

**CHARLESTON MUNICIPAL UTILITY DISTRICT**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2024**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



## **TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO THE FINANCIAL STATEMENTS	15-26
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	28
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	30-32
GENERAL FUND EXPENDITURES	33
INVESTMENTS	34
TAXES LEVIED AND RECEIVABLE	35-36
LONG-TERM DEBT SERVICE REQUIREMENTS	37
CHANGE IN LONG-TERM BOND DEBT	38-39
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND – THREE YEARS	40-43
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	44-45



# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

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

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

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Charleston Municipal Utility District  
Fort Bend County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Charleston Municipal Utility District (the "District") as of and for the year ended March 31, 2024, 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 March 31, 2024, 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  
Charleston Municipal Utility District

### **Supplementary Information**

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

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

July 23, 2024



# **CHARLESTON MUNICIPAL UTILITY DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED MARCH 31, 2024**

Management's discussion and analysis of Charleston Municipal Utility District (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2024. Please read it in conjunction with the District's financial statements.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental 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 financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses 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 customer service revenues, property taxes, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**CHARLESTON MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2024**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund 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. A 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 \$5,488,285 as of March 31, 2024. The following table provides a comparative analysis of government-wide changes in net position.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED MARCH 31, 2024**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 1,659,796	\$ 73,806	\$ 1,585,990
Capital Assets (Net of Accumulated Depreciation)	13,380,424	12,866,992	513,432
Total Assets	\$ 15,040,220	\$ 12,940,798	\$ 2,099,422
Due to Developers	\$ 17,343,742	\$ 17,707,790	\$ 364,048
Bonds Payable	3,000,000		(3,000,000)
Other Liabilities	184,763	76,173	(108,590)
Total Liabilities	\$ 20,528,505	\$ 17,783,963	\$ (2,744,542)
Net Position:			
Net Investment in Capital Assets	\$ (5,889,633)	\$ (4,606,785)	\$ (1,282,848)
Restricted	275,789		275,789
Unrestricted	125,559	(236,380)	361,939
Total Net Position	\$ (5,488,285)	\$ (4,843,165)	\$ (645,120)

The following table provides a comparative analysis of the District's operations for the years ending March 31, 2024, and March 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 644,538	\$ 166,368	\$ 478,170
Charges for Services	613,823	516,177	97,646
Other Revenues	22,964	3,062	19,902
Total Revenues	\$ 1,281,325	\$ 685,607	\$ 595,718
Expenses for Services	1,926,445	5,208,054	3,281,609
Change in Net Position	\$ (645,120)	\$ (4,522,447)	\$ 3,877,327
Net Position, Beginning of Year	(4,843,165)	(320,718)	(4,522,447)
Net Position, End of Year	\$ (5,488,285)	\$ (4,843,165)	\$ (645,120)

**CHARLESTON MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of March 31, 2024, were \$1,393,876, an increase of \$1,405,429 from the prior year.

The General Fund fund balance increased by \$443,686, primarily due to property tax revenues, service revenues and developer advances exceeding operating costs.

The Debt Service Fund was created in the current fiscal year with capitalized interest from the Series 2023 bonds and had a fund balance of \$328,071 at fiscal year end.

The Capital Projects Fund was created in the current fiscal year with proceeds from the Series 2023 bonds and had a fund balance of \$633,672 at fiscal year end.

**CAPITAL ASSETS**

Capital assets as of March 31, 2024, total \$13,380,424 (net of accumulated depreciation) and include water, wastewater and drainage/detention facilities. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Water System	\$ 3,697,479	\$ 3,823,176	\$ (125,697)
Wastewater System	4,389,552	3,625,395	764,157
Drainage/Detention System	<u>5,293,393</u>	<u>5,418,421</u>	<u>(125,028)</u>
Total Net Capital Assets	<u>\$ 13,380,424</u>	<u>\$ 12,866,992</u>	<u>\$ 513,432</u>

**LONG-TERM DEBT**

At the end of the current fiscal year, the District had total long-term debt payable of \$3,000,000. The changes in the debt position of the District during the fiscal year ended March 31, 2024, are summarized as follows:

Bond Debt Payable, April 1, 2023	\$ - 0 -
Add: Bond Sale - Series 2023	<u>3,000,000</u>
Bond Debt Payable, March 31, 2024	<u>\$ 3,000,000</u>

The District's Series 2023 bonds do not carry an underlying rating or an insured rating.

**CHARLESTON MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2024**

**LONG-TERM DEBT** (Continued)

As of March 31, 2024, the District recorded an amount due to Developer of \$17,343,742 which consists of \$440,013 of operating advances and \$16,903,729 of completed projects made by the Developer since inception.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current year. Actual revenues were \$391,032 more than budgeted revenues and actual expenditures were \$266,794 more than budgeted expenditures. Developer advances were \$116,000 more than budgeted advances. This resulted in a positive budget variance of \$240,238. See the budget to actual comparison on page 28 for more information.

**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 Charleston Municipal Utility District, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056-3078.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MARCH 31, 2024**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash	\$ 86,951	\$
Investments	391,587	328,071
Receivables:		
Property Taxes	130,558	
Penalty and Interest on Delinquent Taxes		
Service Accounts	33,892	
Due from Developers	35,235	
Prepaid Costs	16,537	
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 694,760</u>	<u>\$ 328,071</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 76,869	\$
Accrued Interest Payable		
Due to Developers		
Security Deposits	55,200	
Long Term Liabilities:		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 132,069</u>	<u>\$ -0-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 130,558	\$ -0-
<b>FUND BALANCES</b>		
Nonspendable: Prepaid Costs	\$ 16,537	\$
Restricted for Authorized Construction		
Restricted for Debt Service		328,071
Unassigned	415,596	
<b>TOTAL FUND BALANCES</b>	<u>\$ 432,133</u>	<u>\$ 328,071</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 694,760</u>	<u>\$ 328,071</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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



Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 361	\$ 87,312	\$	\$ 87,312
633,723	1,353,381		1,353,381
	130,558		130,558
		2,881	2,881
	33,892		33,892
	35,235		35,235
	16,537		16,537
		13,380,424	13,380,424
<u>\$ 634,084</u>	<u>\$ 1,656,915</u>	<u>\$ 13,383,305</u>	<u>\$ 15,040,220</u>
\$ 412	\$ 77,281	\$	\$ 77,281
		52,282	52,282
		17,343,742	17,343,742
	55,200		55,200
		3,000,000	3,000,000
<u>\$ 412</u>	<u>\$ 132,481</u>	<u>\$ 20,396,024</u>	<u>\$ 20,528,505</u>
<u>\$ -0-</u>	<u>\$ 130,558</u>	<u>\$ (130,558)</u>	<u>\$ -0-</u>
\$	\$ 16,537	\$ (16,537)	\$
633,672	633,672	(633,672)	
	328,071	(328,071)	
	415,596	(415,596)	
<u>\$ 633,672</u>	<u>\$ 1,393,876</u>	<u>\$ (1,393,876)</u>	<u>\$ -0-</u>
<u>\$ 634,084</u>	<u>\$ 1,656,915</u>		
		\$ (5,889,633)	\$ (5,889,633)
		275,789	275,789
		125,559	125,559
		<u>\$ (5,488,285)</u>	<u>\$ (5,488,285)</u>

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

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**MARCH 31, 2024**

Total Fund Balances - Governmental Funds	\$	1,393,876
--	----	-----------

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

Capital assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		13,380,424
---	--	------------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable for the 2023 tax levy became part of recognized revenue in the governmental activities of the District.		133,439
--	--	---------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developers	\$ (17,343,742)	
Accrued Interest Payable	(52,282)	
Bonds Payable	<u>(3,000,000)</u>	<u>(20,396,024)</u>

Total Net Position - Governmental Activities	\$	<u><u>(5,488,285)</u></u>
--	----	---------------------------

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2024**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 523,166	\$
Water Service	82,519	
Wastewater Service	121,768	
Water Authority Fees	101,979	
Penalty and Interest	10,626	
Tap Connection and Inspection Fees	294,050	
Investment and Miscellaneous Revenues	5,954	5,784
<b>TOTAL REVENUES</b>	<b>\$ 1,140,062</b>	<b>\$ 5,784</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 98,362	\$
Contracted Services	159,761	
Utilities	41,128	
Regional Water Authority Assessment	109,873	
Repairs and Maintenance	229,791	
Depreciation		
Other	263,461	
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Interest		
Bond Issuance Costs		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 902,376</b>	<b>\$ -0-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 237,686</b>	<b>\$ 5,784</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Issuance of Long-Term Debt	\$	\$ 322,287
Developer Advances	206,000	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 206,000</b>	<b>\$ 322,287</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 443,686</b>	<b>\$ 328,071</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES (DEFICIT)/NET POSITION - APRIL 1, 2023</b>	<b>(11,553)</b>	
<b>FUND BALANCES/NET POSITION - MARCH 31, 2024</b>	<b>\$ 432,133</b>	<b>\$ 328,071</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 523,166	\$ 121,372	\$ 644,538
	82,519		82,519
	121,768		121,768
	101,979		101,979
	10,626	2,881	13,507
	294,050		294,050
11,226	22,964		22,964
<u>\$ 11,226</u>	<u>\$ 1,157,072</u>	<u>\$ 124,253</u>	<u>\$ 1,281,325</u>
\$ 2,423	\$ 100,785	\$ 90,161	\$ 190,946
	159,761		159,761
	41,128		41,128
	109,873		109,873
	229,791		229,791
		379,569	379,569
45	263,506		263,506
1,553,210	1,553,210	(1,553,210)	
183,272	183,272		183,272
		52,282	52,282
316,317	316,317		316,317
<u>\$ 2,055,267</u>	<u>\$ 2,957,643</u>	<u>\$ (1,031,198)</u>	<u>\$ 1,926,445</u>
<u>\$ (2,044,041)</u>	<u>\$ (1,800,571)</u>	<u>\$ 1,155,451</u>	<u>\$ (645,120)</u>
\$ 2,677,713	\$ 3,000,000	\$ (3,000,000)	\$
	206,000	(206,000)	
<u>\$ 2,677,713</u>	<u>\$ 3,206,000</u>	<u>\$ (3,206,000)</u>	<u>\$ -0-</u>
\$ 633,672	\$ 1,405,429	\$ (1,405,429)	\$
		(645,120)	(645,120)
	(11,553)	(4,831,612)	(4,843,165)
<u>\$ 633,672</u>	<u>\$ 1,393,876</u>	<u>\$ (6,882,161)</u>	<u>\$ (5,488,285)</u>

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

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2024**

Net Change in Fund Balances - Governmental Funds	\$ 1,405,429
--	--------------

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.	121,372
--	---------

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	2,881
---	-------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated. The expense is recorded in the Statement of Activities.	(379,569)
--	-----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	1,463,049
---	-----------

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.	(52,282)
---	----------

Governmental funds report bond proceeds as other financing sources. Proceeds from the sale of bonds increase long-term liabilities in the Statement of Net Position.	(3,000,000)
--	-------------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.	(206,000)
---	-----------

Change in Net Position - Governmental Activities	\$ <u>(645,120)</u>
--	---------------------

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

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 1. CREATION OF DISTRICT**

The District was created by an order of the Texas Commission on Environmental Quality (the “Commission”), effective August 7, 2018, in accordance with the Texas Water Code, Chapters 49 and 54. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on January 18, 2019 and the first bonds were sold on December 5, 2023.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

- \* Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- \* 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's the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

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



**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements (Continued)

Governmental Fund

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

General Fund - To account for customer service revenues, property taxes, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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 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 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.

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered "employees" for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination 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 balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

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.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2023</u>
Amount Outstanding – March 31, 2024	\$ 3,000,000
Interest Rates	5.000% - 5.625%
Maturity Dates – Serially Beginning/Ending	May 1, 2025/2050
Interest Payment Dates	May 1/ November 1
Callable Dates	May 1, 2030*

\* Or any date thereafter as a whole or in part, at par plus interest accrued to the date of redemption. Series 2023 term bonds maturing on May 1, 2039, May 1, 2041, and May 1, 2050 are subject to mandatory redemption beginning May 1, 2038, May 1, 2040, and May 1, 2042, respectively.

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2024:

	<u>April 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2024</u>
Bonds Payable	<u>\$ -0-</u>	<u>\$ 3,000,000</u>	<u>\$ -0-</u>	<u>\$ 3,000,000</u>
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		<u>3,000,000</u>
		Total Bonds Payable		<u>\$ 3,000,000</u>

As of March 31, 2024, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$	\$ 145,925	\$ 145,925
2026	100,000	158,644	258,644
2027	100,000	153,644	253,644
2028	55,000	149,769	204,769
2029	60,000	146,894	206,894
2030-2034	350,000	685,720	1,035,720
2035-2039	470,000	583,214	1,053,214
2040-2044	625,000	439,141	1,064,141
2045-2049	830,000	237,093	1,067,093
2050-2051	410,000	23,344	433,344
	<u>\$ 3,000,000</u>	<u>\$ 2,723,388</u>	<u>\$ 5,723,388</u>

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of March 31, 2024, the District had authorized but unissued water, sewer and drainage bonds of \$20,000,000 and refunding bonds of \$23,000,000.

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. During the year ended March 31, 2024, the District did not levy an ad valorem debt service tax. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the costs of assessing and collecting taxes. See 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. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond order states that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information, along with the audited annual financial statements, is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each use.

**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.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

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 \$87,312 and the bank balance was \$150,219. The District was not exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2024, as listed below:

	Cash
GENERAL FUND	\$ 86,951
CAPITAL PROJECTS FUND	<u>361</u>
TOTAL DEPOSITS	<u><u>\$ 87,312</u></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.

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.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District also invest in Texas Cooperative Liquid Assets Securities System (“Texas CLASS”). Texas CLASS is a public funds investment pool which has operated since 1996. The pool seeks to provide safety, liquidity, convenience and competitive rates of return for Texas public sector investors such as municipal utility districts. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. UMB Bank, N.A. serves as custodian for the pool. Texas CLASS meets the criteria established in GASB Statement No. 79 and measures portfolio assets at amortized cost. As a result, the District also measures its investments in Texas CLASS at amortized costs for financial reporting purposes. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of March 31, 2024, the District has the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 391,587	\$ 391,587
<u>DEBT SERVICE FUND</u>		
Texas CLASS	328,071	328,071
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>633,723</u>	<u>633,723</u>
TOTAL INVESTMENTS	<u>\$ 1,353,381</u>	<u>\$ 1,353,381</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2024, the District’s investments in Texas CLASS were rated AAAM by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2024:

	April 1, 2023	Increases	Decreases	March 31, 2024
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 3,933,143	\$	\$	\$ 3,933,143
Wastewater System	3,706,911	893,001		4,599,912
Drainage/Detention System	5,610,870			5,610,870
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 13,250,924</u>	<u>\$ 893,001</u>	<u>\$ -0-</u>	<u>\$ 14,143,925</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 109,967	\$ 125,697	\$	\$ 235,664
Wastewater System	81,516	128,844		210,360
Drainage/Detention System	192,449	125,028		317,477
<b>Total Accumulated Depreciation</b>	<u>\$ 383,932</u>	<u>\$ 379,569</u>	<u>\$ -0-</u>	<u>\$ 763,501</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u><u>\$ 12,866,992</u></u>	<u><u>\$ 513,432</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 13,380,424</u></u>

Additionally, the District has financed \$4,222,853 of paving assets for Charleston Heights, Sections 1 and 2 which have been conveyed to Fort Bend County for maintenance.

**NOTE 7. MAINTENANCE TAX**

On May 4, 2019, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended March 31, 2024, the District levied an ad valorem maintenance tax of \$1.50 per \$100 of assessed valuation, which resulted in a tax levy of \$647,011 on the taxable valuation of \$43,134,026 for the 2023 tax year.

**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, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.



**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 9. UNREIMBURSED COSTS**

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to fund costs associated with water, sewer, drainage and recreational facilities as well as to fund operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developer of \$440,013 for operating advances and \$16,903,729 for completed projects as of March 31, 2024. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity related to unreimbursed Developer costs:

Due to Developer, beginning of year	\$ 17,707,790
Additions	1,099,001
Reimbursements	<u>(1,463,049)</u>
Due to Developer, end of year	<u>\$ 17,343,742</u>

**NOTE 10. NORTH FORT BEND WATER AUTHORITY**

The District entered into a Groundwater Reduction Plan Participation Agreement with the North Fort Bend Water Authority (the “Authority”) on October 28, 2020. The District will pay the Authority a water well pumpage fee based on the amount of water pumped from all well(s) owned and operated by the District. This fee will enable the Authority to fulfill its purpose and regulatory functions. The fee charged as of year-end was \$4.55 per 1,000-gallons of water pumped from each well. The term of this agreement is for 40 years from the effective date of the agreement. The District recorded \$109,873 for pumpage fees in the current fiscal year.

**NOTE 11. EMERGENCY WATER INTERCONNECT AGREEMENT**

On March 10, 2020, the District entered into an Emergency Water Interconnect Agreement with Fort Bend County Freshwater Supply District No. 1 and the City of Arcola. The District will be responsible for all costs associated with construction of the water line and interconnect facilities required. The rate for water delivered is \$1.00 per 1,000 gallons plus any per 1000-gallon plus any applicable water Authority fees. The term of the agreement is 25 years from the effective date of the agreement.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2024**

**NOTE 12. BOND SALE**

On December 5, 2023, the District issued \$3,000,000 of Unlimited Tax Bonds, Series 2023. Proceeds from the bonds were used to reimburse the Developer a portion of the construction costs for the Charleston MUD Water Plant, Phase 1. Additional proceeds were used to fund capitalized interest, creation costs and pay for issuance costs of the bonds.

**NOTE 13. SUBSEQUENT EVENT – PENDING BOND SALE**

The District's application to issue \$3,085,000 of bonds has been declared administratively complete by the Commission. The District expects to close on the sale of the bonds sometime in November 2024.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARCH 31, 2024**



**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 425,000	\$ 523,166	\$ 98,166
Water Service	60,000	82,519	22,519
Wastewater Service	72,000	121,768	49,768
Water Authority Fees	45,000	101,979	56,979
Penalty and Interest	4,000	10,626	6,626
Tap Connection and Inspection Fees	140,000	294,050	154,050
Investment and Miscellaneous Revenues	<u>3,030</u>	<u>5,954</u>	<u>2,924</u>
<b>TOTAL REVENUES</b>	<u>\$ 749,030</u>	<u>\$ 1,140,062</u>	<u>\$ 391,032</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 92,500	\$ 98,362	\$ (5,862)
Contracted Services	97,000	159,761	(62,761)
Utilities	38,400	41,128	(2,728)
Regional Water Authority Assessment	45,000	109,873	(64,873)
Repairs and Maintenance	180,480	229,791	(49,311)
Other	<u>182,202</u>	<u>263,461</u>	<u>(81,259)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 635,582</u>	<u>\$ 902,376</u>	<u>\$ (266,794)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 113,448</u>	<u>\$ 237,686</u>	<u>\$ 124,238</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Developer Advances	<u>\$ 90,000</u>	<u>\$ 206,000</u>	<u>\$ 116,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 203,448	\$ 443,686	\$ 240,238
<b>FUND BALANCE (DEFICIT) - APRIL 1, 2023</b>	<u>(11,553)</u>	<u>(11,553)</u>	<u></u>
<b>FUND BALANCE - MARCH 31, 2024</b>	<u>\$ 191,895</u>	<u>\$ 432,133</u>	<u>\$ 240,238</u>

See accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**MARCH 31, 2024**





**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED MARCH 31, 2024**

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

<u>  X  </u>	Retail Water	<u>        </u>	Wholesale Water	<u>  X  </u>	Drainage
<u>  X  </u>	Retail Wastewater	<u>        </u>	Wholesale Wastewater	<u>        </u>	Irrigation
<u>        </u>	Parks/Recreation	<u>        </u>	Fire Protection	<u>        </u>	Security
<u>  X  </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 (specify): Storm Water Detention				

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order effective March 1, 2024.

	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons over Minimum	Usage Levels
WATER:	\$ 20.00	10,000	N	\$ 2.00	10,001 to 15,000
				\$ 3.00	15,001 to 20,000
				\$ 4.00	20,001 to 25,000
				\$ 5.00	25,001 and up

WASTEWATER      \$ 41.19      Y

**SURCHARGE:**

Regional Water Authority Fees	0,001	N	\$ 5.00	All
-------------------------------	-------	---	---------	-----

District employs winter averaging for wastewater usage?

<u>        </u>	<u>  X  </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$20.00 Wastewater: \$41.19 Surcharge: \$50.00 Total: \$111.19

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED MARCH 31, 2024**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>318</u>	<u>315</u>	x 1.0	<u>315</u>
1"	<u>10</u>	<u>10</u>	x 2.5	<u>25</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>2</u>	<u>2</u>	x 8.0	<u>16</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>332</u>	<u>329</u>		<u>366</u>
Total Wastewater Connections	<u>325</u>	<u>322</u>	x 1.0	<u>322</u>

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

		Water Accountability Ratio: 98.1%
		(Gallons billed/Gallons pumped)
Gallons pumped into system:	23,914,000	
Gallons billed to customers:	22,680,000	
Leaks and flushing:	775,000	

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED MARCH 31, 2024**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

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

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Arcola, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MARCH 31, 2024**

PROFESSIONAL FEES:	
Auditing	\$ 10,500
Engineering	41,272
Legal	<u>46,590</u>
TOTAL PROFESSIONAL FEES	<u>\$ 98,362</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 2,657
Bookkeeping	45,429
Operations and Billing	57,600
Solid Waste Disposal	46,530
Tax Collector	<u>7,545</u>
TOTAL CONTRACTED SERVICES	<u>\$ 159,761</u>
UTILITIES	<u>\$ 41,128</u>
REPAIRS AND MAINTENANCE	<u>\$ 229,791</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 12,635
Election Costs	894
Insurance	15,292
Legal Notices	1,653
Office Supplies and Postage	10,449
Payroll Administration	737
Travel and Meetings	3,228
Other	<u>4,105</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 48,993</u>
TAP CONNECTIONS	<u>\$ 115,081</u>
OTHER EXPENDITURES:	
Chemicals	\$ 5,309
Laboratory Fees	43,287
Permit Fees	21,759
Inspection Fees	28,170
Water Authority Assessments	109,873
TCEQ Regulatory Assessment	<u>862</u>
TOTAL OTHER EXPENDITURES	<u>\$ 209,260</u>
TOTAL EXPENDITURES	<u><u>\$ 902,376</u></u>

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**MARCH 31, 2024**

<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>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 391,587	\$ -0-
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 328,071	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 633,723	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 1,353,381</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MARCH 31, 2024**

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
APRIL 1, 2023	\$ 9,186	
Adjustments to Beginning		
Balance	<u>(2,473)</u>	\$ 6,713
Original 2023 Tax Levy	\$ 549,738	
Adjustment to 2023 Tax Levy	<u>97,273</u>	<u>647,011</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 653,724
TAX COLLECTIONS:		
Prior Years	\$ 6,713	
Current Year	<u>516,453</u>	<u>523,166</u>
TAXES RECEIVABLE -		
MARCH 31, 2024		<u>\$ 130,558</u>
TAXES RECEIVABLE BY		
YEAR:		
2023		<u>\$ 130,558</u>

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MARCH 31, 2024**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 16,186,783	\$ 9,984,340	\$ 880,170	\$ 860,450
Improvements	28,354,897	1,101,080	4,030	23,750
Personal Property	34,070	34,070		
Exemptions	<u>(1,441,724)</u>	<u>(20,530)</u>		
TOTAL PROPERTY VALUATIONS	<u>\$ 43,134,026</u>	<u>\$ 11,098,960</u>	<u>\$ 884,200</u>	<u>\$ 884,200</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 647,011</u>	<u>\$ 166,484</u>	<u>\$ 13,263</u>	<u>\$ 13,263</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>79.82 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 4, 2019.

See accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**



**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2024**

S E R I E S - 2 0 2 3

Due During Fiscal Years Ending March 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2025	\$	\$ 145,925	\$ 145,925
2026	100,000	158,644	258,644
2027	100,000	153,644	253,644
2028	55,000	149,769	204,769
2029	60,000	146,894	206,894
2030	60,000	143,894	203,894
2031	65,000	140,769	205,769
2032	70,000	137,394	207,394
2033	75,000	133,769	208,769
2034	80,000	129,894	209,894
2035	80,000	125,894	205,894
2036	90,000	121,644	211,644
2037	95,000	117,019	212,019
2038	100,000	112,019	212,019
2039	105,000	106,638	211,638
2040	110,000	100,994	210,994
2041	120,000	94,881	214,881
2042	125,000	88,297	213,297
2043	130,000	81,281	211,281
2044	140,000	73,688	213,688
2045	150,000	65,531	215,531
2046	155,000	56,953	211,953
2047	165,000	47,952	212,952
2048	175,000	38,391	213,391
2049	185,000	28,266	213,266
2050	200,000	17,438	217,438
2051	210,000	5,906	215,906
	<u>\$ 3,000,000</u>	<u>\$ 2,723,388</u>	<u>\$ 5,723,388</u>

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED MARCH 31, 2024**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2023
Charleston Municipal Utility District Unlimited Tax Bonds - Series 2023		\$ -0-

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 23,000,000	\$ 23,000,000
Amount Issued	<u>3,000,000</u>	
Remaining to be Issued	<u>\$ 20,000,000</u>	<u>\$ 23,000,000</u>

Debt Service Fund cash and investment balances as of March 31, 2024: \$ 328,071

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 211,977

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

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding March 31, 2024	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$ 3,000,000	\$ -0-	\$ -0-	\$ 3,000,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – THREE YEARS**

	Amounts		
	2024	2023	2022
<b>REVENUES</b>			
Property Taxes	\$ 523,166	\$ 157,182	\$ 13,263
Water Service	82,519	38,469	
Wastewater Service	121,768	55,311	
Water Authority Fees	101,979	38,943	
Penalty and Interest	10,626	4,233	925
Tap Connection and Inspection Fees	294,050	379,221	62,460
Investment and Miscellaneous Revenues	<u>5,954</u>	<u>3,062</u>	<u>84</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,140,062</u>	<u>\$ 676,421</u>	<u>\$ 76,732</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 98,362	\$ 71,518	\$ 67,398
Contracted Services	159,761	86,990	26,271
Utilities	41,128	15,597	
Regional Water Authority Assessment	109,873	52,930	
Repairs and Maintenance	229,791	144,754	25,860
Other	<u>263,461</u>	<u>309,168</u>	<u>51,949</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 902,376</u>	<u>\$ 680,957</u>	<u>\$ 171,478</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 237,686</u>	<u>\$ (4,536)</u>	<u>\$ (94,746)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	<u>\$ 206,000</u>	<u>\$ -0-</u>	<u>\$ 125,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 443,686	\$ (4,536)	\$ 30,254
<b>BEGINNING FUND BALANCE (DEFICIT)</b>	<u>(11,553)</u>	<u>(7,017)</u>	<u>(37,271)</u>
<b>ENDING FUND BALANCE (DEFICIT)</b>	<u>\$ 432,133</u>	<u>\$ (11,553)</u>	<u>\$ (7,017)</u>

See accompanying independent auditor's report.

Percentage of Total Revenues		
2024	2023	2022
46.0 %	23.1 %	17.3 %
7.2	5.7	
10.7	8.2	
8.9	5.8	
0.9	0.6	1.2
25.8	56.1	81.4
0.5	0.5	0.1
100.0 %	100.0 %	100.0 %
8.6 %	10.6 %	87.8 %
14.0	12.9	34.2
3.6	2.3	
9.6	7.8	
20.2	21.4	33.7
23.1	45.7	67.7
79.1 %	100.7 %	223.4 %
20.9 %	(0.7) %	(123.4) %

See accompanying independent auditor's report.

**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND – THREE YEARS**

	Amounts		
	2024	2023	2022
<b>REVENUES</b>			
Investment and Miscellaneous Revenues	\$ 5,784	\$ -0-	\$ -0-
<b>TOTAL EXPENDITURES</b>	\$ -0-	\$ -0-	\$ -0-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 5,784	\$ -0-	\$ -0-
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Issuance of Long-Term Debt	\$ 322,287	\$ -0-	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	\$ 328,071	\$	\$
<b>BEGINNING FUND BALANCE</b>			
<b>ENDING FUND BALANCE</b>	\$ 328,071	\$ -0-	\$ -0-
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	329	194	N/A
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	322	187	N/A

See accompanying independent auditor's report.

Percentage of Total Revenues					
2024		2023		2022	
<u>100.0</u>					
	%		%		%
<u>100.0</u>	%	<u>N/A</u>	%	<u>N/A</u>	%

See accompanying independent auditor's report.

District Mailing Address	- Charleston Municipal Utility District Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056-3078
District Telephone Number	- (713) 623-4531

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

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 25, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

- 44 -



**CHARLESTON MUNICIPAL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**MARCH 31, 2024**

<b>Consultants:</b>	<b>Date Hired</b>	<b>Fees for the year ended March 31, 2024</b>	<b>Title</b>
Schwartz, Page & Harding, L.L.P.	01/18/19	\$ 56,235 \$ 85,438	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	04/26/22	\$ 10,750 \$ 9,000 \$ 600	Auditor Bond Related SB 625
Municipal Accounts & Consulting, L.P.	01/18/19	\$ 51,381	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	01/26/21	\$ 193	Delinquent Tax Attorney
Masterson Advisors LLC	01/18/19	\$ 66,044	Financial Advisor
Odyssey Engineering Group, LLC	01/18/19	\$ 97,699	Engineer
Bob Leared Interests, Inc.	02/08/19	\$ 11,078	Tax Assessor/ Collector
Municipal Operations & Consulting, Inc.	08/25/20	\$ 447,383	Operator
Mark Burton	01/18/19	\$ -0-	Investment Officer

See accompanying independent auditor's report.

