188</u>	<u>7,485,511</u>	<u>7,532,573</u>	<u>11,487,765</u>	<u>11,040,761</u>
Long-term liabilities			3,330,000	3,465,000	3,330,000	3,465,000
Other liabilities	18,836	45,260	340,762	306,246	359,598	351,506
Deferred inflows	8,272	912			8,272	912
Total liabilities	<u>27,108</u>	<u>46,172</u>	<u>3,670,762</u>	<u>3,771,246</u>	<u>3,697,870</u>	<u>3,817,418</u>
Net position:						
Invested in capital assets						
net of related debt	57,124	67,389	(1,301,635)	(1,238,031)	(1,244,511)	(1,170,642)
Restricted			388,089	389,224	388,089	389,224
Unrestricted	<u>3,918,022</u>	<u>3,394,627</u>	<u>4,728,295</u>	<u>4,610,134</u>	<u>8,646,317</u>	<u>8,004,761</u>
Total net position	<u>\$ 3,975,146</u>	<u>3,462,016</u>	<u>3,814,749</u>	<u>3,761,327</u>	<u>7,789,895</u>	<u>7,223,343</u>

Governmental Activities:

- During the year revenues increased by \$75,244 (4%), primarily due to and fire protection receipts, and interest income.
- Expenses for the year decreased by \$61,173(4%), primarily due to repairs and maintenance.

Business-type Activities:

- Charges for services increased by \$231,224(12%) during the year primarily due to a decrease in water sales and development activity, while expenses decreased by \$314,401(18%), due primarily to engineering and repair costs.

**SEIS LAGOS UTILITY DISTRICT - Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues:						
Program revenues:						
Charges for services	664,127	614,941	2,030,398	1,799,174	2,694,525	2,414,115
General revenues:						
Property taxes	801,242	730,655			801,242	730,655
Other	<u>357,247</u>	<u>401,776</u>			<u>357,247</u>	<u>401,776</u>
Total revenues	1,822,616	1,747,372	2,030,398	1,799,174	3,853,014	3,546,546
Expenses:						
General government	505,691	567,370			505,691	567,370
Public safety	676,963	598,602			676,963	598,602
Public works	123,279	201,134			123,279	201,134
Interest			102,834	108,648	102,834	108,648
Water & sewer			<u>1,874,142</u>	<u>1,553,927</u>	<u>1,874,142</u>	<u>1,553,927</u>
Total expenses	<u>1,305,933</u>	<u>1,367,106</u>	<u>1,976,976</u>	<u>1,662,575</u>	<u>3,282,909</u>	<u>3,029,681</u>
Increase in net position before other transfers	<u>516,683</u>	<u>380,266</u>	<u>53,422</u>	<u>136,599</u>	<u>570,105</u>	<u>516,865</u>
Increase/(decrease) in net position	516,683	380,266	53,422	136,599	570,105	516,865
Net position - beginning (as restated)	<u>3,458,463</u>	<u>3,081,750</u>	<u>3,761,327</u>	<u>3,624,728</u>	<u>7,219,790</u>	<u>6,706,478</u>
Net position - ending	<u>\$ 3,975,146</u>	<u>3,462,016</u>	<u>3,814,749</u>	<u>3,761,327</u>	<u>7,789,895</u>	<u>7,223,343</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 \$3,894,666, an increase of \$526,732 from the prior year. Of the current combined ending fund balance, \$2,783,501 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 \$4,728,203. 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 \$377,541, and expenditures were less than budgetary estimates by \$144,093. The budget had called for a \$5,098 increase in fund balance, however, more than budgeted revenues resulted in \$526,732 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 2025, amounts to \$2,238,689 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

There were no capital asset additions during the current fiscal year.

Additional information on the Seis Lagos Utility District's capital assets can be found in Note 3.C. on page 37 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 38-39 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The 2026 total budgeted revenues are projected to rise approximately 7 % and total budgeted expenses are projected to rise 5 %. There is significant new development in the district which supports a favorable economic outlook.

### **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**

**SEIS LAGOS UTILITY DISTRICT**

Statement of Net Position

September 30, 2025

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 3,133,409	4,674,241	7,807,650
Cash and equivalents - restricted		388,089	388,089
Prepaid expenses	759,665		759,665
Security deposit	1,500		1,500
Receivables (Net of allowance for uncollectibles):			
Accounts receivable	92	259,816	259,908
Capital assets (net of accumulated depreciation):			
Land		21,684	21,684
Infrastructure	51,176	2,121,911	2,173,087
Vehicles and equipment	5,948	19,770	25,718
ROU Assets	<u>18,200</u>		<u>18,200</u>
Total capital assets	75,324	2,163,365	2,238,689
Net pension asset	<u>12,457</u>		<u>12,457</u>
Total assets	<u>3,982,447</u>	<u>7,485,511</u>	<u>11,467,958</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>19,807</u>		<u>19,807</u>
Total deferred outflows of resources	<u>19,807</u>		<u>19,807</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>4,002,254</u>	<u>7,485,511</u>	<u>11,487,765</u>
<b>LIABILITIES</b>			
Current liabilities:			
Deposits payable		170,000	170,000
ROU payable	18,200		18,200
Other payables	636	35,762	36,398
Noncurrent liabilities:			
Bonds/notes payable:			
Due within one year		135,000	135,000
Due in more than one year		<u>3,330,000</u>	<u>3,330,000</u>
Total liabilities	<u>18,836</u>	<u>3,670,762</u>	<u>3,689,598</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>8,272</u>		<u>8,272</u>
Total deferred inflows of resources	<u>8,272</u>		<u>8,272</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>27,108</u>	<u>3,670,762</u>	<u>3,697,870</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	57,124	(1,301,635)	(1,244,511)
Restricted		388,089	388,089
Unrestricted	<u>3,918,022</u>	<u>4,728,295</u>	<u>8,646,317</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,975,146</u>	<u>3,814,749</u>	<u>7,789,895</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, 2025

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 505,691	664,127		
Public safety	676,963			
Public works	123,279			
Interest				
Total governmental activities	<u>1,305,933</u>	<u>664,127</u>		
Business-type activities				
Water and sewer	1,874,142	2,030,398		
Interest	<u>102,834</u>			
Total business-type activities	<u>1,976,976</u>	<u>2,030,398</u>		
Total primary government	<u>\$ 3,282,909</u>	<u>2,694,525</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.

<u>Net (Expense) Revenue and</u> <u>Changes in Net Position</u> <u>Primary Government</u>		
Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
158,436		158,436
(676,963)		(676,963)
(123,279)		(123,279)
<u>(641,806)</u>		<u>(641,806)</u>
	156,256	156,256
	<u>(102,834)</u>	<u>(102,834)</u>
	<u>53,422</u>	<u>53,422</u>
		<u>(588,384)</u>
801,242		801,242
357,247		357,247
<u>1,158,489</u>	<u>          </u>	<u>1,158,489</u>
516,683	53,422	570,105
<u>3,458,963</u>	<u>3,761,327</u>	<u>7,219,790</u>
<u>\$ 3,975,146</u>	<u>3,814,479</u>	<u>7,789,395</u>

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

**SEIS LAGOS UTILITY DISTRICT**

Balance Sheet  
Government Funds  
September 30, 2025

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 3,133,501	3,133,501
Prepaid expenses	759,665	759,665
Security deposit	1,500	1,500
Receivables		
Property taxes	<u>92</u>	<u>92</u>
Total assets	<u>\$ 3,894,758</u>	<u>3,894,758</u>
 <b>LIABILITIES &amp; FUND BALANCES</b>		
Liabilities:		
Deferred revenue	\$ <u>92</u>	<u>92</u>
Total liabilities	<u>92</u>	<u>92</u>
Fund balances:		
Nonspendable	761,165	761,165
Assigned	350,000	350,000
Unassigned	<u>2,783,501</u>	<u>2,783,501</u>
Total fund balance	<u>3,894,666</u>	<u>3,894,666</u>
 Total liabilities & fund balances	 <u>\$ 3,894,758</u>	 <u>3,894,758</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, 2025

**Total Fund Balances - Governmental Funds** \$ 3,894,666

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 \$2,511,505 and the accumulated depreciation was \$2,444,116. In addition, long-term liabilities and the net pension liability / (asset) of \$12,457 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) ,long-term debt and the net pension liability / asset in the governmental activities is to increase net assets. 79,117

Deferred Inflows and Outflows are not recognized as current period revenues, therefore the net effect of including them in the governmental activities is to increase net assets.

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 2025. 11,535

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (10,264)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. 92

**Net Position of Governmental Activities** \$ 3,975,146

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, 2025

	<u>General Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Taxes		
Property	\$ 801,027	801,027
Fees and service charges	664,129	664,129
Interest	<u>357,247</u>	<u>357,247</u>
Total revenues	<u>1,822,401</u>	<u>1,822,401</u>
 <b>EXPENDITURES</b>		
General government	495,427	495,427
Public safety	676,963	676,963
Public works	123,279	123,279
Capital outlay		
Debt service:		
Principal		
Interest and fiscal charges		
Total expenditures	<u>1,295,669</u>	<u>1,295,669</u>
Excess/(deficiency) of revenues over expenditures	<u>526,732</u>	<u>526,732</u>
Net change in fund balances	526,732	526,732
Fund balance, beginning	<u>3,367,934</u>	<u>3,367,934</u>
Fund balance, ending	\$ <u>3,894,666</u>	<u>3,894,666</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, 2025

**Total Net Change in Fund Balances - Governmental Funds** \$ 526,732

Current year capital outlays and long-term debt principal payments of \$ \_\_\_\_\_ 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. There were no capital outlays or debt payments this year.

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. Depreciation of \$10,264 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. 10,264

Deferred revenue is not recognized as revenue in the governmental activities. The net effect is to increase net position. 215

**Changes in Net Position of Governmental Activities** \$ 516,683

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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes				
Property	\$ 738,254	738,254	801,027	62,778
Fees and service charges	686,600	686,600	664,127	(22,479)
Interest	<u>20,000</u>	<u>20,000</u>	<u>357,247</u>	<u>337,247</u>
Total revenues	<u>1,444,860</u>	<u>1,444,860</u>	<u>1,822,401</u>	<u>377,541</u>
 <b>EXPENDITURES</b>				
General government	637,922	637,922	495,427	142,495
Public safety	658,840	658,840	676,963	(18,123)
Public works	143,000	143,000	123,279	19,721
Capital outlay				
Debt service:				
Principal				
Interest				
Total expenditures	<u>1,439,762</u>	<u>1,439,762</u>	<u>526,732</u>	<u>144,093</u>
Excess (deficiency) of revenues over expenditures	<u>5,098</u>	<u>5,098</u>	<u>526,732</u>	<u>521,634</u>
Net change in fund balances	5,098	5,098	526,732	521,634
Fund balance, beginning	<u>3,367,934</u>	<u>3,367,934</u>	<u>3,367,934</u>	
Fund balance, ending	<u>\$ 3,373,032</u>	<u>3,373,032</u>	<u>3,894,666</u>	<u>521,634</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, 2025

	<u>Proprietary Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 4,674,149
Cash and cash equivalents - restricted	388,089
Accounts receivable (net of allowance for uncollectibles)	<u>259,816</u>
Total current assets	<u>5,322,054</u>
Noncurrent assets:	
Capital assets:	
Land	21,684
Equipment	125,325
Water and sewer infrastructure	5,695,016
Less: Accumulated depreciation	<u>(3,678,660)</u>
Total noncurrent assets	<u>2,163,365</u>
 Total assets	 \$ <u>7,485,419</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Customer deposits	\$ 170,000
Other payables	<u>35,762</u>
Total current liabilities	<u>205,762</u>
Long-term liabilities:	
Bonds payable	
Due within one year	135,000
Due in more than one year	<u>3,330,000</u>
Total long-term liabilities	<u>3,465,000</u>
 Total liabilities	 <u>3,670,762</u>
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	(1,301,635)
Restricted	388,089
Unrestricted	<u>4,728,203</u>
Total net position	\$ <u>3,814,657</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, 2025

	<u>Proprietary Fund</u>
<b>OPERATING REVENUES</b>	
Water	\$ 1,302,513
Sewer	716,148
Fees and services	1,407
Other income	<u>10,238</u>
Total operating revenues	<u>2,030,306</u>
 <b>OPERATING EXPENSES</b>	
Cost of water	1,178,787
Water sewer operations	501,751
Depreciation	<u>193,604</u>
Total operating expenses	<u>1,874,142</u>
Operating income (loss)	<u>156,464</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest expense	<u>(102,834)</u>
Total nonoperating revenues (expenses)	<u>(102,834)</u>
Change in net position	53,330
Net position - beginning	<u>3,761,327</u>
Net position - ending	<u>\$ 3,814,657</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, 2025

	Proprietary Utility Fund
Cash flows from operating activities:	
Cash received from customers and users	\$ 2,015,539
Cash payments to suppliers	(1,662,014)
Net cash provided by operating activities	<u>353,525</u>
Cash flows from capital and related financing activities:	
Acquisition/disposition of capital assets	<u>0</u>
Net cash used by capital and related financing activities	<u>0</u>
Cash flows from noncapital financing activities:	
Bond repayments	(130,000)
Interest expense	(102,834)
Net cash used by noncapital financing activities	<u>(232,834)</u>
Net increase in cash and cash equivalents	120,691
Cash and cash equivalents - beginning	<u>4,941,547</u>
Cash and cash equivalents - ending	<u>\$ 5,062,238</u>

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

Operating income	\$	156,164
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation		193,604
(Increase)/decrease in accounts receivable		(25,759)
Increase/(decrease) in customer deposits		10,900
Increase/(decrease) in other payables		<u>18,616</u>
Total adjustments		<u>197,361</u>
Net cash provided by operating activities		<u>\$ 353,525</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, 2025

## (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. **Financial 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.

-continued-

# SEIS LAGOS UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2025

-continued-

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### C. Measurement Focus and 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. Thus, the expense and related accrued liability for long-term portions of debt, compensated absences, pension and other post-employment benefits (OPEB) are included. 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.

Deferred inflows of resources arise in the governmental funds' balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. These deferred inflows of resources consist primarily of uncollected property taxes and municipal court fines, and grant revenues not deemed available to finance operations of the current period. In the governmentwide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability.

Deferred outflows of resources arise in the statement of activities when consumption of resources that results in either a net decrease in assets or a net increase in liabilities are related to a future period. In the government-wide Statement of Net Position, deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB amounts are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

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.

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation**  
(continued)

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.

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.

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation (continued)**

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

**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 Districts temporary investment in TexStar is considered to be cash because of its liquidity.

**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.

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

**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

**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.

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position** (continued)

**6. Pension Liability and other Post-Employment benefits**

Plan Description

Seis Lagos Utility District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The plan provides retirement, disability and survivor benefits. TCDRS is a savings-based plan. For the district's plan, 5% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity. There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act. The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Seis Lagos Utility District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 5%. Contributions to the pension plan from the district for 2021 are shown in the Schedule of Employer Contributions. The most recent annual comprehensive financial report for TCDRS can be found at the following link, [TCDRS.org/Employer](http://TCDRS.org/Employer).

In government-wide financial statements, pensions and other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension and other post-employment expenses on the modified accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS.

The OPEB liability for the District is determined by an actuarial valuation as of the valuation date based on the discount rate and assumptions present below. The plan measures the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB expense on an accrual basis.

	<u>2023</u>	<u>2024</u>
Discount rate of	7.60%	7.60%
Long-term expected rate of return, net of investment expense	7.60%	7.60%

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position** (continued)

**6. Pension Liability and other Post-Employment benefits (continued)**

This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply. See page 6 of this report for further details. For the fiscal year ended September 30, 2025, the District recognized pension expense of \$19,696 and the calculation of that expense is summarized in the following table:

Pension Expense / (Income)

Service cost	\$ 39,144
Interest on total pension liability	11,757
Effect of plan changes	0
Administrative expenses	90
Member contributions	(18,967)
Expected investment return net of investment expenses	(10,344)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(792)
Recognition of assumption changes or inputs	(4)
Recognition of investment gains or losses	608
Other	(1,796)
Pension expense / (income)	\$ <u>19,696</u>

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)**

**6. Pension Liability and other Post-Employment benefits (continued)**

Schedule of Deferred Inflows and Outflows of Resources

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2023	
Original Amount (a)	Date Established (b)	Original Recognition Period (c)	Amount Recognized For 2023 (a) / (c)	Inflows	Outflows
<i>Investment (gains) or losses</i>					
\$ (2,522)	12/31/2024	5.0	\$ (504)	\$ 2,018	\$ 0
(1,315)	12/31/2023	5.0	(263)	1,052	0
9,439	12/31/2022	5.0	1,888	0	7,551
(2,654)	12/31/2021	5.0	(531)	2,123	0
82	12/31/2020	5.0	16	0	18
<i>Economic/ demographic (gains) or losses</i>					
(9,480)	12/31/2024	5.0	(1,896)	7,584	0
7,939	12/31/2023	8.0	992	0	6,947
1,231	12/31/2022	6.0	(205)	1,026	0
2,534	12,31,2021	8.0	317	0	2,217
1	12/31/2020	12.0	0	0	1
<i>Assumption changes or inputs</i>					
0	12/31/2024	5.0	0	0	0
0	12/31/2023	8.0	0	0	0
0	12/31/2022	6.0	0	0	0
(148)	12/31/2021	8.0	(19)	110	0
184	12/31/2020	12.0	15	0	139

As of December 31, 2024, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows Of Resources	Deferred Outflows Of Resources
Differences between expected and actual experience	\$ 8,200	\$7,222
Changes of assumptions	72	109
Net difference between projected and actual earnings	0	438
Contributions made subsequent to measurement date	N/A	12,038

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)**

**6. Pension Liability and other Post-Employment benefits (continued)**

As of December 31, 2024 valuation And measurement date, the following employees were covered by the benefit terms:

<u>Members</u>	<u>12/31/23</u>	<u>12/31/24</u>
Number of inactive employees entitled to but not yet receiving benefits:	3	4
Number of active employees:	6	4
Average monthly salary:	\$ 5,637	\$ 7,112
Average age:	43.38	46.33
Average length of service in years:	9.13	10.08

*Average is reported for active employees.*

**Other Key Actuarial Assumptions**

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2021. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice. See Appendix B and C of the GASB 68 report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total pension liability and other GASB 68 metrics.

	<u>Beginning Date</u>	<u>Ending Date</u>
Valuation date	December 31, 2023	December 31, 2024
Measurement date	December 31, 2023	December 31, 2024
Employer's fiscal year	October 1, 2024	September 30, 2025

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position** (continued)

**7. 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, 2024.
- 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.

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position** (continued)

**7. 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, 2025, fund balances are composed of the following:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$ 761,165	761,165
Restricted:		
Committed:		
Assigned:	350,000	350,000
Unassigned:	<u>2,783,501</u>	<u>2,783,501</u>
Total fund balances	\$ <u>3,894,666</u>	<u>3,894,666</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.
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.

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information(continued)**

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, 2025, the District’s carrying amount of deposits was \$361,287 and the bank balance was \$358,114. Of the bank balance, \$250,000 was covered by federal depository insurance. At September 30,2025 the District had investments in the Texas short term asset reserve program (“Tax Star”) totaling \$7,834,453, 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.
- 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.

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(3) DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments(continued)**

- 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.

**(3) DETAILED NOTES ON ALL FUNDS**

**B. Receivables**

Receivables at September 30, 2025 consisted of the following:

	General Fund	Water and Sewer Fund	Total
Property taxes	\$ 92		92
Accounts receivable		<u>259,816</u>	<u>259,816</u>
Total receivables	\$ <u>92</u>	<u>259,816</u>	<u>259,908</u>

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, 2024, upon which the 2024/2025 levy was based, was approximately \$583,917,029. The tax rate for fiscal year 2024/2025 was \$0.183318 per \$100 of assessed valuation, with \$0.198854 per \$100 of assessed valuation allocated to maintenance and operation (M&O), and \$0.00 allocated to debt service (I&S).

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**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(3) DETAILED NOTES ON ALL FUNDS** (continued)

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2024 was a 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	54,643			54,643
Bond issue cost	<u>50,467</u>			<u>50,467</u>
Totals at historical cost	2,511,505			2,511,505
Less accumulated depreciation	<u>(2,444,116)</u>	<u>(10,264)</u>		<u>(2,454,380)</u>
Governmental activities capital assets, net	\$ <u><u>67,389</u></u>	<u>(10,264)</u>		<u><u>57,125</u></u>
Business-type activities:				
Land	\$ 21,684			21,684
Equipment	33,371			33,371
Infrastructure	5,695,016			5,695,016
Heavy equipment	<u>91,954</u>			<u>91,954</u>
Totals at historical cost	5,842,025			5,842,025
Less accumulated depreciation	<u>(3,485,056)</u>	<u>(193,604)</u>		<u>(3,678,660)</u>
Business-type activities capital assets, net	\$ <u><u>2,356,969</u></u>	<u>(193,604)</u>		<u><u>2,163,365</u></u>

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

Government Activities:	
Public works	\$ <u>10,264</u>
Total depreciation expense - government activities	\$ <u><u>10,264</u></u>

Business-type activities:	
Water and sewer fund	\$ <u>193,604</u>
Total depreciation expense - business-type activities	\$ <u><u>193,604</u></u>

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(3) DETAILED NOTES ON ALL FUNDS (continued)**

**D. Long-term Debt**

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.

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**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(3) DETAILED NOTES ON ALL FUNDS (continued)**

**D. Long-term Debt (continued)**

The District currently maintains a reserve fund of \$276,201. Additionally, the District is in compliance with the Public Funds Collateral Act. Interest expense for all bond issues was \$102,834 for the year ended September 30, 2025. 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	\$ 265,000		(90,000)	175,000	95,000
Series 2020, 1.99%, 2020-2045	\$ <u>3,330,000</u>	_____	<u>(40,000)</u>	<u>3,290,000</u>	<u>40,000</u>
Total business-type activities	\$ <u>3,595,000</u>	=====	<u>(130,000)</u>	<u>3,465,000</u>	<u>135,000</u>

Debt Service Requirement to Maturity

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

Series 2007

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ended</u>			
2026	\$ 95,000	4,335	99,335
2027	<u>80,000</u>	<u>1,360</u>	<u>81,360</u>
	\$ <u>175,000</u>	<u>5,695</u>	<u>180,695</u>

Debt Service Requirement to Maturity

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

Series 2020

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ended</u>			
2026	40,000	94,375	134,375
2027	60,000	92,775	152,775
2028	140,000	90,375	230,375
2029	145,000	86,875	231,875
2030	150,000	83,250	233,250
Thereafter	<u>2,755,000</u>	<u>694,900</u>	<u>3,449,900</u>
	\$ <u>3,290,000</u>	<u>1,142,550</u>	<u>4,432,550</u>

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**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(4) OPERATING LEASES**

The District has obligations under noncancellable lease agreements for office copier equipment. On January 15, 2024, Ricoh delivered a new copier and leased payments of \$255 began for a term of 60 months. Accounting standard ASC 842 requires a right of use asset be recorded on the balance sheet with an offsetting liability. The difference between the value of the original asset and the current year liability balance is recorded as accumulated amortization on a straight-line basis to correlate with the annual lease payments. Future lease payments under this agreement are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Ricoh Corporation</u>
2026	\$ 3,060
2027	3,060
2028	3,060
2029	<u>1,020</u>
Total     \$	\$ <u>10,200</u>

The District leases its office space under a non-cancelable operating lease. The lease calls for monthly payments of \$2,000 through January 31, 2026 which includes base rent and common area maintenance charges. Base rent expense for the District's office totaled approximately \$20,800 for 2024. Future lease payments under this agreement are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Texas Henderson, LLC</u>
2026	\$ <u>8,000</u>
Total     \$	\$ <u>8,000</u>

**(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.

-continued-

**SEIS LAGOS UTILITY DISTRICT**

Notes to the Financial Statements

September 30, 2025

-continued-

**(6) RESTATEMENT OF NET POSITION**

Net position has been restated at September 30, 2024 to adjust pension liabilities.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Governmental activities	\$ 3,642,016	(3,553)	3,458,463
Business-type activities	<u>3,761,327</u>		<u>3,761,327</u>
Total net assets	\$ <u>7,223,347</u>	<u>(3,553)</u>	<u>7,219,790</u>

**(7) EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 29, 2026, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES</b>				
Water sales, fees and service charges	\$ 1,704,717	1,704,717	2,018,661	313,944
Other income	<u>4,200</u>	<u>4,200</u>	<u>11,645</u>	<u>7,445</u>
Total operating revenues	<u>1,708,917</u>	<u>1,708,917</u>	<u>2,030,306</u>	<u>321,389</u>
<b>OPERATING EXPENSES</b>				
Cost of water	1,110,872	1,110,872	1,178,787	(67,915)
Water and sewer operations	351,743	351,743	501,751	(150,000)
Depreciation	<u>          </u>	<u>          </u>	<u>193,604</u>	<u>(193,604)</u>
Total operating expenses	<u>1,462,615</u>	<u>1,462,615</u>	<u>1,874,142</u>	<u>(411,527)</u>
Operating income (loss)	<u>246,302</u>	<u>246,302</u>	<u>156,164</u>	<u>(90,138)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest expense	(103,433)	(103,433)	(102,834)	<u>599</u>
Total nonoperating revenue (expense)	<u>(103,433)</u>	<u>(103,433)</u>	<u>(102,834)</u>	<u>599</u>
Change in net position	142,869	142,869	53,330	(89,539)
Net position - beginning (as restated)	<u>3,761,327</u>	<u>3,761,327</u>	<u>3,761,327</u>	
Net position - ending	\$ <u>3,904,196</u>	<u>3,104,196</u>	<u>3,814,657</u>	<u>(89,539)</u>

**SEIS LAGOS UTILITY DISTRICT**  
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios  
For the Ten Years Ended September 30, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Pension Liability					
Service cost	\$ 39,144	32,487	32,724	27,171	1,809
Interest on total pension liability	11,757	7,826	5,065	2,228	146
Effect on plan changes	0	0	0	0	0
Effect on economic/demographic gains or losses	(9,480)	7,939	(1,231)	2,534	1
Effect on assumptions changes or inputs	0	0	0	(148)	184
Refund of contributions	(6,848)	0	0	0	0
Benefit payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in total pension liability	<u>34,937</u>	<u>48,252</u>	<u>36,558</u>	<u>33,925</u>	<u>2,140</u>
Fiduciary Net Position					
Administrative expenses	(90)	(62)	(42)	(20)	(2)
Member contributions	18,967	18,801	16,238	15,752	1,091
Refund of contributions	(6,484)	0	0	0	0
Net investment income	12,966	8,237	(5,125)	3,992	4
Employer contributions	19,499	19,140	18,025	14,807	1,026
Other	<u>1,796</u>	<u>1,928</u>	<u>4,855</u>	<u>866</u>	<u>63</u>
Net change in fiduciary net position	<u>46,554</u>	<u>48,044</u>	<u>33,951</u>	<u>37,580</u>	<u>2,182</u>
Net Pension Liability/(Asset)	\$ <u>(12,457)</u>	<u>(841)</u>	<u>(1,048)</u>	<u>(3,655)</u>	<u>(42)</u>
Fiduciary net position as a % of total pension liability	108,11%	100,71%	92,87%	110,77%	101,96%
Pensionable covered payroll	379,348	376,029	324,769	315,049	21,825
NPL/(asset) as a % of covered payroll	-3.28%	-0.22%	-0.32%	-1.16%	-0.19%

**Sensitivity Analysis**

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the Seis Lagos Utility District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	<b>1% Decrease 6.60%</b>	<b>Current Discount Rate 7.60%</b>	<b>1% Increase 8.60%</b>
Total pension liability	\$ 176,107	\$ 153,673	\$ 134,937
Fiduciary net position	<u>166,130</u>	<u>166,130</u>	<u>166,130</u>
Net pension liability / (asset)	\$ 9,977	\$ (12,457)	\$ (31,193)

**SEIS LAGOS UTILITY DISTRICT**  
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios  
For the Ten Years Ended September 30, 2025

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	N/A	N/A	N/A	N/A	N/A
Effect on plan changes	N/A	N/A	N/A	N/A	N/A
Effect on economic/demographic gains or losses	N/A	N/A	N/A	N/A	N/A
Effect on assumptions changes or inputs	N/A	N/A	N/A	N/A	N/A
Refund of contributions	N/A	N/A	N/A	N/A	N/A
Benefit payments	N/A	N/A	N/A	N/A	N/A
Total pension liability	\$ <u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position					
Administrative expenses	N/A	N/A	N/A	N/A	N/A
Refund of contributions	N/A	N/A	N/A	N/A	N/A
Member contributions	N/A	N/A	N/A	N/A	N/A
Net investment income	N/A	N/A	N/A	N/A	N/A
Employer contributions	N/A	N/A	N/A	N/A	N/A
Other	<u>N/A</u>	N/A	N/A	N/A	N/A
Fiduciary net position	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net Pension Liability/(Asset)	\$ <u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>
Fiduciary net position as a % of total pension liability	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	N/A	N/A	N/A	N/A	N/A
NPL/(asset) as a % of covered payroll	N/A	N/A	N/A	N/A	N/A

**SEIS LAGOS UTILITY DISTRICT**  
Schedule of Employer Contributions  
For the Five Years Ended September 30, 2025

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2020	\$ 1,026	1,026	0	21,825	4.7%
2021	14,807	14,807	0	314,255	4.7%
2022	18,025	18,025	0	324,769	5.6%
2023	19,140	19,140	0	376,029	5.1%
2024	\$ 19,499	19,499	0	379,348	5.1%

*TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS. Payroll is calculated based on contributions as reported to TCDRS.*

**Notes to Schedule of Employer Contributions**

Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	17.0 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016-2042 No changes in plan provisions were reflected in the Schedule.

*\*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.*

TXAS SUPPLEMENTAL SCHEDULES

**SEIS LAGOS UTILITY DISTRICT**  
 Services and Rates  
 For The Year Ended September 30, 2025

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	<u>\$ 50</u>	<u>0</u>	<u>N</u>	<u>\$ 5.04</u>	<u>1 to 10,000 gallons</u>
				<u>\$ 6.52</u>	<u>10,001 to 35,000 gallons</u>
				<u>\$ 10.08</u>	<u>35,001 to 50,000 gallons</u>
				<u>\$ 11.27</u>	<u>Over 50,000 gallons</u>

District employs winter averaging for wastewater usage?  Yes  No

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

Water Retail Connections: Active 696 / Inactive 0 = Total 696

	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
1"			x 2.5	
2"			x 8.0	
<b>Total Water</b>				

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

Gallons pumped into system: 149,821,000  
 Gallons sold to customers: 138,899,354  
 Water Accountability/Water Loss Ratio: 0.073%

**SEIS LAGOS UTILITY DISTRICT**  
 Services and Rates  
 For The Year Ended September 30, 2025  
 -continued-

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

5. Location of District:

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

**SEIS LAGOS UTILITY DISTRICT**  
Schedule of Expenditures  
Proprietary Fund  
For the Year Ended September 30, 2025

<b>Personnel Expenditures</b> (including benefits)	\$ 240,610
<b>Purchased Services For Resale:</b>	
Water Purchases	1,178,787
<b>Water and sewer operations</b>	363,975
<b>Administrative Expenditures:</b>	
Depreciation and amortization	<u>193,604</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>1,976,976</u></b>

Number of persons employed by the District:        3   Full Time      1   Part Time

**SEIS LAGOS UTILITY DISTRICT**  
Schedule of Temporary Investments  
For the Year Ended September 30, 2025

<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	4.2135%	N/A	\$ 7,276,736	\$ -
Debt Service Fund					
Money Market	8440	4.2135%	N/A	281,516	-
Money Market	2330	4.2135%	N/A	<u>276,201</u>	<u>-</u>
Total				\$ <u>7,834,453</u>	\$ <u>-</u>

**SEIS LAGOS UTILITY DISTRICT**  
Taxes Levied and Receivable  
For the Year Ended September 30, 2025

	Maintenance Taxes
Taxes receivable, beginning of year	\$ 307
Adjustments	(307)
2024 original tax levy	<u>765,230</u>
Total to be accounted for	<u>765,230</u>
Tax collections:	
Current year	765,138
Prior years	<u>8,041</u>
Total collections	773,179
Taxes receivable, end of year	\$ <u><u>92</u></u>
Taxes receivable by year	
2022 and prior	
2023	
2024	<u>92</u>
Taxes receivable, end of year	\$ <u><u>92</u></u>

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations:					
Land	179,390,573	179,972,305	167,278,804	132,001,387	98,200,343
Improvements	432,147,423	415,681,012	386,986,204	348,221,822	257,628,338
Personal property	<u>5,133,381</u>	<u>3,890,103</u>	<u>3,895,812</u>	<u>4,173,398</u>	<u>4,368,818</u>
	<u>616,671,377</u>	<u>599,543,420</u>	<u>558,160,820</u>	<u>484,396,607</u>	<u>360,197,499</u>
Tax rates per \$100 valuation					
Debt service tax rates	0.000000	0.000000	0.003893	0.005909	0.005909
Maintenance tax rates	<u>0.183318</u>	<u>0.198854</u>	<u>0.216746</u>	<u>0.274880</u>	<u>0.288378</u>
Total tax rates per \$100 valuation	<u>0.183318</u>	<u>0.198854</u>	<u>0.220639</u>	<u>0.280789</u>	<u>0.294287</u>
Original Tax Levy	770,427	731,711	690,033	788,466	753,902
Percent collected to levied	100.00%	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, 2025

<u>Due During Year Ending</u>	<u>Annual Requirements for All Series</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>3,465,000</u>	<u>1,148,245</u>	<u>4,613,245</u>

**SEIS LAGOS UTILITY DISTRICT**  
Changes in Long-Term Bonded Debt  
For the Year Ended September 30, 2025

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	\$ 265,000	265,000
Bonds Sold During Current Year		
Retirements: Principle	(90,000)	(90,000)
Bonds Outstanding at End of Current Year	<u>175,000</u>	<u>175,000</u>
Interest Paid During the Fiscal Year	\$ 7,458	

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, 2025:      \$ 87,500  
Average annual debt service payments for remaining term:      \$ 87,500

**SEIS LAGOS UTILITY DISTRICT**  
 Changes in Long-Term Bonded Debt  
 For the Year Ended September 30, 2025

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	\$ 3,330,000	3,330,000
Bonds Sold During Current Year		
Retirements: Principle	(40,000)	(40,000)
Bonds Outstanding at End of Current Year	<u>3,290,000</u>	<u>3,290,000</u>
Interest Paid During the Fiscal Year	\$ 95,975	
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, 2024:	\$ 188,701	
Average annual debt service payments for remaining term:	\$ 164,500	

**SEIS LAGOS UTILITY DISTRICT**  
 Comparative Schedule of Revenues and Expenses - General Fund  
 For the Five Years Ended September 30, 2025

	<u>Amounts</u>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>					
Property taxes	\$ 801,027	730,962	716,961	796,906	754,766
Charges for services	664,127	614,941	546,633	488,552	440,289
Interest	<u>357,247</u>	<u>401,776</u>	<u>314,584</u>	<u>42,036</u>	<u>1,906</u>
	<u>1,822,401</u>	<u>1,747,679</u>	<u>1,578,178</u>	<u>1,327,494</u>	<u>1,196,961</u>
<b>Expenditures:</b>					
General government	222,941	374,010	209,988	217,870	131,502
Public safety	676,963	598,602	489,812	453,230	442,705
Public works	123,279	201,134	162,507	44,514	75,968
Interest			75	1,094	1,341
Salaries and benefits	182,490	181,011	156,562	159,350	136,728
Professional fees	<u>89,996</u>	<u>31,883</u>	<u>31,980</u>	<u>68,904</u>	<u>41,188</u>
	<u>1,295,669</u>	<u>1,386,640</u>	<u>1,050,924</u>	<u>944,962</u>	<u>829,432</u>
<b>Net revenue over (under) expenditures</b>	<b>\$ <u>526,732</u></b>	<b><u>361,039</u></b>	<b><u>527,254</u></b>	<b><u>382,532</u></b>	<b><u>367,529</u></b>
	<u>Percent of Fund Revenue</u>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>					
Property taxes	43.95%	41.84%	45.43%	60.03%	63.06%
Charges for services	36.44%	35.18%	34.64%	36.80%	36.78%
Interest	<u>19.61%</u>	<u>22.98%</u>	<u>19.93%</u>	<u>3.17%</u>	<u>0.16%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>Expenditures:</b>					
General government	12.23%	21.40%	13.31%	16.41%	10.99%
Public safety	37.15%	34.25%	31.04%	34.14%	36.98%
Public works	6.76%	11.51%	10.30%	3.35%	6.35%
Interest		0.01%	0.08%	0.11%	
Salaries and benefits	10.01%	10.36%	9.92%	12.00%	11.42%
Professional fees	<u>4.93%</u>	<u>1.82%</u>	<u>2.02%</u>	<u>5.19%</u>	<u>3.44%</u>
	<u>71.08%</u>	<u>79.34%</u>	<u>66.60%</u>	<u>71.17%</u>	<u>69.29%</u>
<b>Net revenue over (under) expenditures</b>	<b><u>28.92%</u></b>	<b><u>20.66%</u></b>	<b><u>33.40%</u></b>	<b><u>28.83%</u></b>	<b><u>30.71%</u></b>

**SEIS LAGOS UTILITY DISTRICT**  
Comparative Schedule of Revenues and Expenses - Enterprise Fund  
For the Five Years Ended September 30, 2025

	<u>Amounts</u>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Operating revenues:</b>					
Water and sewer services	\$ 2,018,661	1,760,736	1,630,735	1,449,806	1,131,150
Customer charges/fees	1,407	7,271	5,956	269,630	116,852
Other revenue	<u>10,238</u>	<u>31,167</u>	<u>75</u>	<u>1,860</u>	<u>50</u>
<b>Total operating revenues</b>	<b><u>2,030,306</u></b>	<b><u>1,799,174</u></b>	<b><u>1,636,766</u></b>	<b><u>1,721,296</u></b>	<b><u>1,248,052</u></b>
<b>Operating expenses:</b>					
Water and sewer operations	1,668,919	1,325,141	1,379,070	1,074,111	875,622
Contracted services	11,619	17,497	22,741	16,128	
Other operating expenses	<u>193,604</u>	<u>211,289</u>	<u>219,664</u>	<u>196,432</u>	<u>191,695</u>
<b>Total operating expenses</b>	<b><u>1,874,142</u></b>	<b><u>1,553,927</u></b>	<b><u>1,621,475</u></b>	<b><u>1,286,671</u></b>	<b><u>1,067,317</u></b>
<b>Operating income</b>	<b><u>156,164</u></b>	<b><u>245,247</u></b>	<b><u>15,291</u></b>	<b><u>434,625</u></b>	<b><u>180,735</u></b>
<b>Non-operating revenue (expenses):</b>					
Proceeds from sale of CCN				1,400,000	
Interest revenue					
Interest expense	(102,834)	(108,648)	(113,158)	(116,460)	(128,778)
Bond issuance cost	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total non-operating revenue (expense)</b>	<b><u>(102,834)</u></b>	<b><u>(108,648)</u></b>	<b><u>(113,158)</u></b>	<b><u>1,283,540</u></b>	<b><u>(128,778)</u></b>
<b>Net income</b>	<b>\$ <u>53,330</u></b>	<b><u>136,599</u></b>	<b><u>(97,867)</u></b>	<b><u>1,718,165</u></b>	<b><u>51,957</u></b>

**SEIS LAGOS UTILITY DISTRICT**  
Comparative Schedule of Revenues and Expenses - Enterprise Fund  
For the Five Years Ended September 30, 2025

	<u>Percent of Fund Total Revenues</u>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Operating revenues:</b>					
Water and sewer services	99.41%	97.87%	99.63%	84.23%	90.63%
Customer charges/fees	0.07%	0.40%	0.36%	15.66%	9.36%
Other revenue	<u>0.52%</u>	<u>1.73%</u>	<u>0.01%</u>	<u>0.11%</u>	<u>0.01%</u>
<b>Total operating revenues</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>Operating expenses:</b>					
Water and sewer operations	82.18%	73.65%	84.25%	62.40%	70.16%
Contracted services	0.57%	0.97%	1.39%	0.94%	
Other operating expenses	<u>9.53%</u>	<u>11.74%</u>	<u>13.42%</u>	<u>11.41%</u>	<u>15.36%</u>
<b>Total operating expenses</b>	<u>92.28%</u>	<u>86.36%</u>	<u>99.06%</u>	<u>74.75%</u>	<u>85.52%</u>
<b>Operating income</b>	<u>7.72%</u>	<u>13.64%</u>	<u>.94%</u>	<u>25.25%</u>	<u>14.48%</u>
<b>Non-operating revenue (expenses):</b>					
Proceeds from sale of CCN				81.33%	
Interest Revenue				0.10%	
Interest Expense	(5.06)%	(6.04)%	(6.91)%	(6.77)%	(10.32)%
Transfers	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total non-operating revenue (expense)</b>	<u>(5.06)%</u>	<u>(6.04)%</u>	<u>(6.91)%</u>	<u>74.56%</u>	<u>(10.32)%</u>
<b>Net income</b>	<u><u>2.66%</u></u>	<u><u>7.60%</u></u>	<u><u>(5.97)%</u></u>	<u><u>99.81%</u></u>	<u><u>4.16%</u></u>

**SEIS LAGOS UTILITY DISTRICT**  
 Board of Directors  
 For the Year Ended September 30, 2025

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 &amp; Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
<u>Board Members:</u>				
Choi Shepard	(Appointed) 5/22-5/28	\$ 200	President	Yes
Nick Calautti	(Elected) 5/22-5/26	600	Vice-Presidnet	Yes
Mike Worley	(Appointed) 5/24-5/28		Sec/Treasurer	Yes
Nick Calautti	(Elected) 5/22-5/24		Director	Yes
Mike Marc Johnson	(Appointed) 5/24-5/28		Director	Yes
<u>Key administrative personnel</u>				
Zachary Flowers			Superintendent	No
Barbara De Vries			Office Manager	No
<u>Consultants</u>				
Nabors CPA Services, P.C.		25,525	Auditor	No
Julie Fort Attorney, PLLC		519	Attorney	No
McManus and Johnson		28,094	Consultant	No
Plummer		79,020	Consultant	No
Felix Construction		\$ 65,230	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.