

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A**

KENDALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 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	4-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	8
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	10
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	11
NOTES TO THE FINANCIAL STATEMENTS	12-19
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	21
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	23-25
GENERAL FUND EXPENDITURES	26
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND – ONE YEAR	27
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	28-29

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, Texas 78755-5126
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kendall County Water Control and
Improvement District No. 3A
Kendall County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Kendall County Water Control and Improvement District No. 3A (the "District") as of and for the year ended July 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 major fund of the District as of July 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
Kendall County Water Control and
Improvement District No. 3A

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 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 script is cursive and fluid.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 9, 2024

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2024**

Management's discussion and analysis of the financial performance of Kendall County Water Control and Improvement District No. 3A (the "District") provides an overview of the District's financial activities for the year ended July 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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 and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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 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 one governmental fund type. The General Fund accounted for service revenues, developer advances, operating costs, and administrative costs.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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 \$168,412 as of July 31, 2024. This is the District's first audit. In future years, a comparative analysis of government-wide changes in net position will be presented.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the Statement of Net Position for the year ended July 31, 2024:

	Summary Statement of Net Position - 2024
Current and Other Assets	\$ 497,653
Capital Assets (Net of Depreciation)	<u>31,297,383</u>
Total Assets	<u>\$ 31,795,036</u>
Due to Developer	\$ 31,505,211
Other Liabilities	<u>458,237</u>
Total Liabilities	<u>\$ 31,963,448</u>
Net Position:	
Net Investment in Capital Assets	\$ 1,273,698
Unrestricted	<u>(1,442,110)</u>
Total Net Position	<u><u>\$ (168,412)</u></u>

The following table provides a summary of the District's operations for the year ended July 31, 2024, which is the initial audit period for the District:

	Summary Statement of Activities - 2024
Total Revenues	\$ 1,870,452
Total Expenses	<u>1,328,080</u>
Change in Net Position	\$ 542,372
Net Position, Beginning of Year	<u>(710,784)</u>
Net Position, End of Year	<u><u>\$ (168,412)</u></u>

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUND

The District’s General Fund fund balance as of July 31, 2024, was \$39,416, an increase of \$310,189 from the previous fiscal year primarily due to service revenues and developer advances exceeding operating and administrative costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year. Actual revenues and developer advances were \$2,698,788 more than budgeted revenues and advances. Actual expenditures were \$2,388,599 more than budgeted expenditures. This resulted in a positive budget variance of \$310,189. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets at year-end total \$31,297,383 and are summarized in the following table:

Capital Assets At Year-End	
	2024
Capital Assets Not Being Depreciated:	
Land and Land Improvements	\$ 227,907
Capital Assets Subject to Depreciation:	
Water System	10,371,474
Wastewater System	7,700,860
Drainage System	6,569,920
Roads	6,604,512
Less Accumulated Depreciation	(177,290)
Total Net Capital Assets	<u>\$ 31,297,383</u>

LONG-TERM DEBT

As of July 31, 2024, the District recorded an amount due to the Developer of \$31,505,211 which consisted of operating advances made by the Developer since inception as well as costs associated with completed water, wastewater, drainage and road infrastructure projects.

CONTACTING THE DISTRICT’S MANAGEMENT

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kendall County Water Control and Improvement District No. 3A, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1330 Post Oak Blvd, Suite 2650, Houston, Texas 77056.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JULY 31, 2024**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 377,801	\$	\$ 377,801
Service Accounts Receivable	119,852		119,852
Land		227,907	227,907
Capital Assets (Net of Accumulated Depreciation)		31,069,476	31,069,476
TOTAL ASSETS	<u>\$ 497,653</u>	<u>\$ 31,297,383</u>	<u>\$ 31,795,036</u>
LIABILITIES			
Accounts Payable	\$ 438,087	\$	\$ 438,087
Due to Developer		31,505,211	31,505,211
Security Deposits	20,150		20,150
TOTAL LIABILITIES	<u>\$ 458,237</u>	<u>\$ 31,505,211</u>	<u>\$ 31,963,448</u>
FUND BALANCE			
Unassigned	<u>\$ 39,416</u>	<u>\$ (39,416)</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 497,653</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 1,273,698	\$ 1,273,698
Unrestricted		(1,442,110)	(1,442,110)
TOTAL NET POSITION		<u>\$ (168,412)</u>	<u>\$ (168,412)</u>

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

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2024**

Total Fund Balance - Governmental Fund	\$ 39,416
--	-----------

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.	31,297,383
---	------------

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

Due to Developer	<u>(31,505,211)</u>
------------------	---------------------

Total Net Position - Governmental Activities	<u>\$ (168,412)</u>
--	---------------------

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

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2024**

	General Fund	Adjustments	Activities
REVENUES			
Water Service	\$ 99,199	\$	\$ 99,199
Wastewater Service	119,750		119,750
Penalty and Interest	13,521		13,521
Connection and Inspection Fees	1,637,502		1,637,502
Investment and Miscellaneous Revenues	480		480
TOTAL REVENUES	<u>\$ 1,870,452</u>	<u>\$ -0-</u>	<u>\$ 1,870,452</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 367,285	\$	\$ 367,285
Contracted Services	22,403		22,403
Purchased Services	534,948		534,948
Repairs and Maintenance	18,719		18,719
Depreciation		177,290	177,290
Other	207,435		207,435
Capital Outlay	1,450,988	(1,450,988)	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,601,778</u>	<u>\$ (1,273,698)</u>	<u>\$ 1,328,080</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ (731,326)</u>	<u>\$ 1,273,698</u>	<u>\$ 542,372</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ 1,041,515	\$ (1,041,515)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 310,189	\$ (310,189)	\$
CHANGE IN NET POSITION		542,372	542,372
FUND BALANCE (DEFICIT)			
NET POSITION - AUGUST 1, 2023	<u>(270,773)</u>	<u>(440,011)</u>	<u>(710,784)</u>
FUND BALANCE/NET POSITION - JULY 31, 2024	<u><u>\$ 39,416</u></u>	<u><u>\$ (207,828)</u></u>	<u><u>\$ (168,412)</u></u>

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

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2024**

Net Change in Fund Balance - Governmental Fund	\$	310,189
--	----	---------

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

Governmental funds do not account for depreciation. However, depreciation expense is recorded in governmental activities.		(177,290)
---	--	-----------

Governmental funds report capital outlay as expenditures in the period purchased. However, in governmental activities, capital assets are increased by new purchases.		1,450,988
---	--	-----------

Governmental funds report developer advances as other financing sources. However, in governmental activities, developer advances are recorded as a liability.		(1,041,515)
---	--	-------------

Change in Net Position - Governmental Activities	\$	<u>542,372</u>
--	----	----------------

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

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024**

NOTE 1. CREATION OF DISTRICT

On December 10, 2019, Kendall County Water Control and Improvement District No. 3 adopted an order providing for the division of the district into two districts including Kendall County Water Control and Improvement District No. 3A (the “District”) and Kendall County Water Control and Improvement District No. 3B. The creation of the District was confirmed by an election held May 2, 2020. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 51, Texas Water Code, as amended. 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; the control and diversion of storm water; and roads. The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District.

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 on the following page.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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.
- 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

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 Balance.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund

The District's one governmental fund is considered a major fund. The General Fund accounts for developer advances, operating costs, and administrative 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.

The District intends to levy property taxes in future years. 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.

Amounts transferred from one fund to another fund are reported as other financing sources and uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their 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 Statement of Activities.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital asset additions, improvements and preservation costs that extend the life of an asset will be capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, 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 over estimated useful lives ranging from 10 to 45 years.

Budgeting

An annual 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 budgeted 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.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District does not have any nonspendable fund balances.

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. The District does not have any restricted fund balances.

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.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024**

NOTE 3. BOND AUTHORIZATION

The District has authorized but unissued bonds in the amount of \$92,240,000 for the purposes of acquiring or construction of water, sewer and drainage facilities, \$64,181,000 for road facilities, \$138,360,000 for the purpose of refunding water, sewer and drainage facilities bonds, \$96,271,500 for the purpose of refunding road bonds.

NOTE 4. 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.

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 \$377,801 and the bank balance was \$555,334. The District was not exposed to custodial credit risk.

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.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024**

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of July 31, 2024, the District did not own any investments.

NOTE 5. CAPITAL ASSETS

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

	August 1, 2023	Increases	Decreases	July 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ -0-	\$ 227,907	\$ -0-	\$ 227,907
Capital Assets Subject to Depreciation				
Water System	\$	\$ 10,371,474	\$	\$ 10,371,474
Wastewater System		7,700,860		7,700,860
Drainage System		6,569,920		6,569,920
Roads		6,604,512		6,604,512
Total Capital Assets Subject to Depreciation	\$ -0-	\$ 31,246,766	\$ -0-	\$ 31,246,766
Accumulated Depreciation				
Water System	\$	\$ 93,223	\$	\$ 93,223
Wastewater System		18,295		18,295
Drainage System		32,800		32,800
Roads		32,972		32,972
Total Accumulated Depreciation	\$ -0-	\$ 177,290	\$ -0-	\$ 177,290
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ -0-	\$ 31,069,476	\$ -0-	\$ 31,069,476
Total Capital Assets, Net of Accumulated Depreciation	\$ -0-	\$ 31,297,383	\$ -0-	\$ 31,297,383

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024**

NOTE 6. MAINTENANCE TAX

On November 7, 2023, District voters authorized the levy and collection of a maintenance tax not to exceed \$1.20 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used for operations and maintenance purposes. During the year ended July 31, 2024, the District did not levy an ad valorem maintenance tax.

NOTE 7. 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 since inception.

NOTE 8. UNREIMBURSED COSTS

The District has entered into a financing and reimbursement agreement with a Developer which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has recorded a liability to the Developer of \$31,505,211 for completed construction projects and operating advances as of July 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:

Due to Developer, beginning of year	\$ - 0 -
Current year additions	<u>31,505,211</u>
Due to Developer, end of year	<u><u>\$ 31,505,211</u></u>

NOTE 9. WATER SERVICE AGREEMENT

Water service to the District is provided pursuant to an Interlocal Agreement and Term Wholesale Water Service Contract with the San Antonio Water System ("SAWS"). The District agrees to an annual commitment to purchase water from SAWS on a take-or-pay basis. The District pays monthly charges based on water flowing through the meters at the point of delivery at a rate determined by SAWS which is currently \$6.62 per 1,000 gallons. If the volume of water used by the District during a calendar year is less than the adjusted annual commitment, SAWS will invoice the District a true-up amount. The District incurred purchased water costs totaling \$534,948 during the current fiscal year, including annual true-up costs of \$469,271.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2024

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Water Service	\$	\$ 99,199	\$ 99,199
Wastewater Service		119,750	119,750
Penalty and Interest		13,521	13,521
Connection and Inspection Fees		1,637,502	1,637,502
Penalty, Interest, and Other		480	480
TOTAL REVENUES	<u>\$ -0-</u>	<u>\$ 1,870,452</u>	<u>\$ 1,870,452</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 200,000	\$ 367,285	\$ (167,285)
Contracted Services	3,600	22,403	(18,803)
Purchased Services		534,948	(534,948)
Repairs and Maintenance		18,719	(18,719)
Other	9,579	207,435	(197,856)
Capital Outlay		1,450,988	(1,450,988)
TOTAL EXPENDITURES	<u>\$ 213,179</u>	<u>\$ 2,601,778</u>	<u>\$ (2,388,599)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (213,179)</u>	<u>\$ (731,326)</u>	<u>\$ (518,147)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 213,179</u>	<u>\$ 1,041,515</u>	<u>\$ 828,336</u>
NET CHANGE IN FUND BALANCE	<u>\$ -0-</u>	<u>\$ 310,189</u>	<u>\$ 310,189</u>
FUND BALANCE (DEFICIT) - AUGUST 1, 2023	<u>(270,773)</u>	<u>(270,773)</u>	
FUND BALANCE (DEFICIT) - JULY 31, 2024	<u>\$ (270,773)</u>	<u>\$ 39,416</u>	<u>\$ 310,189</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A**

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

JULY 31, 2024

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
SERVICES AND RATES
FOR THE YEAR ENDED JULY 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> X </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service				
<u> </u>	Other (specify):				

2. RETAIL SERVICE PROVIDERS:

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

The following rates are based on the rate order approved June 7, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 75.00	5,000	N	\$ 7.25 \$ 7.75 \$ 9.00	5,001 to 10,000 10,001 to 15,000 15,001 and up
WASTEWATER:	\$125.00*	-0-	Y		

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$111.25 Wastewater: \$125.00

* Includes trash collection

See accompanying independent auditor's report.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	237	221	x 1.0	221
1"	2	2	x 2.5	5
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	239	223		226
Total Wastewater Connections	233	221	x 1.0	221

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

Gallons pumped into system:	8,851,000	Water Accountability Ratio: 98% (Gallons billed and used for maintenance/Gallons pumped)
Leaks and Flushing:	1,245,000	
Gallons billed to customers:	7,400,000	

See accompanying independent auditor's report.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2024**

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Kendall County, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2024**

PROFESSIONAL FEES:	
Engineering	\$ 191,251
Legal	<u>176,034</u>
TOTAL PROFESSIONAL FEES	<u>\$ 367,285</u>
 PURCHASED SERVICES	 <u>\$ 534,948</u>
 CONTRACTED SERVICES:	
Bookkeeping	\$ 8,000
Operations and Billing	<u>14,403</u>
TOTAL CONTRACTED SERVICES	<u>\$ 22,403</u>
 REPAIRS AND MAINTENANCE	 <u>\$ 18,719</u>
 ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 5,072
Insurance	12,262
Website, Meetings, and Other	<u>2,042</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 19,376</u>
 CAPITAL OUTLAY	 <u>\$ 1,450,988</u>
 OTHER EXPENDITURES:	
Lab Fees and Permit Fees	\$ 3,185
Connection and Inspection Fees	<u>184,874</u>
TOTAL OTHER EXPENDITURES	<u>\$ 188,059</u>
 TOTAL EXPENDITURES	 <u><u>\$ 2,601,778</u></u>

See accompanying independent auditor's report.

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – ONE YEAR**

	<u>Amounts</u>	<u>Percentage of Total Revenues</u>
	<u>2024</u>	<u>2024</u>
REVENUES		
Water Service	\$ 99,199	5.3 %
Wastewater Service	119,750	6.4
Penalty and Interest	13,521	0.7
Connection and Inspection Fees	1,637,502	87.5
Investment and Miscellaneous Revenues	<u>480</u>	<u>0.1</u>
TOTAL REVENUES	<u>\$ 1,870,452</u>	<u>100.0 %</u>
EXPENDITURES		
Professional Fees	\$ 367,285	19.6 %
Contracted Services	22,403	1.2
Purchased Services	534,948	28.6
Repairs and Maintenance	18,719	1.0
Other	207,435	11.1
Capital Outlay	<u>1,450,988</u>	<u>77.6</u>
TOTAL EXPENDITURES	<u>\$ 2,601,778</u>	<u>139.1 %</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (731,326)</u>	<u>(39.1) %</u>
OTHER FINANCING SOURCES (USES)		
Developer Advances	<u>\$ 1,041,515</u>	
NET CHANGE IN FUND BALANCE	\$ 310,189	
BEGINNING FUND BALANCE (DEFICIT)	<u>(270,773)</u>	
ENDING FUND BALANCE	<u>\$ 39,416</u>	
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>223</u>	
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>221</u>	

See accompanying independent auditor's report.

District Mailing Address	- Kendall County Water Control and Improvement District No. 3A c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP 1330 Post Oak Blvd, Suite 2650 Houston, TX 77056
District Telephone Number	- (713) 850-9000

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. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

- 28 -

**KENDALL COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2024**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2024</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	05/07/20	\$ 86,752	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/17/21	\$ -0-	Auditor
L & S District Services, LLC	05/07/20	\$ 8,000	Bookkeeper
Robert W. Baird	05/07/20	\$ -0-	Financial Advisor
Pape-Dawson Engineers, Inc.	05/07/20	\$ 256,051	Former Engineer
Cude Engineers	08/2024	\$ -0-	Engineer
Utility Tax Service, LLC	05/07/20	\$ -0-	Tax Assessor/ Collector
Municipal Operations & Consulting, Inc.	10/12/22	\$ 156,861	Operator

See accompanying independent auditor's report.

