EAST LAKE HOUSTON MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

TABLE OF CONTENTS

	PAGE
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 financial statements)	
GENERAL FUND EXPENDITURES	23
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES – GENERAL FUND – ONE YEAR	24
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	25-26

McCall Gibson Swedlund Barfoot Ellis PLLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Lake Houston Management District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of East Lake Houston Management District (the "District") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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.

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Board of Directors
East Lake Houston Management District

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
East Lake Houston Management 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 are 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.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

April 27, 2026

EAST LAKE HOUSTON MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Management's discussion and analysis of the East Lake Houston Management District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2025.

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

The 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 and considers it a major fund. The General Fund accounts for resources not accounted for in another fund, developer advances, costs, general expenditures and capital expenditures.

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. The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $1,577,099 as of September 30, 2025. This is the District's first audit. In future years a comparative analysis of government-wide changes in net position will be presented. The following table provides a summary of the Statement of Net Position for the year ended September 30, 2025:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is an analysis of government-wide changes in net position:

	Summary of the Statement of Net Position 2025
Current and Other Assets	$ 312,381
Capital Assets (Net of Accumulated Depreciation)	9,662,920
Total Assets	$ 9,975,301
Due to Developer	$ 6,961,319
Other Liabilities	4,591,081
Total Liabilities	$ 11,552,400
Net Position:	
Net Investment in Capital Assets	$ (4,203,993)
Unrestricted	2,626,894
Total Net Position	$ (1,577,099)

The following table provides an analysis of the District's operations for the year ended September 30, 2025.

	Summary of the Statement of Activities 2025
Total Revenues	$ -0-
Expenses for Services	993,521
Change in Net Position	$ (993,521)
Net Position, Beginning of Year	(583,578)
Net Position, End of Year	$ (1,577,099)

EAST LAKE HOUSTON MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of September 30, 2025 was a deficit of $4,278,700, a decrease of $4,176,499 from the prior year, primarily due to operating and capital expenditures exceeding developer advances.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual expenditures were $9,533,341 more than budgeted expenditures. Actual developer advances were $5,276,757 more than budgeted. See the budget to actual comparison for more information.

CAPITAL ASSETS

The District's capital assets as of September 30, 2025, amount to $9,662,920. Construction in Progress includes utilities to serve Crosby Terrace Section 1 and Crosby Pines Section 1, FM 2100 Interconnect, and Crosby Terrace lift station. Additional information on the District's capital assets can be found in Note 5 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2025
Capital Assets Not Being Depreciated:	
Construction in Progress	$ 9,662,920

LONG-TERM DEBT

The District does not have any outstanding bonds.

As of September 30, 2025, the District recorded an amount due to Developer of $6,961,319 which consists of operating advances.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to East Lake Houston Management District, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

EAST LAKE HOUSTON MANAGEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 312,381	$	$ 312,381
Construction in Progress		9,662,920	9,662,920
TOTAL ASSETS	$ 312,381	$ 9,662,920	$ 9,975,301
LIABILITIES			
Accounts Payable	$ 4,591,081	$	$ 4,591,081
Due to Developers		6,961,319	6,961,319
TOTAL LIABILITIES	$ 4,591,081	$ 6,961,319	$ 11,552,400
TOTAL FUND BALANCE	$ (4,278,700)	$ 4,278,700	$ -0-
TOTAL LIABILITIES AND FUND BALANCE	$ 312,381		
NET POSITION			
Net Investment in Capital Assets		$ (4,203,993)	$ (4,203,993)
Unrestricted		2,626,894	2,626,894
TOTAL NET POSITION		$ (1,577,099)	$ (1,577,099)

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

EAST LAKE HOUSTON MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total Fund Balance - Governmental Fund	$ (4,278,700)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	9,662,920
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Due to Developer	(6,961,319)
Total Net Position - Governmental Activities	$ (1,577,099)

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

EAST LAKE HOUSTON MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Activities
TOTAL REVENUES	$ - 0 -	$ -0-	$ - 0 -
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	$ 681,938	$	$ 681,938
Contracted Services	281,764		281,764
Other	29,819		29,819
Capital Outlay	9,662,920	(9,662,920)	
TOTAL EXPENDITURES/EXPENSES	$ 10,656,441	$ (9,662,920)	$ 993,521
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (10,656,441)	$ 9,662,920	$ (993,521)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 6,479,942	$ (6,479,942)	$ -0-
NET CHANGE IN FUND BALANCE	$ (4,176,499)	$ 4,176,499	$
CHANGE IN NET POSITION		(993,521)	(993,521)
FUND BALANCE(DEFICIT)/ NET POSITION - OCTOBER 1, 2024	(102,201)	(481,377)	(583,578)
FUND BALANCE(DEFICIT)/ NET POSITION - SEPTEMBER 30, 2025	$ (4,278,700)	$ 2,701,601	$ (1,577,099)

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

EAST LAKE HOUSTON MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net Change in Fund Balance - Governmental Fund	$ (4,176,499)
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	9,662,920
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.	(6,479,942)
Change in Net Position - Governmental Activities	$ (993,521)

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

NOTE 1. CREATION OF DISTRICT

East Lake Houston Management District was created, effective June 12, 2017, by the Texas Legislature as a municipal management district pursuant to Section 3936, Texas Special District Local Laws Code, under the authority provided in Sections 52 and 52-a, and Article XVI, Section 59, Texas Constitution, and operates in accordance with (i) the District Legislation, and (ii) Chapter 375, Local Government Code (the "MMD Act"). Pursuant to the provisions of the Act creating the District, the District is empowered to acquire, construct, finance, operate, or maintain any improvement project authorized under the District Legislation or the MMD Act. The Board of Directors held its first meeting on February 8, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately appointed 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.

<u>Financial Statement Presentation</u>

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:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net assets 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 assets 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 assets consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. 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 by adjustment to obtain net total revenue and expense 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 Statement of Revenues, Expenditures and Changes in Fund Balance.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has one governmental fund and considers it a major fund.

General Fund - To account for resources not required to be accounted for in another fund, developer advances, costs and general expenditures.

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 of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. If applicable, 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 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 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (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.

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

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

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. The District's fund balances 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

NOTE 3. 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 Authority 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 $312,381 and the bank balance was $312,381. The District was not exposed to custodial credit risk at year-end.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at September 30, 2025, as listed below:

	Cash
GENERAL FUND	$ 312,381

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.

Thet District has no investments as of September 30, 2025.

NOTE 4. ANNUAL ASSESSMENT

In accordance with the Act creating the District, the District may levy ad valorem taxes or assessment fees in accordance with Chapter 375, Local Government Code, to provide improvements and services for a project or activity the District is authorized to acquire, construct, improve, or provide under this Act. The District may also impose a sales and use tax in the amount of one percent (1%).

On October 9, 2025, subsequent to year end, an order was adopted granting a petition for a Service Plan and an assessment roll for the Crosby Terrace Improvement Area Improvements for the Crosby Terrace Improvement Area of the District. The order authorized levying an annual assessment which would assure sufficient funding for the services to be provided under term of the Service Plan.

During the year ended September 30, 2025, the District did not levy an assessment for the 2024 assessment year.

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. Assessments are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2025:

	October 1, 2024	Increases	Decreases	September 30, 2025
Capital Assets Not Being Depreciated				
Construction in Progress	$ -0-	$ 9,662,920	$ -0-	$ 9,662,920

NOTE 6. 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 last three years.

NOTE 7. BOND AUTHORIZATION

At an election held on May 1, 2021, the voters of the District authorized the issuance of utility bonds up to $360,000,000, $450,000,000 for road bonds, $414,000,000 for the purpose of refunding utility bonds and $517,500,000 for the purpose of refunding road bonds of which all remain authorized bur unissued.

NOTE 8. UNREIMBURSED COSTS

The District has entered into financing agreements with the Developers which calls for the Developers to fund operating advances as well as costs associated with improvements to the District. The District has an obligation to reimburse the Developers for these costs from future bond issues or other lawfully available funds. As of September 30, 2025, the District has recorded an amount due to the Developers in the amount of $6,961,319.

NOTE 9. DEFICIT FUND BALANCE

The General Fund has a deficit balance of $4,278,700 as of September 30, 2025. This deficit is projected to be alleviated with service revenues and/or developer advances in the next fiscal year.

EAST LAKE HOUSTON MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

EAST LAKE HOUSTON MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
TOTAL REVENUES	$ -0-	$ -0-	$ -0-
EXPENDITURES			
Service Operations:			
Professional Fees	$ 478,000	$ 681,938	$ (203,938)
Contracted Services	495,000	281,764	213,236
Other	100	29,819	(29,719)
Capital Outlay	150,000	9,662,920	(9,512,920)
TOTAL EXPENDITURES	$ 1,123,100	$ 10,656,441	$ (9,533,341)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (1,123,100)	$ (10,656,441)	$ (9,533,341)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 1,203,185	$ 6,479,942	$ 5,276,757
NET CHANGE IN FUND BALANCE	$ 80,085	$ (4,176,499)	$ (4,256,584)
FUND BALANCE - OCTOBER 1, 2024	(102,201)	(102,201)	
FUND BALANCE - SEPTEMBER 30, 2025	$ (22,116)	$ (4,278,700)	$ (4,256,584)

See accompanying independent auditor’s report.

EAST LAKE HOUSTON MANAGEMENT DISTRICT

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2025

EAST LAKE HOUSTON MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

PROFESSIONAL FEES:		
Engineering	$	332,891
Legal		349,047
TOTAL PROFESSIONAL FEES	$	681,938
CONTRACTED SERVICES:		
Financial Consultant	$	192,878
Appraisal District		59,000
Bookkeeping		29,886
TOTAL CONTRACTED SERVICES	$	281,764
ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	12,234
Insurance		8,017
Payroll Administration and Taxes		936
Travel and Meetings		930
Other		7,082
TOTAL ADMINISTRATIVE EXPENDITURES	$	29,199
CAPITAL OUTLAY	$	9,662,920
OTHER EXPENDITURES:		
Permit Fees	$	620
TOTAL EXPENDITURES	$	10,656,441

See accompanying independent auditor's report.

EAST LAKE HOUSTON MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - ONE YEAR

	Amounts		Percentage of Total Revenues	
	2025		2025	
TOTAL REVENUES	$	- 0 -	N/A	%
EXPENDITURES				
Service Operations:				
Professional Fees	$	681,938	N/A	%
Contracted Services		281,764	N/A	
Other		29,819	N/A	
Capital Outlay		9,662,920	N/A	
TOTAL EXPENDITURES	$	10,656,441	N/A	%
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$	(10,656,441)	N/A	%
OTHER FINANCING SOURCES (USES)				
Developer Advances	$	6,479,942		
NET CHANGE IN FUND BALANCE	$	(4,176,499)		
BEGINNING FUND BALANCE (DEFICIT)		(102,201)		
ENDING FUND BALANCE (DEFICIT)	$	(4,278,700)		

See accompanying independent auditor's report.

EAST LAKE HOUSTON MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2025

District Mailing Address	-	East Lake Houston Management District c/o Winstead PC 2728 N. Harwood Street, Suite 500 Dallas, TX 75201
District Telephone Number	-	(214) 745-5353

Board Members	Term of Office (Appointed)	Fees of Office for the year ended September 30, 2025	Expense Reimbursements for the year ended September 30, 2025	Position
Michael Lacy	05/24 06/29 (Appointed)	$ 2,873	$ 77	1 Vice Chairman
Zach Dehghanpoor	06/25 06/29 (Appointed)	$ 3,415	$ 231	2 Secretary
William Glen Woodson	06/25 06/29 (Appointed)	$ 3,636	$ 571	3 Chairman
James Shipman	07/25 06/27 (Appointed)	$ 663	$ 11	4 Assistant Secretary
Ryan Allen	08/25 06/27 (Appointed)	$ 663	$ 39	5 Assistant Secretary

See accompanying independent auditor's report.

EAST LAKE HOUSOTN MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2025

Consultants:	Date Hired	Fees for the year ended December 31, 2025	Title
Winstead PC	02/08/21	$ 349,047	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/08/25	$ -0-	Auditor
L & S District Services, LLC	01/07/25	$ 37,611	Bookkeeper
Precision Utility, LLC	09/30/24	$ -0-	Operator
FdR Consulting	05/01/24	$ 342,729	Engineer
Debra Loggins	01/07/25	$ -0-	Investment Officer

See accompanying independent auditor's report.