

ROYALWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

JANUARY 31, 2025

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May 19, 2025

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Royalwood Municipal
Utility District
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Royalwood Municipal Utility District as of and for the year ended January 31, 2025, and the related notes to the financial statements, which collectively comprise Royalwood Municipal 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Royalwood Municipal Utility District, as of January 31, 2025, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Royalwood Municipal 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 Royalwood Municipal 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 Royalwood Municipal 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 Royalwood Municipal 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 our inquiries, the basic financial statements, and other knowledge I obtained during my 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.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Royalwood Municipal Utility District's basic financial statements. The supplementary information on Pages 19 to 29 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has 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 it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. A. J.", is located in the lower right portion of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Royalwood Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended January 31, 2025.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Current and other assets	\$ 1,595,284	\$ 1,607,424	\$ (12,140)
Capital assets	<u>2,130,681</u>	<u>2,202,315</u>	<u>(71,634)</u>
Total assets	<u>3,725,965</u>	<u>3,809,739</u>	<u>(83,774)</u>
Long-term liabilities	144,945	217,418	(72,473)
Other liabilities	<u>226,704</u>	<u>236,146</u>	<u>(9,442)</u>
Total liabilities	<u>371,649</u>	<u>453,564</u>	<u>(81,915)</u>
Total deferred inflows of resources	<u>323,991</u>	<u>332,806</u>	<u>(8,815)</u>
Net position:			
Invested in capital assets, net of related debt	1,913,263	1,912,424	839
Unrestricted	<u>1,117,062</u>	<u>1,110,945</u>	<u>6,117</u>
Total net position	<u>\$ 3,030,325</u>	<u>\$ 3,023,369</u>	<u>\$ 6,956</u>

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 325,568	\$ 260,507	\$ 65,061
Charges for services	<u>566,586</u>	<u>577,511</u>	<u>(10,925)</u>
Total revenues	<u>892,154</u>	<u>838,018</u>	<u>54,136</u>
Expenses:			
Service operations	<u>885,198</u>	<u>893,621</u>	<u>(8,423)</u>
Change in net position	6,956	(55,603)	62,559
Net position, beginning of year	<u>3,023,369</u>	<u>3,078,972</u>	<u>(55,603)</u>
Net position, end of year	<u>\$ 3,030,325</u>	<u>\$ 3,023,369</u>	<u>\$ 6,956</u>

Financial Analysis of the District's Funds

The District's General fund balance as of the end of the fiscal year ended January 31, 2025, was \$1,110,942, an increase of \$3,945 from the prior year. The increase was in accordance with the District's financial plan.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 18 of this report. The budgetary fund balance as of January 31, 2025, was expected to be \$867,597 and the actual end of year fund balance was \$1,110,942.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2025</u>	<u>2024</u>	<u>Change</u>
Land	\$ 8,803	\$ 8,803	\$ 0
Construction in progress	10,246	0	10,246
Water facilities	460,646	472,524	(11,878)
Sewer facilities	1,650,986	1,720,988	(70,002)
Totals	<u>\$ 2,130,681</u>	<u>\$ 2,202,315</u>	<u>\$ (71,634)</u>

Changes to capital assets during the fiscal year ended January 31, 2025, are summarized as follows:

Additions:	
Water system improvements	\$ 23,611
Decreases:	
Depreciation	<u>(95,245)</u>
Net change to capital assets	<u>\$ (71,634)</u>

Debt

At January 31, 2025, the District had no outstanding bonds and \$140,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

As further described in Note 5 of the notes to the financial statements, a developer within the District is currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The developer's engineer stated that cost of the construction in progress at January 31, 2025, was \$217,418.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base was essentially unchanged for the 2024 tax year.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District"). The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its wells is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered the District to convert to 80% surface water pursuant to a groundwater reduction plan approved by the Subsidence District. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District. As further described in Note 9, the District has entered into a contract with the North Channel Water Authority (the "Authority") to provide surface water to the District. The Authority has submitted a groundwater reduction plan which was approved by the Subsidence District. The District's participation in the Authority satisfies the District's current requirements with respect to the Subsidence District.

ROYALWOOD MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JANUARY 31, 2025

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 633,891	\$	\$	\$ 633,891	\$	\$ 633,891
Temporary investments, at cost, Note 7	882,341			882,341		882,341
Receivables:						
Property taxes	36,830			36,830		36,830
Accrued penalty and interest on property taxes				0	853	853
Service accounts	41,369			41,369		41,369
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	19,049	19,049
Depreciable capital assets				0	2,111,632	2,111,632
Total assets	<u>\$1,594,431</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,594,431</u>	<u>2,131,534</u>	<u>3,725,965</u>
LIABILITIES						
Accounts payable	\$ 87,537	\$	\$	\$ 87,537		87,537
Customer deposits	66,694			66,694		66,694
Long-term liabilities, Note 5:						
Due within one year				0	72,473	72,473
Due in more than one year				0	144,945	144,945
Total liabilities	<u>154,231</u>	<u>0</u>	<u>0</u>	<u>154,231</u>	<u>217,418</u>	<u>371,649</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>329,258</u>	<u>0</u>	<u>0</u>	<u>329,258</u>	<u>(5,267)</u>	<u>323,991</u>
FUND BALANCES / NET POSITION						
Unassigned fund balance	<u>1,110,942</u>	<u>0</u>	<u>0</u>	<u>1,110,942</u>	<u>(1,110,942)</u>	<u>0</u>
Total fund balances	<u>1,110,942</u>	<u>0</u>	<u>0</u>	<u>1,110,942</u>	<u>(1,110,942)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$1,594,431</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,594,431</u>		
Net position:						
Invested in capital assets, net of related debt					1,913,263	1,913,263
Unrestricted					1,117,062	1,117,062
Total net position					<u>\$ 3,030,325</u>	<u>\$ 3,030,325</u>

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

ROYALWOOD MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JANUARY 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 323,396	\$	\$	\$ 323,396	\$ 2,115	\$ 325,511
Water service	173,638			173,638		173,638
Sewer service	205,978			205,978		205,978
Surface water fees, Note 9	98,759			98,759		98,759
Penalty and interest	17,072			17,072	57	17,129
Tap connection and inspection fees	18,016			18,016		18,016
Interest on deposits and investments	45,869			45,869		45,869
Other revenues	7,254			7,254		7,254
Total revenues	<u>889,982</u>	<u>0</u>	<u>0</u>	<u>889,982</u>	<u>2,172</u>	<u>892,154</u>
EXPENDITURES / EXPENSES						
Service operations:						
Purchases from regional water authority, Note 9	141,565			141,565		141,565
Professional fees	72,268			72,268		72,268
Contracted services	76,765			76,765		76,765
Utilities	54,037			54,037		54,037
Repairs and maintenance	256,616			256,616		256,616
Other operating expenditures	40,071			40,071		40,071
Garbage disposal	63,560			63,560		63,560
Administrative expenditures	77,243			77,243		77,243
Depreciation				0	95,245	95,245
Capital outlay / non-capital outlay	<u>103,912</u>			<u>103,912</u>	<u>(96,084)</u>	<u>7,828</u>
Total expenditures / expenses	<u>886,037</u>	<u>0</u>	<u>0</u>	<u>886,037</u>	<u>(839)</u>	<u>885,198</u>
Excess (deficiency) of revenues over expenditures	<u>3,945</u>	<u>0</u>	<u>0</u>	<u>3,945</u>	<u>3,011</u>	<u>6,956</u>
Net change in fund balances / net position	3,945	0	0	3,945	3,011	6,956
Beginning of year	<u>1,106,997</u>	<u>0</u>	<u>0</u>	<u>1,106,997</u>	<u>1,916,372</u>	<u>3,023,369</u>
End of year	<u>\$ 1,110,942</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,110,942</u>	<u>\$ 1,919,383</u>	<u>\$ 3,030,325</u>

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

ROYALWOOD MUNICIPAL UTILITY DISTRICTNOTES TO THE FINANCIAL STATEMENTSJANUARY 31, 2025

NOTE 1: REPORTING ENTITY

Royalwood Municipal Utility District (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective October 2, 1961, and operates in accordance with Texas Water Code Chapters 49 and 54. The first bonds were dated March 31, 1962. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

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 District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the 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 if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) 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 by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year			\$ 1,110,942
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Total capital assets, net			2,130,681
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
Due to developer for construction			(217,418)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:			
Accrued penalty and interest on property taxes receivable	\$	853	
Uncollected property taxes		<u>5,267</u>	<u>6,120</u>
Net position, end of year			<u>\$ 3,030,325</u>

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances			\$ 3,945
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:			
Capital outlay	\$	96,084	
Depreciation		<u>(95,245)</u>	839
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:			
Accrued penalty and interest on property taxes receivable		57	
Uncollected property taxes		<u>2,115</u>	<u>2,172</u>
Change in net position			<u>\$ 6,956</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended January 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 8,803	\$	\$	\$ 8,803
Construction in progress	0	10,246		10,246
Total capital assets not being depreciated	8,803	10,246	0	19,049
Depreciable capital assets:				
Water system	977,866	13,365		991,231
Sewer system	3,354,008			3,354,008
Total depreciable capital assets	4,331,874	13,365	0	4,345,239
Less accumulated depreciation for:				
Water system	(505,342)	(25,243)		(530,585)
Sewer system	(1,633,020)	(70,002)		(1,703,022)
Total accumulated depreciation	(2,138,362)	(95,245)	0	(2,233,607)
Total depreciable capital assets, net	2,193,512	(81,880)	0	2,111,632
Total capital assets, net	<u>\$ 2,202,315</u>	<u>\$ (71,634)</u>	<u>\$ 0</u>	<u>\$ 2,130,681</u>
Changes to capital assets:				
Capital outlay		\$ 96,084	\$	
Capital outlay paid (decrease in liability) to developer		(72,473)		
Depreciation expense for the fiscal year		(95,245)		
Net increases / decreases to capital assets		<u>\$ (71,634)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended January 31, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Due to developer for construction (see below)	\$ 289,891	\$ 0	\$ 72,473	\$ 217,418	\$ 72,473
Total long-term liabilities	<u>\$ 289,891</u>	<u>\$ 0</u>	<u>\$ 72,473</u>	<u>\$ 217,418</u>	<u>\$ 72,473</u>

Developer Construction Commitments and Liabilities

A developer within the District is currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The developer's engineer stated that cost of the construction in progress at January 31, 2025, was \$217,418.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bonds voted	\$ 1,500,000
Bonds approved for sale, sold and retired	1,360,000
Bonds voted and not issued	140,000

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held on May 5, 2001, the voters within the District authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 21, 2024, the District levied the following ad valorem taxes for the 2024 tax year and the 2026 fiscal year on the adjusted taxable valuation of \$78,200,019:

	<u>Rate</u>	<u>Amount</u>
Maintenance	<u>\$ 0.41431</u>	<u>\$ 323,991</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2024 tax year total property tax levy	\$ 323,991
2024 tax year total property tax levy deferred to 2026 fiscal year	(323,991)
2023 tax year total property tax levy deferred to 2025 fiscal year	332,807
Appraisal district adjustments to prior year taxes	<u>(7,296)</u>
Statement of Activities property tax revenues	<u>\$ 325,511</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$633,891 and the bank balance was \$589,691. Of the bank balance, \$378,270 was covered by federal insurance and \$211,421 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$882,341.

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At January 31, 2025, the District had physical damage and boiler and machinery coverage of \$8,229,073, general liability coverage with a per occurrence limit of \$1,000,000 and \$2,000,000 general aggregate, pollution liability coverage of \$1,000,000, automobile liability coverage of \$2,000,000, consultant's crime coverage of \$10,000, a tax assessor-collector bond of \$10,000 and statutory worker's compensation coverage with the Texas Municipal League Intergovernmental Risk Pool (the "Pool"). The Pool is a public entity risk pool currently operating as a common risk management and insurance program for various Texas public entities. The District pays annual premiums for its general insurance coverage. The Pool purchases reinsurance for protection against catastrophic losses that exceed the Pool's self-insurance retention. This reinsurance is purchased from companies rated A- or higher by A. M. Best Company.

NOTE 9: CONTRACT WITH NORTH CHANNEL WATER AUTHORITY

On June 28, 1990 (restated effective March 1, 2001), the District entered into a contract with the North Channel Water Authority (the "Authority"), a conservation and reclamation district and political subdivision of the State of Texas. The restated contract continues until December 31, 2040 and year to year thereafter until payment in full of the principal, premium, if any, and interest on all bonds and all related fees to be paid under any bond resolution of the Authority is made. Oversight of the Authority is exercised by the Board of Directors of the Authority. The Authority has developed a plan whereby it will initially purchase treated surface water from the City of Houston and will construct distribution lines to convey such surface water to the District and others so that the participants in the Authority's regional water supply system can meet the requirements of the Harris-Galveston Subsidence District for conversion to 80% surface water consisting of a combination of surface water and ground water from existing wells.

The District has contractually agreed to participate in the cost of the construction of the distribution lines for the surface water. The Authority sold bonds for this purpose in 1993 and the District paid its share of the Authority's debt service costs at that time.

The District is also contractually committed to pay for its share of the Authority's total operating costs. The Authority bills the District monthly for its share of water purchased from the City of Houston as well as other operating costs. The District's total cost for this purpose was \$141,565 during the year ended January 31, 2025. The District billed its customers \$98,759 during the fiscal year to pay for a portion of the fees charged by the Authority. At this date the District had contributed \$5,015 for its share of the Authority's operating reserve. This reserve amount has not been recorded as an asset in the District's financial statements.

ROYALWOOD MUNICIPAL UTILITY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED JANUARY 31, 2025

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 325,000	\$ 325,000	\$ 323,396	\$ (1,604)
Water service	190,000	190,000	173,638	(16,362)
Sewer service	210,000	210,000	205,978	(4,022)
Surface water fees	125,000	125,000	98,759	(26,241)
Penalty and interest	10,000	10,000	17,072	7,072
Tap connection and inspection fees	0	0	18,016	18,016
Interest on deposits and investments	40,000	40,000	45,869	5,869
Other revenues	12,000	12,000	7,254	(4,746)
TOTAL REVENUES	912,000	912,000	889,982	(22,018)
EXPENDITURES				
Service operations:				
Purchases from regional water authority	120,000	120,000	141,565	21,565
Professional fees	58,000	58,000	72,268	14,268
Contracted services	61,000	61,000	76,765	15,765
Utilities	55,000	55,000	54,037	(963)
Repairs and maintenance	325,000	325,000	256,616	(68,384)
Other operating expenditures	56,500	56,500	40,071	(16,429)
Garbage disposal	72,000	72,000	63,560	(8,440)
Administrative expenditures	71,400	71,400	77,243	5,843
Capital outlay / non-capital outlay	332,500	332,500	103,912	(228,588)
TOTAL EXPENDITURES	1,151,400	1,151,400	886,037	(265,363)
EXCESS REVENUES (EXPENDITURES)	(239,400)	(239,400)	3,945	243,345
FUND BALANCE, BEGINNING OF YEAR	1,106,997	1,106,997	1,106,997	0
FUND BALANCE, END OF YEAR	\$ 867,597	\$ 867,597	\$ 1,110,942	\$ 243,345

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

ROYALWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
JANUARY 31, 2025

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [] TSI-5. Long-Term Debt Service Requirements by Years
Not Applicable.
- [] TSI-6. Changes in Long-Term Bonded Debt
Not Applicable.
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

ROYALWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
JANUARY 31, 2025

1. Services Provided by the District during the Fiscal Year:

- | | | |
|--|---|-------------------------------------|
| <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 checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other | | |

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$25.00	5,000	N	\$2.00	5,001 to 10,000
				3.50	10,001 to 26,000
				4.00	26,001 to 51,000
				5.00	Over 51,000
WASTEWATER:	\$38.90	10,000	N	\$2.99	Over 10,000
SURCHARGE:	0.50% of monthly billing -- TCEQ assessment fees.				
	115% of monthly NCWA surface water rate per 1,000 gallons of water used.				

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$35.00 Wastewater: \$38.90 Surcharge: Varies

ROYALWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
JANUARY 31, 2025

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	368	368	1.0	368
1"	3	3	2.5	8
1-1/2"	1	1	5.0	5
2"	6	6	8.0	48
3"	1	1	15.0	15
4"	4	4	25.0	100
6"	0	0	50.0	0
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>384</u>	<u>384</u>		<u>624</u>
Total Wastewater	<u>384</u>	<u>384</u>	1.0	<u>384</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 42,556
Gallons billed to customers (unaudited): 32,823

Water Accountability Ratio
(Gallons billed/ gallons pumped): 77%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: _____

ROYALWOOD MUNICIPAL UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED JANUARY 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchases from regional water authority	\$ 141,565	\$ 0	\$ 0	\$ 141,565
Professional fees:				
Auditing	7,750			7,750
Legal	12,178			12,178
Engineering	52,340			52,340
	<u>72,268</u>	<u>0</u>	<u>0</u>	<u>72,268</u>
Contracted services:				
Bookkeeping	17,768			17,768
Operation and billing	52,200			52,200
Tax assessor-collector	4,154			4,154
Central appraisal district	2,643			2,643
	<u>76,765</u>	<u>0</u>	<u>0</u>	<u>76,765</u>
Utilities	<u>54,037</u>	<u>0</u>	<u>0</u>	<u>54,037</u>
Repairs and maintenance	<u>256,616</u>	<u>0</u>	<u>0</u>	<u>256,616</u>
Other operating expenditures:				
Chemicals	13,074			13,074
Laboratory costs	25,034			25,034
TCEQ assessment	1,963			1,963
	<u>40,071</u>	<u>0</u>	<u>0</u>	<u>40,071</u>
Garbage disposal	<u>63,560</u>	<u>0</u>	<u>0</u>	<u>63,560</u>
Administrative expenditures:				
Director's fees	24,000			24,000
Office supplies and postage	20,219			20,219
Insurance	27,553			27,553
Permit fees	2,210			2,210
Other	3,261			3,261
	<u>77,243</u>	<u>0</u>	<u>0</u>	<u>77,243</u>
CAPITAL OUTLAY				
Authorized expenditures	96,084			96,084
Tap connection costs	7,828			7,828
	<u>103,912</u>	<u>0</u>	<u>0</u>	<u>103,912</u>
TOTAL EXPENDITURES	<u>\$ 886,037</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 886,037</u>

See accompanying independent auditor's report.

ROYALWOOD MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JANUARY 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues	\$ 882,317	\$	\$	\$ 882,317
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>882,317</u>	<u>0</u>	<u>0</u>	<u>882,317</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	772,422			772,422
Capital outlay	103,912			103,912
Increase in customer and other deposits	<u>19,145</u>			<u>19,145</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>895,479</u>	<u>0</u>	<u>0</u>	<u>895,479</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	(13,162)	0	0	(13,162)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>1,529,394</u>	<u>0</u>	<u>0</u>	<u>1,529,394</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 1,516,232</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,516,232</u>

See accompanying independent auditor's report.

ROYALWOOD MUNICIPAL UTILITY DISTRICTSCHEDULE OF TEMPORARY INVESTMENTSJANUARY 31, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 7968900001	Market	On demand	\$ <u>882,341</u>	\$ <u>0</u>

See accompanying independent auditor's report.

ROYALWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JANUARY 31, 2025

	<u>Maintenance Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 30,668
Additions and corrections to prior year taxes	<u>(7,296)</u>
Adjusted receivable, beginning of year	23,372
2024 ADJUSTED TAX ROLL	<u>323,991</u>
Total to be accounted for	347,363
Tax collections: Current tax year	(292,427)
Prior tax years	<u>(18,106)</u>
RECEIVABLE, END OF YEAR	<u>\$ 36,830</u>
RECEIVABLE, BY TAX YEAR	
2019	\$ 24
2020	1,049
2021	516
2022	1,465
2023	2,212
2024	<u>31,564</u>
RECEIVABLE, END OF YEAR	<u>\$ 36,830</u>

Fiscal year 2025 General Fund property tax revenue of \$323,396 under the modified accrual basis of accounting is comprised of prior tax year collections of \$18,106 during fiscal year 2025 and 2023 tax year collections of \$305,290 during fiscal year 2024.

ROYALWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED JANUARY 31, 2025

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 40,917,491	\$ 40,131,490	\$ 36,825,460	\$ 34,356,219
Improvements	85,823,373	84,080,999	63,439,173	53,625,053
Personal property	9,092,637	10,690,952	5,908,432	4,869,220
Less exemptions	<u>(57,633,482)</u>	<u>(55,593,974)</u>	<u>(44,372,111)</u>	<u>(38,577,417)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 78,200,019</u>	<u>\$ 79,309,467</u>	<u>\$ 61,800,954</u>	<u>\$ 54,273,075</u>
MAINTENANCE TAX RATES PER \$100 VALUATION*	<u>\$ 0.41431</u>	<u>\$ 0.41267</u>	<u>\$ 0.42000</u>	<u>\$ 0.44682</u>
TAX ROLLS	<u>\$ 323,991</u>	<u>\$ 327,286</u>	<u>\$ 259,564</u>	<u>\$ 242,502</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>90.3 %</u>	<u>99.3 %</u>	<u>99.4 %</u>	<u>99.8 %</u>

*Maximum tax rate approved by voters on May 5, 2001: \$0.50

See accompanying independent auditor's report.

ROYALWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED JANUARY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
REVENUES										
Property taxes	\$ 323,396	\$ 259,432	\$ 242,930	\$ 248,502	\$ 240,433	36.4 %	30.9 %	29.4 %	35.9 %	34.4 %
Water service	173,638	185,477	169,549	153,337	164,319	19.5	22.2	20.6	22.2	23.6
Sewer service	205,978	206,840	195,027	179,734	194,595	23.1	24.7	23.7	26.0	27.8
Surface water fees	98,759	104,373	89,606	80,587	78,701	11.1	12.5	10.9	11.7	11.3
Penalty and interest	17,072	18,397	13,334	12,559	9,571	1.9	2.2	1.6	1.8	1.4
Tap connection and inspection fees	18,016	11,585	88,250	9,000	0	2.0	1.4	10.7	1.3	0.0
Interest on deposits and investments	45,869	43,421	16,119	122	2,480	5.2	5.2	2.0	0.0	0.4
Other revenues	7,254	7,418	8,657	7,582	7,565	0.8	0.9	1.1	1.1	1.1
TOTAL REVENUES	889,982	836,943	823,472	691,423	697,664	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchases from regional water authority	141,565	123,380	104,925	86,796	96,445	15.9	14.7	12.7	12.6	13.8
Professional fees	72,268	68,269	57,756	46,780	27,777	8.1	8.2	7.0	6.8	4.0
Contracted services	76,765	71,250	54,775	62,132	56,714	8.6	8.5	6.7	9.0	8.1
Utilities	54,037	53,579	47,478	41,697	40,360	6.1	6.4	5.8	6.0	5.8
Repairs and maintenance	256,616	286,457	143,742	207,099	106,008	28.9	34.2	17.5	29.9	15.1
Other operating expenditures	40,071	47,617	41,340	73,419	33,961	4.5	5.7	5.0	10.6	4.9
Garbage disposal	63,560	63,102	55,583	58,604	61,118	7.1	7.5	6.7	8.5	8.8
Administrative expenditures	77,243	79,635	69,084	60,245	59,992	8.7	9.5	8.4	8.7	8.6
Capital outlay	103,912	137,801	64,960	3,275	135,061	11.7	16.5	7.9	0.5	19.4
TOTAL EXPENDITURES	886,037	931,090	639,643	640,047	617,436	99.6	111.2	77.7	92.6	88.5
EXCESS REVENUES (EXPENDITURES)	\$ 3,945	\$ (94,147)	\$ 183,829	\$ 51,376	\$ 80,228	0.4 %	(11.2) %	22.3 %	7.4 %	11.5 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	384	356	348	329	325					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	384	349	341	329	322					

See accompanying independent auditor's report.

ROYALWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

JANUARY 31, 2025

Complete District Mailing Address: Royalwood Municipal Utility District
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77024

District Business Telephone No.: 713-951-0800

Submission date of the most recent District Registration Form: December 22, 2023

Limit on Fees of Office that a Director may receive during a fiscal year: \$6,000

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
John Escalante, Jr. 13414 Forest Knoll Drive Houston, Texas 77049	Elected 11/07/23- 11/02/27	\$ 6,000	\$ 0	President
Terry W. Hamilton 13330 Forest Knoll Drive Houston, Texas 77049	Elected 11/02/21- 11/04/25	6,000	0	Vice President
Donnell M. Kennerly 13402 Forest Knoll Drive Houston, Texas 77049	Elected 11/02/21- 11/04/25	6,000	0	Secretary
Arlan A. Martin 7911 Ledgewood Drive Houston, Texas 77049	Elected 11/07/23- 11/02/27	6,000	0	Director

See accompanying independent auditor's report.

ROYALWOOD MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)JANUARY 31, 2025CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	Prior to 1/31/98	\$ 12,179	Attorney
Protocol Bookkeeping, Inc. 1506 Whispering Pines Houston, Texas 77055	7/17/00	21,077	Bookkeeper
Steve Haskins 1506 Whispering Pines Houston, Texas 77055	7/15/19	0	Investment Officer
TNG Utility Corporation P.O. Box 2749 Spring, Texas 77383-2749	6/30/03	330,893	Operator
Huitt-Zollars, Inc. 10350 Richmond Ave., Suite 300 Houston, Texas 77042	5/06/98	62,586	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77043	Prior to 1/31/98	10,321	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	2,643	Central Appraisal District
Blitch Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079-2118	11/16/09	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	6/99	7,750	Independent Auditor

See accompanying independent auditor's report.