

WEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 14
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
SEPTEMBER 30, 2023

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January 8, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Harris County Municipal
Utility District No. 14
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the West Harris County Municipal Utility District No. 14 as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise West Harris County Municipal Utility District No. 14's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the West Harris County Municipal Utility District No. 14, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of West Harris County Municipal Utility District No. 14, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Harris County Municipal Utility District No. 14's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 West Harris County Municipal Utility District No. 14's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Harris County Municipal Utility District No. 14's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Harris County Municipal Utility District No. 14's basic financial statements. The supplementary information on Pages 20 to 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

Management's Discussion and Analysis

Using this Annual Report

Within this section of the West Harris County Municipal Utility District No. 14 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

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

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

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 2,490,969	\$ 1,671,468	\$ 819,501
Capital assets	<u>2,668,745</u>	<u>2,795,496</u>	<u>(126,751)</u>
Total assets	<u>5,159,714</u>	<u>4,466,964</u>	<u>692,750</u>
Long-term liabilities	362,473	376,901	(14,428)
Other liabilities	<u>301,184</u>	<u>180,785</u>	<u>120,399</u>
Total liabilities	<u>663,657</u>	<u>557,686</u>	<u>105,971</u>
Net position:			
Invested in capital assets, net of related debt	2,301,628	2,413,951	(112,323)
Restricted	3,098	4,038	(940)
Unrestricted	<u>2,191,331</u>	<u>1,491,289</u>	<u>700,042</u>
Total net position	<u>\$ 4,496,057</u>	<u>\$ 3,909,278</u>	<u>\$ 586,779</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes	\$ 1,250,248	\$ 1,225,775	\$ 24,473
Charges for services	897,499	808,294	89,205
Other revenues	<u>83,550</u>	<u>8,868</u>	<u>74,682</u>
Total revenues	<u>2,231,297</u>	<u>2,042,937</u>	<u>188,360</u>
Expenses:			
Service operations	1,644,518	1,468,805	175,713
Debt service	<u>0</u>	<u>(1,667)</u>	<u>1,667</u>
Total expenses	<u>1,644,518</u>	<u>1,467,138</u>	<u>177,380</u>
Change in net position	586,779	575,799	10,980
Net position, beginning of year	<u>3,909,278</u>	<u>3,333,479</u>	<u>575,799</u>
Net position, end of year	<u>\$ 4,496,057</u>	<u>\$ 3,909,278</u>	<u>\$ 586,779</u>

Financial Analysis of the District's Funds

The District's General Fund balance as of the end of the fiscal year ended September 30, 2023, was \$2,187,351. The General Fund balance increased by \$700,360, in accordance with the District's financial plan.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 19 of this report. The budgetary fund balance as of September 30, 2023, was expected to be \$1,755,996 and the actual end of year fund balance was \$2,187,351.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 28,656	\$ 28,656	\$ 0
Water facilities	1,164,540	1,214,333	(49,793)
Sewer facilities	<u>1,475,549</u>	<u>1,552,507</u>	<u>(76,958)</u>
Totals	<u>\$ 2,668,745</u>	<u>\$ 2,795,496</u>	<u>\$ (126,751)</u>

Changes to capital assets during the fiscal year ended September 30, 2023, are summarized as follows:

Additions:		
Joint wastewater treatment plant improvements		\$ 11,959
Decreases:		
Depreciation		<u>(138,710)</u>
Net change to capital assets		<u>\$ (126,751)</u>

Debt

At September 30, 2023, the District had no bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District has entered into a contract with an adjacent district for the development of improvements to land which straddles both district. Under the terms of the agreement, the District will receive all tax revenues from the land and improvements which lies within the boundaries of the District and the other district will service the customers within that land. The other district has constructed underground facilities to serve the land and the District has agreed to reimburse the other district for the cost of facilities within the boundaries of the District. The cost of the facilities within the boundaries of the District has been determined to be \$116,122 and the districts have agreed that the District will repay this amount by 24 annual payments of \$4,644 each and one final payment of \$4,666. At September 30, 2023, the unpaid balance of the amount due to the other district was \$32,530.

On September 16, 2010, the District entered into a contract with a landowner within the district for the development of improvements within the boundaries of the landowner's property. The landowner has constructed underground facilities to serve the land and the District has agreed to reimburse the landowner for the cost of facilities. The cost of the facilities has been determined to be \$395,299 and the parties have agreed that the District will repay this amount in annual installments equal to the amount of maintenance tax revenues generated by the property each year until the earlier of such time as the cost has been repaid in full, or twenty years from September 16, 2010. At September 30, 2023, the unpaid balance of the amount due to the landowner was \$334,587.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$29,660,000 for the 2022 tax year (approximately 12%), primarily due to the increase of average assessed valuations on existing property.

Relationship to the City of Houston

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

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

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

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District and by January 2005, the District must have provided evidence to the Subsidence District that construction of the infrastructure defined within the District's certified groundwater reduction plan has started. The Subsidence District has designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. At September 30, 2023, the Authority's ground water pumpage fee was equal to \$3.95 per 1,000 gallons pumped, and is expected to increase in the future. At September 30, 2023, the Authority's surface water usage fee was equal to \$4.35 per 1,000 gallons purchased, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 228,193	\$	\$	\$ 228,193	\$	\$ 228,193
Certificates of deposit, at cost, Note 7	456,777			456,777		456,777
Temporary investments, at cost, Note 7	1,641,810			1,641,810		1,641,810
Receivables:						
Property taxes	3,980			3,980		3,980
Accrued penalty and interest on property taxes				0	3,098	3,098
Service accounts	90,734			90,734		90,734
Accrued interest	12,249			12,249		12,249
Other	5,203			5,203		5,203
Deposits at joint venture, Note 9	48,925			48,925		48,925
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	28,656	28,656
Depreciable capital assets				0	2,640,089	2,640,089
Total assets	<u>\$2,487,871</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,487,871</u>	<u>2,671,843</u>	<u>5,159,714</u>
LIABILITIES						
Accounts payable	\$ 251,710	\$	\$	\$ 251,710		251,710
Customer deposits	44,830			44,830		44,830
Long-term liabilities, Note 5:						
Due within one year				0	4,644	4,644
Due in more than one year				0	362,473	362,473
Total liabilities	<u>296,540</u>	<u>0</u>	<u>0</u>	<u>296,540</u>	<u>367,117</u>	<u>663,657</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>3,980</u>	<u>0</u>	<u>0</u>	<u>3,980</u>	<u>(3,980)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Reserve at joint venture, Note 9	48,925			48,925	(48,925)	0
Unassigned	<u>2,138,426</u>			<u>2,138,426</u>	<u>(2,138,426)</u>	<u>0</u>
Total fund balances	<u>2,187,351</u>	<u>0</u>	<u>0</u>	<u>2,187,351</u>	<u>(2,187,351)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$2,487,871</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,487,871</u>		
Net position:						
Invested in capital assets, net of related debt					2,304,726	2,304,726
Unrestricted					<u>2,191,331</u>	<u>2,191,331</u>
Total net position					<u>\$ 4,496,057</u>	<u>\$ 4,496,057</u>

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

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 1,251,506	\$	\$	\$ 1,251,506	\$ (1,273)	\$ 1,250,233
Water service	247,229			247,229		247,229
Sewer service	128,936			128,936		128,936
Surface water fees, Note 10	495,381			495,381		495,381
Penalty, interest and other	25,953			25,953	15	25,968
Interest on deposits and investments	83,550			83,550		83,550
Total revenues	2,232,555	0	0	2,232,555	(1,258)	2,231,297
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 9	862,177			862,177		862,177
Professional fees	209,397			209,397		209,397
Contracted services	134,713			134,713		134,713
Repairs, maintenance and other operating expenditures	151,982			151,982		151,982
Security service and street lighting	73,500			73,500		73,500
Administrative expenditures	69,330			69,330		69,330
Depreciation				0	138,710	138,710
Capital outlay / non-capital outlay	31,096			31,096	(26,387)	4,709
Total expenditures / expenses	1,532,195	0	0	1,532,195	112,323	1,644,518
Excess (deficiency) of revenues over expenditures	700,360	0	0	700,360	(113,581)	586,779
Net change in fund balances / net position	700,360	0	0	700,360	(113,581)	586,779
Beginning of year	1,486,991	0	0	1,486,991	2,422,287	3,909,278
End of year	\$ 2,187,351	\$ 0	\$ 0	\$ 2,187,351	\$ 2,308,706	\$ 4,496,057

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

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1: REPORTING ENTITY

West Harris County Municipal Utility District No. 14 (the "District") was created by the Texas Water Commission (now the Texas Commission on Environmental Quality) on July 8, 1980, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on July 14, 1980 and the first bonds were sold on November 21, 1994. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

The District is a participant in the Aberdeen Regional Sewage Treatment Plant and the West Harris County Municipal Utility District No. 15 Joint Water Plant Facilities. Oversight of these joint facilities is exercised by the Board of Directors of West Harris County Municipal Utility District No. 15. Based upon the application of the criteria described above, the joint facilities financial activity has not been included in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 2,187,351	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Total capital assets, net			2,668,745
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
Due to landowner	\$ (334,587)		
Due to other district	<u>(32,530)</u>		(367,117)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:			
Accrued penalty and interest on property taxes receivable	3,098		
Uncollected property taxes	<u>3,980</u>		<u>7,078</u>
Net position, end of year			<u>\$ 4,496,057</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 700,360
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 26,387	
Depreciation	<u>(138,710)</u>	(112,323)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	15	
Uncollected property taxes	<u>(1,273)</u>	<u>(1,258)</u>
Change in net position		<u>\$ 586,779</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 28,656	\$	\$	\$ 28,656
Construction in progress	<u>0</u>	<u></u>	<u></u>	<u>0</u>
Total capital assets not being depreciated	<u>28,656</u>	<u>0</u>	<u>0</u>	<u>28,656</u>
Depreciable capital assets:				
Water system	2,741,074			2,741,074
Sewer system	<u>3,652,923</u>	<u>11,959</u>	<u></u>	<u>3,664,882</u>
Total depreciable capital assets	<u>6,393,997</u>	<u>11,959</u>	<u>0</u>	<u>6,405,956</u>
Less accumulated depreciation for:				
Water system	(1,526,741)	(49,793)		(1,576,534)
Sewer system	<u>(2,100,416)</u>	<u>(88,917)</u>	<u></u>	<u>(2,189,333)</u>
Total accumulated depreciation	<u>(3,627,157)</u>	<u>(138,710)</u>	<u>0</u>	<u>(3,765,867)</u>
Total depreciable capital assets, net	<u>2,766,840</u>	<u>(126,751)</u>	<u>0</u>	<u>2,640,089</u>
Total capital assets, net	<u>\$ 2,795,496</u>	<u>\$ (126,751)</u>	<u>\$ 0</u>	<u>\$ 2,668,745</u>
Changes to capital assets:				
Capital outlay		\$ 11,959	\$	
Depreciation expense for the fiscal year		<u>(138,710)</u>	<u></u>	
Net increases / decreases to capital assets		<u>\$ (126,751)</u>	<u>\$ 0</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Due to other district (see below)	\$ 37,174	\$	\$ 4,644	\$ 32,530	\$ 4,644
Due to landowner (see below)	<u>344,371</u>	<u> </u>	<u>9,784</u>	<u>334,587</u>	<u> </u>
Total long-term liabilities	<u>\$ 381,545</u>	<u>\$ 0</u>	<u>\$ 14,428</u>	<u>\$ 367,117</u>	<u>\$ 4,644</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

Bonds voted	\$ 11,750,000
Bonds approved for sale and sold	11,750,000
Bonds voted and not issued	0

Contractual Liability to Other District

The District has entered into a contract with an adjacent district for the development of improvements to land which straddles both districts. Under the terms of the agreement, the District will receive all tax revenues from the land and improvements which lies within the boundaries of the District and the other district will service the customers within that land. The other district has constructed underground facilities to serve the land and the District has agreed to reimburse the other district for the cost of facilities within the boundaries of the District. The cost of the facilities within the boundaries of the District has been determined to be \$116,122 and the districts have agreed that the District will repay this amount by 24 annual payments of \$4,644 each and one final payment of \$4,666. At September 30, 2023, the unpaid balance of the amount due to the other district was \$32,530.

Landowner Construction Commitments and Liabilities

On September 16, 2010, the District entered into a contract with a landowner within the district for the development of improvements within the boundaries of the landowner’s property. The landowner has constructed underground facilities to serve the land and the District has agreed to reimburse the landowner for the cost of facilities. The cost of the facilities has been determined to be \$395,299 and the parties have agreed that the District will repay this amount in annual installments equal to the amount of maintenance tax revenues generated by the property each year until the earlier of such time as the cost has been repaid in full, or twenty years from September 16, 2010. At September 30, 2023, the unpaid balance of the amount due to the landowner was \$334,587.

NOTE 6: PROPERTY TAXES

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

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At an election held November 3, 1981, the voters within the District authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 10, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of \$272,380,476:

	Rate	Amount
Maintenance	\$ 0.4600	\$ 1,252,950

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

2022 tax year total property tax levy	\$ 1,252,950
Appraisal district adjustments to prior year taxes	(2,717)
Statement of Activities property tax revenues	\$ 1,250,233

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,641,810.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At September 30, 2023, the District had physical damage and boiler and machinery coverage of \$885,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution coverage of \$1,000,000, automobile liability coverage of \$1,000,000, consultant's crime coverage of \$100,000 and a tax assessor-collector bond of \$10,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: CONTRACTS WITH OTHER DISTRICT

Regional Wastewater Treatment Contract

On July 7, 1983, the District and West Harris County Municipal Utility District No. 15 ("No. 15") entered into the Aberdeen Regional Sewage Treatment Agreement. This agreement is for a term of forty years and provides for the ownership and operation of the Aberdeen Regional Sewage Treatment Plant (the "Plant"). Under the terms of the agreement, No. 15 is the "Administrator District" of the Plant and, as such, has full and complete management of the Plant. Expansion costs of the Plant are to be funded by the contribution of funds from each participating district. The Plant issues no debt.

On May 11, 2021, the participants entered into the Second Amended and Restated Memorandum of Agreement for capacity in the Plant. Under the Second Amended and Restated Memorandum Agreement, the District owns 41.67% and No. 15 owns 58.33% of the total capacity in the Plant. Participants are billed a monthly amount which is equal to the actual costs incurred during the prior month divided according to percentage of ownership in the Plant. During the fiscal year ended September 30, 2023, the District accrued \$225,590 for its share of Plant expenditures and \$11,959 for its share of capital outlay. At this date the District had contributed \$15,000 of the Plant's \$30,000 operating reserve.

Water Supply Agreements

On August 19, 1998, the District entered into a Lease Agreement for Capacity in the Aberdeen Regional Water Plant (the "Plant"). The term of the agreement was forty years. On March 13, 2002, the participants entered into a Third Amended Lease Agreement for Capacity in the Aberdeen Regional Water Plant. Under the Third Amended Agreement, the District owns or leases 59.00% of the capacity in the Plant.

On July 8, 1998, the District and No. 15 entered into an Amended Agreement for Construction, Operation and Ownership of Water Plant Facilities. On June 1, 2010, the District and No. 15 entered into the Second Amended Agreement for Construction, Operation and Ownership of Water Plant Facilities which superseded the prior agreement. The agreements provided for the construction of a second water plant to serve both districts and described the method of billing expenditures between the districts. The District owns 27.70% of the capacity in the second water plant and No. 15 owns 72.30% of the capacity.

No. 15 operates and accounts for the operations of all the joint water plant facilities. Operation and maintenance costs are divided according to the percentage of ownership of each plant, except for surface water expenditures, which are to be divided according to the percentage of water delivered to customers by each district. During the fiscal year ended September 30, 2023, the District accrued \$636,587 for its cost for water purchased from the joint water plant facilities. At this date the District had contributed \$33,925 of the joint water plant facilities' \$86,250 operating reserve.

NOTE 10: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of September 30, 2023, the Authority had established a ground water pumpage fee of \$3.95 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$4.35 per 1,000 gallons of water purchased. The District's share of the \$1,043,796 surface water fees payable by the Joint Water Plant Facilities to the Authority for the fiscal year ended September 30, 2023, was \$527,364. The District billed its customers \$495,381 during the fiscal year to pay for the fees charged by the Authority.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,169,000	\$ 1,169,000	\$ 1,251,506	\$ 82,506
Water service	235,000	235,000	247,229	12,229
Sewer service	125,000	125,000	128,936	3,936
Surface water fees	400,000	400,000	495,381	95,381
Penalty and other	9,150	9,150	25,953	16,803
Interest on deposits and investments	4,000	4,000	83,550	79,550
TOTAL REVENUES	1,942,150	1,942,150	2,232,555	290,405
EXPENDITURES				
Service operations:				
Purchased services	758,000	758,000	866,886	108,886
Professional fees	179,950	179,950	209,397	29,447
Contracted services	108,000	108,000	134,713	26,713
Repairs, maintenance and other operating expenditures	140,500	140,500	151,982	11,482
Security service and street lighting	24,500	24,500	73,500	49,000
Administrative expenditures	66,050	66,050	69,330	3,280
Capital outlay	396,145	396,145	26,387	(369,758)
TOTAL EXPENDITURES	1,673,145	1,673,145	1,532,195	(140,950)
EXCESS REVENUES (EXPENDITURES)	269,005	269,005	700,360	431,355
FUND BALANCE, BEGINNING OF YEAR	1,486,991	1,486,991	1,486,991	0
FUND BALANCE, END OF YEAR	\$ 1,755,996	\$ 1,755,996	\$ 2,187,351	\$ 431,355

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

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SEPTEMBER 30, 2023

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [] TSI-5. Long-Term Debt Service Requirements by Years
None at September 30, 2023.
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2023

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

- | | | |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other | | |

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$15.00	5,000	N	\$1.00	5,001 to 15,000
				1.25	15,001 to 25,000
				1.50	25,001 to 35,000
				1.75	Over 35,000
WASTEWATER:	\$11.00	25,000	N	\$0.75	Over 25,000
SURCHARGE:	\$4.35 per 1,000 gallons of water used. – WHCRWA surface water fees.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$20.00 Wastewater: \$11.00 Surcharge: \$43.50

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

SCHEDULE OF SERVICES AND RATES (Continued)

SEPTEMBER 30, 2023

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	870	867	1.0	867
1"	19	19	2.5	48
1-1/2"	4	4	5.0	20
2"	12	12	8.0	96
3"	0	0	15.0	0
4"	2	2	25.0	50
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>907</u>	<u>904</u>		<u>1,081</u>
Total Wastewater	<u>895</u>	<u>893</u>	1.0	<u>893</u>

*Single family equivalents

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

Gallons pumped into system (unaudited):	<u>241,193</u>
Gallons billed to No. 15 customers (unaudited):	<u>108,784</u>
Gallons billed to No. 14 customers (unaudited):	<u>115,726</u>
Total gallons billed to customers (unaudited):	<u>224,510</u>

Water Accountability Ratio
(Gallons billed/ gallons pumped): 93%

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

Does the District have Debt Service standby fees? Yes No

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

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

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

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased services:				
Water	\$ 636,587	\$	\$	\$ 636,587
Sewer	225,590			225,590
	<u>862,177</u>	<u>0</u>	<u>0</u>	<u>862,177</u>
Professional fees:				
Auditing	10,950			10,950
Legal	192,648			192,648
Engineering	5,799			5,799
	<u>209,397</u>	<u>0</u>	<u>0</u>	<u>209,397</u>
Contracted services:				
Bookkeeping	26,450			26,450
Operation and billing	83,222			83,222
Tax assessor-collector	15,996			15,996
Central appraisal district	9,045			9,045
	<u>134,713</u>	<u>0</u>	<u>0</u>	<u>134,713</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	130,417			130,417
Laboratory costs	13,918			13,918
Sewer inspection costs	489			489
Reconnection costs	1,900			1,900
Utilities	3,547			3,547
TCEQ assessment	1,711			1,711
	<u>151,982</u>	<u>0</u>	<u>0</u>	<u>151,982</u>
Security service and street lighting	<u>73,500</u>	<u>0</u>	<u>0</u>	<u>73,500</u>
Administrative expenditures:				
Director's fees	8,218			8,218
Office supplies and postage	40,373			40,373
Insurance	8,633			8,633
Permit fees	2,225			2,225
Other	9,881			9,881
	<u>69,330</u>	<u>0</u>	<u>0</u>	<u>69,330</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>31,096</u>	<u>0</u>	<u>0</u>	<u>31,096</u>
TOTAL EXPENDITURES	<u>\$ 1,532,195</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,532,195</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues	\$ 2,190,796	\$	\$	\$ 2,190,796
Transfer of maintenance taxes				0
Transfer from other fund				0
Increase in customer deposits	<u>2,100</u>	<u> </u>	<u> </u>	<u>2,100</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>2,192,896</u>	<u>0</u>	<u>0</u>	<u>2,192,896</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,363,721	23,788		1,387,509
Capital outlay	<u>26,387</u>	<u> </u>	<u> </u>	<u>26,387</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>1,390,108</u>	<u>23,788</u>	<u>0</u>	<u>1,413,896</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	802,788	(23,788)	0	779,000
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>1,523,992</u>	<u>23,788</u>	<u>0</u>	<u>1,547,780</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 2,326,780</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,326,780</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS
SEPTEMBER 30, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 9009005111	4.24%	12/06/23	\$ 230,000	\$ 7,962
No. 6550126630	5.00%	5/15/23	<u>226,777</u>	<u>4,287</u>
			<u>\$ 456,777</u>	<u>\$ 12,249</u>
TexPool				
No. 2572900003	Market	On demand	<u>\$ 1,641,810</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 2,098,587</u>	<u>\$ 12,249</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Maintenance Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 5,253
Additions and corrections to prior year taxes	<u>(2,717)</u>
Adjusted receivable, beginning of year	2,536
2022 ADJUSTED TAX ROLL	<u>1,252,950</u>
Total to be accounted for	1,255,486
Tax collections: Current tax year	(1,251,441)
Prior tax years	<u>(65)</u>
RECEIVABLE, END OF YEAR	<u>\$ 3,980</u>
RECEIVABLE, BY TAX YEAR	
2015	\$ 18
2016	19
2017	31
2018	18
2019	652
2020	569
2021	464
2022	<u>1,509</u>
RECEIVABLE, END OF YEAR	<u>\$ 3,280</u>

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2023

ADJUSTED PROPERTY VALUATIONS
AS OF JANUARY 1 OF TAX YEAR

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 54,850,708	\$ 54,750,114	\$ 44,552,406	\$ 36,207,748
Improvements	240,671,386	190,896,610	185,554,694	181,273,477
Personal property	9,273,240	8,466,997	12,947,251	13,111,079
Less exemptions	<u>(32,414,858)</u>	<u>(11,394,571)</u>	<u>(9,495,091)</u>	<u>(9,026,363)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 272,380,476</u>	<u>\$ 242,719,150</u>	<u>\$ 233,559,260</u>	<u>\$ 221,565,941</u>

TAX RATES PER \$100 VALUATION

Debt service tax rates	\$ 0.00000	\$ 0.00000	\$ 0.14900	\$ 0.16000
Maintenance tax rates*	<u>0.46000</u>	<u>0.50000</u>	<u>0.38500</u>	<u>0.38500</u>

TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.46000</u>	<u>\$ 0.50000</u>	<u>\$ 0.53400</u>	<u>\$ 0.54500</u>
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	<u>\$ 1,252,950</u>	<u>\$ 1,213,598</u>	<u>\$ 1,247,206</u>	<u>\$ 1,207,535</u>
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PERCENT OF TAXES COLLECTED
TO TAXES LEVIED

	<u>99.9 %</u>	<u>99.9 %</u>	<u>99.9 %</u>	<u>99.9 %</u>
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*Maximum tax rate approved by voters on November 3, 1981: \$1.50

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$ 1,251,506	\$ 1,217,243	\$ 901,289	\$ 848,748	\$ 351,601	56.0 %	59.9 %	56.4 %	51.9 %	33.1 %
Water service	247,229	229,192	212,634	232,034	222,480	11.1	11.3	13.3	14.2	21.0
Sewer service	128,936	122,428	120,392	122,097	121,720	5.8	6.0	7.5	7.5	11.5
Surface water fees	495,381	439,514	347,386	384,629	325,195	22.2	21.6	21.7	23.5	30.6
Penalty and other	25,953	17,160	15,739	18,573	21,752	1.2	0.8	1.0	1.1	2.0
Tap connection and inspection fees	0	0	0	19,775	0	0.0	0.0	0.0	1.2	0.0
Interest on deposits and temporary investments	83,550	8,854	1,423	9,093	18,592	3.7	0.4	0.1	0.6	1.8
TOTAL REVENUES	2,232,555	2,034,391	1,598,863	1,634,949	1,061,340	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Purchased services	866,886	738,048	668,779	665,100	658,631	38.8	36.3	41.8	40.7	62.0
Professional fees	209,397	188,540	171,799	179,412	165,043	9.4	9.3	10.7	11.0	15.6
Contracted services	134,713	95,485	97,965	86,890	76,790	6.0	4.7	6.1	5.3	7.2
Repairs, maintenance and other operating expenditures	151,982	150,948	89,684	141,807	126,731	6.8	7.4	5.6	8.7	12.0
Security service and street lighting	73,500	49,500	49,000	36,000	24,500	3.3	2.4	3.1	2.2	2.3
Administrative expenditures	69,330	59,932	44,913	53,353	57,262	3.1	2.9	2.8	3.3	5.4
Capital outlay	26,387	117,714	217,817	61,279	128,863	1.2	5.8	13.6	3.7	12.1
TOTAL EXPENDITURES	1,532,195	1,400,167	1,339,957	1,223,841	1,237,820	68.6	68.8	83.7	74.9	116.6
EXCESS REVENUES (EXPENDITURES)	\$ 700,360	\$ 634,224	\$ 258,906	\$ 411,108	\$ (176,480)	31.4 %	31.2 %	16.3 %	25.1 %	(16.6) %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	904	905	896	905	902					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	893	894	885	901	893					

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022*	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$	\$ 2,380	\$ 355,127	\$ 353,768	\$ 775,156	%	19.9 %	96.2 %	97.1 %	97.6 %
Penalty and interest		9,581	12,917	5,106	7,668		80.0	3.5	1.4	1.0
Interest on deposits and investments		14	1,118	5,599	11,066		0.1	0.3	1.5	1.4
TOTAL REVENUES		<u>0</u>	<u>11,975</u>	<u>369,162</u>	<u>364,473</u>	<u>N/A</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees		12,160	10,555	9,230	10,720		101.5	2.9	2.5	1.4
Contracted services		23,416	22,918	23,172	22,704		195.5	6.2	6.4	2.9
Other expenditures		6,353	5,744	7,524	2,949		53.1	1.6	2.1	0.4
Debt service:										
Principal retirement		680,000	710,000	685,000	660,000		5678.5	192.2	187.9	83.0
Interest and fees		13,600	43,525	73,644	102,050		113.6	11.8	20.2	12.9
TOTAL EXPENDITURES		<u>0</u>	<u>735,529</u>	<u>792,742</u>	<u>798,570</u>	<u>N/A</u>	<u>6142.2</u>	<u>214.7</u>	<u>219.1</u>	<u>100.6</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$</u>	<u>0</u>	<u>\$ (723,554)</u>	<u>\$ (423,580)</u>	<u>\$ (434,097)</u>	<u>N/A %</u>	<u>(6,042. %)</u>	<u>(114.7) %</u>	<u>(119.1) %</u>	<u>(0.6) %</u>

*Last year of financial activity.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2023

Complete District Mailing Address: West Harris County Municipal Utility District No. 14
 c/o Young & Brooks
 10000 Memorial Drive, Suite 260
 Houston, Texas 77024

District Business Telephone No.: 713-651-0800

Submission date of the most recent District Registration Form: May 9, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Helmuth Wayne Roesler 13407 Gainsway Dr. Cypress, Texas 77429	Elected 5/07/22- 5/02/26	\$ 1,942	\$ 356	President
Stephen W. Bezecny 14007 Ragus Lake Drive Houston, Texas 77498	Elected 5/02/20- 5/04/24	1,492	0	V.P./ Investment Officer
James N. Purdue 4202 Rice Blvd. Houston, Texas 77005	Elected 5/07/22- 5/02/26	1,571	0	Secretary
Paul D. Gastineau 37412 Diamond Oaks Dr. Magnolia, Texas 77355	Elected 5/02/20- 5/04/24	1,642	545	Assistant Secretary
Martin Narendorf, Jr. 8931 Apple Mill Houston, Texas 77095	Elected 5/07/22- 5/02/26	1,571	0	Director

See accompanying independent auditor's report.

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)SEPTEMBER 30, 2023CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	7/15/80	\$ 192,648	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	12/09/80	28,083	Bookkeeper
Municipal Operations & Consulting, Inc. 27316 Spectrum Way Oak Ridge, Texas 77385	12/17/03	237,266	Operator
R. G. Miller Engineers, Inc. 16340 Park Ten Place, Suite 350 Houston, Texas 77084	11/20/96	5,799	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	7/15/80	22,018	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	9,045	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	6/11/18	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950	Independent Auditor

See accompanying independent auditor's report.