

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**

GUADALUPE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake McQueeney Water Control and
Improvement District No. 1
Guadalupe County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake McQueeney Water Control and Improvement District No. 1 (the "District") as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of April 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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Board of Directors
Lake McQueeney Water Control and
Improvement District No. 1

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

August 21, 2025

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025**

Management's discussion and analysis of the financial performance of Lake McQueeney Water Control and Improvement District No. 1 (the "District") provides an overview of the District's financial activities for the fiscal year ended April 30, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$1,768,558 as of April 30, 2025.

The table on the following page presents a comparative analysis of the government-wide changes in net position.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 9,118,833	\$ 13,386,859	\$ (4,268,026)
Capital Assets (Net of Accumulated Depreciation)	4,048	7,288	(3,240)
Total Assets	<u>\$ 9,122,881</u>	<u>\$ 13,394,147</u>	<u>\$ (4,271,266)</u>
Bonds Payable	\$ 10,550,000	\$ 10,550,000	\$
Other Liabilities	341,439	344,771	3,332
Total Liabilities	<u>\$ 10,891,439</u>	<u>\$ 10,894,771</u>	<u>\$ 3,332</u>
Net Position:			
Net Investment in Capital Assets	\$ (5,022,892)	\$ (502,968)	\$ (4,519,924)
Restricted	2,675,227	2,627,786	47,441
Unrestricted	579,107	374,558	204,549
Total Net Position	<u>\$ (1,768,558)</u>	<u>\$ 2,499,376</u>	<u>\$ (4,267,934)</u>

The following table summarizes District operations for the current and prior fiscal years:

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes, Including Penalties and Interest	\$ 2,251,127	\$ 1,616,843	\$ 634,284
Other Revenues	610,418	131,721	478,697
Total Revenues	<u>\$ 2,861,545</u>	<u>\$ 1,748,564</u>	<u>\$ 1,112,981</u>
Expenses:			
Expenses for Services	\$ 136,767	\$ 187,121	\$ 50,354
GBRA Remediation Payment	5,000,000		(5,000,000)
Debt Service Expenses	1,992,712	903,203	(1,089,509)
Total Expenses	<u>\$ 7,129,479</u>	<u>\$ 1,090,324</u>	<u>\$ (6,039,155)</u>
Change in Net Position	\$ (4,267,934)	\$ 658,240	\$ (4,926,174)
Net Position, Beginning of Year	2,499,376	1,841,136	658,240
Net Position, End of Year	<u>\$ (1,768,558)</u>	<u>\$ 2,499,376</u>	<u>\$ (4,267,934)</u>

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The General Fund fund balance increased by \$203,966, primarily due to property taxes allocated to operations and maintenance exceeding District operating costs.

The Debt Service Fund fund balance increased by \$76,689 due to the property taxes allocated to fund the District debt service and the contractual debt service payments exceeding current year bond interest payments and GBRA principal and interest payments.

The Capital Projects Fund fund balance decreased by \$4,516,684, primarily due to a \$5,000,000 payment made to the GBRA from the District's previously issued remediation bonds to finance the Lake McQueeney Dam facility construction improvements and remediation projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts a General Fund budget and did not amend the budget during the year. Actual revenues were \$61,524 more than budgeted revenues and actual expenditures were \$101,052 less than budgeted expenditures which resulted in a positive variance compared to budget of \$162,576. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of April 30, 2025, totaled \$4,048 (net of accumulated depreciation) and included equipment previously purchased to facilitate hybrid meeting requirements.

LONG-TERM DEBT ACTIVITY

As of April 30, 2025, the District has \$10,550,000 in bonds payable outstanding. The changes in the debt position of the District during the current fiscal year are summarized in the following table:

Bond Debt Payable, May 1, 2024	\$ 10,550,000
Add: Bond Sale	-0-
Less: Bond Principal Paid	<u>-0-</u>
Bond Debt Payable, April 30, 2025	<u>\$ 10,550,000</u>

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2025**

LONG-TERM DEBT ACTIVITY (Continued)

In addition, the District has contractually agreed to fund principal and interest payments on \$40,000,000 of debt issued by the Guadalupe-Blanco River Authority (the "GBRA"), the proceeds of which are being used for the design and construction of a dam and hydroelectric facilities to serve Lake McQueeney. During the current year, the District paid the GBRA \$1,260,000 for contract debt principal payments and \$453,352 for contract debt interest costs.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2026 projects an increase in the General Fund fund balance of \$67,916. Revenues are expected to be \$307,131 and expenditures are expected to be \$239,215.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lake McQueeney Water Control and Improvement District No. 1, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2025**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 12,056	\$
Investments	741,785	2,734,438
Receivables:		
Property Taxes	14,026	83,827
Accrued Interest	1,074	
Due from Other Funds	4,904	
Prepaid Costs	8,567	
Capital Assets (Net of Accumulated Depreciation) - Equipment		
TOTAL ASSETS	<u>\$ 782,412</u>	<u>\$ 2,818,265</u>
LIABILITIES		
Accounts Payable	\$ 203,305	\$
Accrued Bond Interest Payable		
Accrued GBRA Interest Payable		
Due to Other Funds		4,904
Long-Term Liabilities - Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 203,305</u>	<u>\$ 4,904</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 14,026</u>	<u>\$ 83,827</u>
FUND BALANCES		
Nonspendable - Prepaid Costs	\$ 8,567	\$
Restricted for:		
Authorized Construction		
Debt Service		399,232
GBRA Contract Debt		2,330,302
Unassigned	556,514	
TOTAL FUND BALANCES	<u>\$ 565,081</u>	<u>\$ 2,729,534</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 782,412</u>	<u>\$ 2,818,265</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 518,616	\$ 530,672	\$	\$ 530,672
5,004,444	8,480,667		8,480,667
	97,853		97,853
	1,074		1,074
	4,904	(4,904)	
	8,567		8,567
		4,048	4,048
<u>\$ 5,523,060</u>	<u>\$ 9,123,737</u>	<u>\$ (856)</u>	<u>\$ 9,122,881</u>
\$	\$ 203,305	\$	\$ 203,305
		58,199	58,199
		79,935	79,935
	4,904	(4,904)	
		10,550,000	10,550,000
<u>\$ -0-</u>	<u>\$ 208,209</u>	<u>\$ 10,683,230</u>	<u>\$ 10,891,439</u>
<u>\$ -0-</u>	<u>\$ 97,853</u>	<u>\$ (97,853)</u>	<u>\$ -0-</u>
\$	\$ 8,567	\$ (8,567)	\$
5,523,060	5,523,060	(5,523,060)	
	399,232	(399,232)	
	2,330,302	(2,330,302)	
	556,514	(556,514)	
<u>\$ 5,523,060</u>	<u>\$ 8,817,675</u>	<u>\$ (8,817,675)</u>	<u>\$ - 0 -</u>
<u>\$ 5,523,060</u>	<u>\$ 9,123,737</u>		
		\$ (5,022,892)	\$ (5,022,892)
		2,675,227	2,675,227
		579,107	579,107
		<u>\$ (1,768,558)</u>	<u>\$ (1,768,558)</u>

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

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2025**

Total Fund Balances - Governmental Funds	\$	8,817,675
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		4,048
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Deferred tax revenues for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		97,853
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consisted of the following:

Accrued Bond Interest Payable	\$ (58,199)	
Accrued GBRA Interest Payable	(79,935)	
Bonds Payable	<u>(10,550,000)</u>	
		<u>(10,688,134)</u>

Total Net Position - Governmental Activities	\$	<u>(1,768,558)</u>
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The accompanying notes to the financial
statements are an integral part of this report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2025**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 306,868	\$ 1,905,926
Penalty and Interest	2,218	11,828
Investment and Miscellaneous Revenues	<u>28,003</u>	<u>99,019</u>
TOTAL REVENUES	<u>\$ 337,089</u>	<u>\$ 2,016,773</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 54,844	\$
Contracted Services	64,678	324
Depreciation		
Other	13,601	
GBRA Remediation Payment		
Debt Service:		
Bond Interest Payments		226,408
GBRA Principal Payments		1,260,000
GBRA Interest Payments		<u>453,352</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 133,123</u>	<u>\$ 1,940,084</u>
NET CHANGE IN FUND BALANCES	\$ 203,966	\$ 76,689
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MAY 1, 2024	<u>361,115</u>	<u>2,652,845</u>
FUND BALANCES/NET POSITION - APRIL 30, 2025	<u>\$ 565,081</u>	<u>\$ 2,729,534</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,212,794	\$ 24,287	\$ 2,237,081
	14,046		14,046
<u>483,396</u>	<u>610,418</u>		<u>610,418</u>
\$ 483,396	\$ 2,837,258	\$ 24,287	\$ 2,861,545
\$ 80	\$ 54,924	\$	\$ 54,924
	65,002		65,002
		3,240	3,240
	13,601		13,601
5,000,000	5,000,000		5,000,000
	226,408	52,989	279,397
	1,260,000		1,260,000
	<u>453,352</u>	<u>(37)</u>	<u>453,315</u>
\$ 5,000,080	\$ 7,073,287	\$ 56,192	\$ 7,129,479
\$ (4,516,684)	\$ (4,236,029)	\$ 4,236,029	\$
		(4,267,934)	(4,267,934)
<u>10,039,744</u>	<u>13,053,704</u>	<u>(10,554,328)</u>	<u>2,499,376</u>
\$ 5,523,060	\$ 8,817,675	\$ (10,586,233)	\$ (1,768,558)

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

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2025**

Net Change in Fund Balances - Governmental Funds	\$ (4,236,029)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	24,287
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(3,240)
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<div style="border-top: 1px solid black; display: inline-block;">(52,952)</div>
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Change in Net Position - Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (4,267,934)</div>
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The accompanying notes to the financial
statements are an integral part of this report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 1. CREATION OF DISTRICT

Lake McQueeney Water Control and Improvement District No. 1 (the “District”) was created, organized and established on December 17, 2019, pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 51 of the Texas Water Code, and confirmed by an election held on November 3, 2020. The District was created for the purpose of repairing the Lake McQueeney dam and flood gates and the maintenance and operation of Lake McQueeney within its geographical jurisdiction. The District is governed by a five-member Board of Directors who were elected by District residents on November 3, 2020. The District held its first meeting on April 9, 2020.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole and are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Amounts recorded due to and due from other funds, if any, are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - To account for resources not accounted for in another fund, ad valorem taxes, professional fees, and administrative costs.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing the payment of bond debt and contract debt service costs.

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of April 30, 2025, the Debt Service Fund owed the General Fund \$4,904 pertaining to tax collections.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

A budget was adopted for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and amended budget amounts, if amended, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on equipment using no salvage value and the straight-line method of depreciation over 5 years.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balance provides an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 3. BONDS PAYABLE

At a bond election held on May 6, 2023, voters approved authorization for the District to issue \$18,000,000 of bonds to fund the purchase, construction, acquisition, development, design, improvement, management, repair, replacement, operation and maintenance of Lake McQueeney and the Lake McQueeney dam and any related works, structures, equipment, facilities, appliances, improvements, interests in land, contract rights, or administrative facilities needed in order to store and preserve the waters within Lake McQueeney (the “Remediation Bonds”). At the same election, voters authorized the District to issue \$18,000,000 of bonds to refund existing outstanding “Remediation Bonds”.

As of April 30, 2025, the District has issued \$10,550,000 of direct placement Remediation Bonds to provide additional funding for the repairs and remediation of Lake McQueeney dam and lake facilities. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

Bonds payable activity for the current fiscal year is summarized in the following table:

	May 1, 2024	Additions	Retirements	April 30, 2025
Bonds Payable	<u>\$ 10,550,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,550,000</u>
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		<u>10,550,000</u>
		Bonds Payable, Net		<u>\$ 10,550,000</u>

	Series 2024
Amount Outstanding – April 30, 2025	\$10,550,000
Interest Rates	1.90% - 3.08%
Maturity Date	August 15, 2026/2053
Interest Payment Dates	August 15/ February 15
Callable Dates	August 15, 2034*

* Or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 3. BONDS PAYABLE (Continued)

As of April 30, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$	\$ 279,133	\$ 279,133
2027	270,000	276,338	546,338
2028	275,000	270,849	545,849
2029	280,000	265,494	545,494
2030	285,000	260,070	545,070
2031-2035	1,530,000	1,210,528	2,740,528
2036-2040	1,700,000	1,030,639	2,730,639
2041-2045	1,930,000	789,252	2,719,252
2046-2050	2,235,000	485,966	2,720,966
2051-2054	2,045,000	128,005	2,173,005
	<u>\$ 10,550,000</u>	<u>\$ 4,996,274</u>	<u>\$ 15,546,274</u>

As of April 30, 2025, the District has authorized but unissued Remediation Bonds of \$7,450,000 and authorized but unissued refunding bonds of \$18,000,000.

During the year ended April 30, 2025, the District levied an ad valorem debt service tax rate of \$0.0850 per \$100 of assessed valuation, which resulted in a tax levy of \$535,395 on the adjusted taxable valuation of \$629,822,836 for the 2024 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 4 for the contract tax levy and Note 7 for the maintenance tax levy.

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

NOTE 4. CONTRACT DEBT

At an election held on November 3, 2020, voters of the District approved the provisions of a contract between the District and the Guadalupe-Blanco River Authority (the “GBRA”) (see further discussion at Note 8). The District is authorized to levy a contract tax to repay principal and interest due on the contractual debt issued by the GBRA.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 4. CONTRACT DEBT (Continued)

In December 2021, the GBRA issued \$40,000,000 of Contract Revenue Bonds, Series 2021, with interest rates ranging from 0.60% to 2.13% and principal maturities through August 15, 2051. The proceeds of the bonds are being used for the design and construction of dam and hydroelectric facilities to serve Lake McQueeney. In exchange, the District is obligated to fund principal and interest payments due on the bonds issued by the GBRA. In August 2023, the GBRA began crediting the District for certain engineering fees incurred by the GBRA and for which the GBRA is responsible. Beginning in fiscal year 2025 and extending through the final maturity date of August 15, 2051, the GBRA will credit the District \$65,917 annually on the District's August interest payment due to the GBRA on the Contract Revenue Bonds.

For the fiscal year ended April 30, 2025, the District made contract payments to the GBRA of \$1,713,352, which included \$1,260,000 for principal and \$519,269 for interest due on the Contract Revenue Bonds, net of the \$65,917 credit received from the GBRA.

As of April 30, 2025, the District's future contractual financing (debt service) obligations due to the GBRA for the bonds are as follows:

Fiscal Year	Principal	Interest	GBRA Credit	Total
2026	\$ 1,265,000	\$ 511,695	\$ (65,917)	\$ 1,710,778
2027	1,275,000	504,075	(65,917)	1,713,158
2028	1,280,000	496,410	(65,917)	1,710,493
2029	1,290,000	488,699	(65,917)	1,712,782
2030	1,295,000	480,944	(65,917)	1,710,027
2031-2035	6,605,000	2,286,074	(329,585)	8,561,489
2036-2040	6,865,000	2,002,830	(329,585)	8,538,245
2041-2045	7,355,000	1,490,961	(329,585)	8,516,376
2046-2050	8,055,000	778,900	(329,585)	8,504,315
2051-2052	3,455,000	73,707	(131,839)	3,396,868
	<u>\$ 38,740,000</u>	<u>\$ 9,114,295</u>	<u>\$ (1,779,764)</u>	<u>\$ 46,074,531</u>

During the year ended April 30, 2025, the District levied an ad valorem contract tax rate of \$0.2213 per \$100 of assessed valuation, which resulted in a tax levy of \$1,393,917 on the adjusted taxable valuation of \$629,822,836 for the 2024 tax year. The contract between the District and the GBRA (see further discussion at Note 8) requires the District to levy and collect an ad valorem contract tax sufficient to pay interest and principal on bonds issued by the GBRA to fund dam and hydroelectric facilities serving District residents.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Cash and cash equivalents include cash on deposit as well as money market funds. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$748,057 and the bank balance was \$758,087. The District was not exposed to custodial credit risk at April 30, 2025.

The carrying values of the deposits at April 30, 2025, are summarized in the following table:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 12,056	\$ 217,385	\$ 229,441
CAPITAL PROJECTS FUND	518,616		518,616
TOTAL DEPOSITS	<u>\$ 530,672</u>	<u>\$ 217,385</u>	<u>\$ 748,057</u>

Investments

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

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

Certificates of deposit are recorded at acquisition cost.

As of April 30, 2025, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 524,400	\$ 524,400
Certificate of Deposit	217,385	217,385
<u>DEBT SERVICE FUND</u>		
TexPool	2,734,438	2,734,438
<u>CAPITAL PROJECTS FUND</u>		
TexPool	5,004,444	5,004,444
TOTAL INVESTMENTS	<u><u>\$ 8,480,667</u></u>	<u><u>\$ 8,480,667</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2025, the District's investment in TexPool was rated AAAm by Standard & Poor's Rating Agency. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Restrictions

All cash and investments of the Debt Service Fund are restricted for payment of District Remediation Bonds, contract debt service payments to the Guadalupe-Blanco River Authority, and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for funding the repairs, remediation and maintenance of Lake McQueeney and Lake McQueeney dam.

NOTE 6. CAPITAL ASSETS

Capital assets activity for the current fiscal year is summarized in the following table:

	May 1, 2024	Increases	Decreases	April 30, 2025
Capital Assets Subject to Depreciation				
Equipment	\$ 16,200	\$ -0-	\$ -0-	\$ 16,200
Accumulated Depreciation				
Equipment	\$ 8,912	\$ 3,240	\$ -0-	\$ 12,152
Total Assets, Net of Accumulated Depreciation	<u>\$ 7,288</u>	<u>\$ (3,240)</u>	<u>\$ -0-</u>	<u>\$ 4,048</u>

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2025**

NOTE 7. MAINTENANCE TAX

At an election held on November 3, 2020, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.05 per \$100 of assessed valuation of taxable property within the District. During the year ended April 30, 2025, the District levied an ad valorem maintenance tax rate of \$0.0488 per \$100 of assessed valuation, which resulted in a tax levy of \$307,380 on the adjusted taxable valuation of \$629,822,836 for the 2024 tax year. The maintenance tax is to be used by the General Fund to fund expenditures of planning, constructing, acquiring, operating, maintaining and repairing dam and flood gate facilities serving the District.

NOTE 8. GUADALUPE-BLANCO RIVER AUTHORITY

The GBRA was created by the Texas Legislature to provide stewardship for water resources in its ten-county statutory district, with Lake McQueeney being within the GBRA's statutory boundaries. On October 27, 2020, as amended on June 7, 2023, the District entered into a Contract for Financing and Operation of Lake McQueeney Dam and Hydroelectric Facilities with the GBRA to facilitate the replacement of the flood gates and stabilization of the dam and to work cooperatively on the design, construction, finance and ongoing maintenance of the Lake McQueeney dam. Pursuant to the Contract with the GBRA, the GBRA will own and operate the dam, flood gates and hydroelectric facilities on Lake McQueeney and serving the District.

The District is responsible for funding the debt service obligations of the GBRA's \$40,000,000 Series 2021 Contract Revenue Bonds (see discussion at Note 4) and for issuing additional Remediation Bonds, as needed and up to the \$18,000,000 as approved by voters at a bond election held on May 6, 2023, to pay for any excess costs to plan, design, acquire, construct, repair and equip the Lake McQueeney dam and hydroelectric facilities (see discussion at Note 3). During the year ended April 30, 2025, the District used proceeds from its \$10,550,000 Series 2024 Remediation Bonds to pay the GBRA \$5,000,000 for certain construction, repair and equipment costs of Lake McQueeney dam and facilities. The District is also responsible for the GBRA's annual operation and maintenance expenses for operating the dam, flood gates and hydroelectric facilities, which the District anticipates financing with future tax revenue and hydroelectric generation revenues.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2025

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2025**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 254,565	\$ 306,868	\$ 52,303
Penalty and Interest	1,000	2,218	1,218
Investment and Miscellaneous Revenues	<u>20,000</u>	<u>28,003</u>	<u>8,003</u>
TOTAL REVENUES	<u>\$ 275,565</u>	<u>\$ 337,089</u>	<u>\$ 61,524</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 128,500	\$ 54,844	\$ 73,656
Contracted Services	64,000	64,678	(678)
Other	<u>41,675</u>	<u>13,601</u>	<u>28,074</u>
TOTAL EXPENDITURES	<u>\$ 234,175</u>	<u>\$ 133,123</u>	<u>\$ 101,052</u>
NET CHANGE IN FUND BALANCE	\$ 41,390	\$ 203,966	\$ 162,576
FUND BALANCE - MAY 1, 2024	<u>361,115</u>	<u>361,115</u>	<u></u>
FUND BALANCE - APRIL 30, 2025	<u><u>\$ 402,505</u></u>	<u><u>\$ 565,081</u></u>	<u><u>\$ 162,576</u></u>

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

APRIL 30, 2025

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2025**

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

<u> </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> X </u>	Other: To facilitate the repair or replacement of Lake McQueeney dam and flood gates and to provide financing of future operating and maintenance costs.				

2. RETAIL SERVICE PROVIDERS: Not applicable

3. TOTAL WATER CONSUMPTION: Not applicable

4. STANDBY FEES: Not applicable

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Guadalupe County, Texas

Is the District located within a city?

Entirely Partly X Not at all

City in which District is located:

City of Seguin, Texas

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

Entirely Partly X Not at all

ETJ in which District is located:

City of New Braunfels, Texas and City of Seguin, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2025**

PROFESSIONAL FEES:

Auditing	\$ 10,000
Legal	<u>44,844</u>

TOTAL PROFESSIONAL FEES	<u>\$ 54,844</u>
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CONTRACTED SERVICES:

Appraisal District and Tax Collection Costs	\$ 21,177
Bookkeeping	36,466
Other - Public Relations	<u>7,035</u>

TOTAL CONTRACTED SERVICES	<u>\$ 64,678</u>
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ADMINISTRATIVE EXPENDITURES:

Insurance	\$ 8,429
Office Supplies and Postage	2,677
Website Hosting and Other	<u>2,495</u>

TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 13,601</u>
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TOTAL EXPENDITURES	<u><u>\$ 133,123</u></u>
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See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
APRIL 30, 2025**

<u>Funds</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>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 524,400	\$
Certificate of Deposit	XXXX1070	4.40%	07/20/25	217,385	1,074
TOTAL GENERAL FUND				<u>\$ 741,785</u>	<u>\$ 1,074</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,179,526	\$
TexPool	XXXX0003	Varies	Daily	29,165	
TexPool	XXXX0005	Varies	Daily	525,747	
TOTAL DEBT SERVICE FUND				<u>\$ 2,734,438</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	<u>\$ 5,004,444</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 8,480,667</u>	<u>\$ 1,074</u>

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2025**

	Maintenance Taxes		Debt Service Taxes		Contract Taxes	
TAXES RECEIVABLE - MAY 1, 2024	\$	13,443	\$	-0-	\$	60,123
Adjustments to Beginning Balance		<u>71</u>		<u>-0-</u>		<u>318</u>
	\$	13,514	\$	-0-	\$	60,441
Original 2024 Tax Levy	\$	283,179	\$	493,243	\$	1,284,172
Adjustment to 2024 Tax Levy		<u>24,201</u>		<u>42,152</u>		<u>109,745</u>
		307,380		535,395		1,393,917
TOTAL TO BE ACCOUNTED FOR		\$ 320,894		\$ 535,395		\$ 1,454,358
TAX COLLECTIONS:						
Prior Years	\$	11,125	\$		\$	49,654
Current Year		<u>295,743</u>		<u>515,126</u>		<u>1,341,146</u>
		306,868		515,126		1,390,800
TAXES RECEIVABLE - APRIL 30, 2025		<u>\$ 14,026</u>		<u>\$ 20,269</u>		<u>\$ 63,558</u>
TAXES RECEIVABLE BY YEAR:						
2024	\$	11,637	\$	20,269	\$	52,771
2023		1,375				6,120
2022		754				3,470
2021		<u>260</u>				<u>1,197</u>
TOTAL	\$	<u>14,026</u>	\$	<u>20,269</u>	\$	<u>63,558</u>

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2025**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 288,188,820	\$ 256,632,689	\$ 301,862,641	\$ 270,556,621
Improvements	413,512,236	380,206,211	369,126,836	269,386,779
Personal Property	292,748	317,411	56,739	257,163
Exemptions	<u>(72,170,968)</u>	<u>(54,516,195)</u>	<u>(77,375,336)</u>	<u>(43,299,063)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 629,822,836</u>	<u>\$ 582,640,116</u>	<u>\$ 593,670,880</u>	<u>\$ 496,901,500</u>
TAX RATES PER \$100 VALUATION:				
Maintenance	\$ 0.0488	\$ 0.0497	\$ 0.0484	\$ 0.05
Debt Service	0.0850			
Contract	<u>0.2213</u>	<u>0.2213</u>	<u>0.2226</u>	<u>0.23</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.3551</u>	<u>\$ 0.2710</u>	<u>\$ 0.2710</u>	<u>\$ 0.28</u>
ADJUSTED TAX LEVY*	<u>\$ 2,236,692</u>	<u>\$ 1,579,172</u>	<u>\$ 1,590,154</u>	<u>\$ 1,375,002</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>96.21 %</u>	<u>99.53 %</u>	<u>99.73 %</u>	<u>99.89 %</u>

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

Maintenance Tax - Maintenance tax rate of \$0.05 per \$100 of assessed valuation approved by voters on November 3, 2020.

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2025**

S E R I E S - 2 0 2 4

Due During Fiscal Years Ending April 30	Principal Due August 15	Interest Due August 15/ February 15	Total
2026	\$	\$ 279,133	\$ 279,133
2027	270,000	276,338	546,338
2028	275,000	270,849	545,849
2029	280,000	265,494	545,494
2030	285,000	260,070	545,070
2031	295,000	254,414	549,414
2032	300,000	248,478	548,478
2033	305,000	242,307	547,307
2034	310,000	235,956	545,956
2035	320,000	229,373	549,373
2036	325,000	222,356	547,356
2037	330,000	214,806	544,806
2038	340,000	206,696	546,696
2039	350,000	197,982	547,982
2040	355,000	188,799	543,799
2041	365,000	179,149	544,149
2042	375,000	168,973	543,973
2043	385,000	158,312	543,312
2044	395,000	147,216	542,216
2045	410,000	135,602	545,602
2046	420,000	123,463	543,463
2047	435,000	110,829	545,829
2048	445,000	97,694	542,694
2049	460,000	84,073	544,073
2050	475,000	69,907	544,907
2051	490,000	55,214	545,214
2052	500,000	40,092	540,092
2053	520,000	24,460	544,460
2054	535,000	8,239	543,239
	<u>\$ 10,550,000</u>	<u>\$ 4,996,274</u>	<u>\$ 15,546,274</u>

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
CHANGE IN LONG-TERM BOND DEBT FOR THE
YEAR ENDED APRIL 30, 2025**

Description	Original Bonds Issued	Bonds Outstanding May 1, 2024
Lake McQueeney Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2024	<u>\$ 10,550,000</u>	<u>\$ 10,550,000</u>

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 18,000,000	\$ 18,000,000
Amount Issued	<u>(10,550,000)</u>	<u> </u>
Remaining to be Issued	<u>\$ 7,450,000</u>	<u>\$ 18,000,000</u>

Debt Service Fund cash balance allocated for District (non-GBRA) debt: \$ 525,748

Average annual debt service payment for remaining term of all bond debt: \$ 536,078

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding April 30, 2025	Paying Agent
	Principal	Interest		
\$ -0-	\$ -0-	\$ 226,408	\$ 10,550,000	BOK Financial Houston, TX

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 306,868	\$ 293,572	\$ 281,164
Penalty and Interest	2,218	2,191	1,577
Donation - Friends of Lake McQueeney			
Investment and Miscellaneous Revenues	28,003	23,122	9,150
TOTAL REVENUES	<u>\$ 337,089</u>	<u>\$ 318,885</u>	<u>\$ 291,891</u>
EXPENDITURES			
Professional Fees	\$ 54,844	\$ 93,289	\$ 104,470
Contracted Services	64,678	58,971	62,510
Other	13,601	31,612	50,828
Capital Outlay			
TOTAL EXPENDITURES	<u>\$ 133,123</u>	<u>\$ 183,872</u>	<u>\$ 217,808</u>
NET CHANGE IN FUND BALANCE	\$ 203,966	\$ 135,013	\$ 74,083
BEGINNING FUND BALANCE (DEFICIT)	<u>361,115</u>	<u>226,102</u>	<u>152,019</u>
ENDING FUND BALANCE	<u>\$ 565,081</u>	<u>\$ 361,115</u>	<u>\$ 226,102</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues					
2022	2021	2025	2024	2023	2022	2021	
\$ 238,547	\$	91.0 %	92.0 %	96.3 %	99.0 %		%
784		0.7	0.7	0.6	0.3		
	465,000					99.7	
1,596	1,459	8.3	7.3	3.1	0.7	0.3	
<u>\$ 240,927</u>	<u>\$ 466,459</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 258,894	\$ 23,298	16.3 %	29.3 %	35.8 %	107.5 %	5.0 %	
40,415	40,819	19.2	18.5	21.4	16.8	8.8	
161,911	12,795	4.0	9.9	17.4	67.2	2.7	
16,200					6.7		
<u>\$ 477,420</u>	<u>\$ 76,912</u>	<u>39.5 %</u>	<u>57.7 %</u>	<u>74.6 %</u>	<u>198.2 %</u>	<u>16.5 %</u>	
\$ (236,493)	\$ 389,547	<u>60.5 %</u>	<u>42.3 %</u>	<u>25.4 %</u>	<u>(98.2) %</u>	<u>83.5 %</u>	
388,512	(1,035)						
<u>\$ 152,019</u>	<u>\$ 388,512</u>						

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 1,905,926	\$ 1,309,478	\$ 1,293,129
Penalty and Interest	11,828	9,931	7,256
Investment and Miscellaneous Revenues	99,019	97,497	28,843
TOTAL REVENUES	<u>\$ 2,016,773</u>	<u>\$ 1,416,906</u>	<u>\$ 1,329,228</u>
EXPENDITURES			
Bond Debt Service Interest and Fees	\$ 226,732	\$ 490,426	\$ 523,050
Contract Debt Service Interest and Fees	1,713,352		
Debt Issuance Costs			
TOTAL EXPENDITURES	<u>\$ 1,940,084</u>	<u>\$ 490,426</u>	<u>\$ 523,050</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 76,689</u>	<u>\$ 926,480</u>	<u>\$ 806,178</u>
OTHER FINANCING SOURCES			
Proceeds from Issuance of Long-Term Debt	\$ - 0 -	\$ 86,841	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 76,689	\$ 1,013,321	\$ 806,178
BEGINNING FUND BALANCE	<u>2,652,845</u>	<u>1,639,524</u>	<u>833,346</u>
ENDING FUND BALANCE	<u>\$ 2,729,534</u>	<u>\$ 2,652,845</u>	<u>\$ 1,639,524</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues					
<u>2022</u>	<u>2021</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	
\$ 1,097,315	\$	94.5 %	92.4 %	97.3 %	99.6 %		
3,609		0.6	0.7	0.5	0.3		
<u>517</u>	<u></u>	<u>4.9</u>	<u>6.9</u>	<u>2.2</u>	<u>0.1</u>	<u></u>	
\$ 1,101,441	\$ - 0 -	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>N/A</u>	
\$ 97,345	\$	11.2 %	34.6 %	39.3 %	8.8 %		
85.0							
<u>170,750</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>15.5</u>	<u></u>	
\$ 268,095	\$ - 0 -	<u>96.2 %</u>	<u>34.6 %</u>	<u>39.3 %</u>	<u>24.3 %</u>	<u>N/A</u>	
\$ 833,346	\$ - 0 -	<u>3.8 %</u>	<u>65.4 %</u>	<u>60.7 %</u>	<u>75.7 %</u>	<u>N/A</u>	
\$ - 0 -	\$ - 0 -						
\$ 833,346	\$						
<u></u>	<u></u>						
\$ 833,346	\$ - 0 -						
<u>N/A</u>	<u>N/A</u>						
<u>N/A</u>	<u>N/A</u>						

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2025**

District Mailing Address - Lake McQueeney Water Control and
Improvement District No. 1
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>April 30, 2025</u>	Expense Reimbursements for the year ended <u>April 30, 2025</u>	<u>Title</u>
Robert L. Worth, Jr.	05/2024 05/2028 (Elected)	\$ -0-	\$ -0-	President
Paul A. Mueller	05/2024 05/2028 (Elected)	\$ -0-	\$ -0-	Vice President
Lindsey Gillum	05/2024 05/2028 (Elected)	\$ -0-	\$ -0-	Secretary
David Doughtie	05/2022 05/2026 (Elected)	\$ -0-	\$ -0-	Treasurer
Michele Norris	05/2022 05/2026 (Elected)	\$ -0-	\$ -0-	Assistant Vice President

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

The most recent submission date of the District Registration Form was on May 19, 2024.

The Board of Directors of the District waives payment of fees of office for the duties of a director as set by Board Resolution on April 9, 2020. Directors shall be entitled to receive reimbursement for expenses reasonably and necessarily incurred while engaging in activities on behalf of the District.

See accompanying independent auditor's report.

**LAKE MCQUEENEY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2025**

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended April 30, 2025</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	04/09/20	\$ 96,231	General Counsel *
McCall Gibson Swedlund Barfoot Ellis PLLC	05/13/21	\$ 10,000	Auditor
Municipal Accounts & Consulting, L.P.	04/09/20	\$ 37,835	Bookkeeper
Post Oak Municipal Advisors, LLC	05/14/20	\$ -0-	Financial Advisor
Mark Burton and Ghia Lewis	04/09/20	\$ -0-	Investment Officers
Guadalupe County Tax Assessor Collector	02/23/21	\$ 250	Tax Assessor/ Collector

* By agreement, prior to fiscal year 2022 general counsel had held billing subject to the levy of the District's initial tax. The District first levied a maintenance tax in fiscal year 2022. The District continues to pay past due and current general counsel billings as they are able to do so.

See accompanying independent auditor's report.