

SPRING WEST
MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
DECEMBER 31, 2023

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May 8, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Spring West Municipal
Utility District
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Spring West Municipal Utility District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Spring West Municipal Utility District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Spring West Municipal Utility District, as of December 31, 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 Spring West Municipal Utility District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Spring West Municipal Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. 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 Spring West Municipal Utility District'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 Spring West Municipal Utility District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spring West Municipal Utility District's basic financial statements. The supplementary information on Pages 24 to 41 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. Craig". The signature is written in a cursive style with a large, looping initial "M" and a long, sweeping tail.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Spring West Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 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 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	\$ 14,832,839	\$ 13,543,661	\$ 1,289,178
Capital assets	<u>22,651,452</u>	<u>22,359,610</u>	<u>291,842</u>
Total assets	<u>37,484,291</u>	<u>35,903,271</u>	<u>1,581,020</u>
Long-term liabilities	22,408,014	23,436,691	(1,028,677)
Other liabilities	<u>2,090,528</u>	<u>2,085,749</u>	<u>4,779</u>
Total liabilities	<u>24,498,542</u>	<u>25,522,440</u>	<u>(1,023,898)</u>
Total deferred inflows of resources	<u>3,293,666</u>	<u>3,126,734</u>	<u>166,932</u>
Net position:			
Invested in capital assets, net of related debt	(811,006)	(2,083,029)	1,272,023
Restricted	2,701,048	2,641,667	59,381
Unrestricted	<u>7,802,041</u>	<u>6,695,459</u>	<u>1,106,582</u>
Total net position	<u>\$ 9,692,083</u>	<u>\$ 7,254,097</u>	<u>\$ 2,437,986</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 3,026,873	\$ 2,825,641	\$ 201,232
Charges for services	1,983,704	2,042,931	(59,227)
Sales and Use Taxes	302,085	272,813	29,272
Other revenues	<u>620,524</u>	<u>70,028</u>	<u>550,496</u>
Total revenues	<u>5,933,186</u>	<u>5,211,413</u>	<u>721,773</u>
Expenses:			
Service operations	2,856,884	2,941,555	(84,671)
Debt service	<u>638,316</u>	<u>702,147</u>	<u>(63,831)</u>
Total expenses	<u>3,495,200</u>	<u>3,643,702</u>	<u>(148,502)</u>
Change in net position	2,437,986	1,567,711	870,275
Net position, beginning of year	<u>7,254,097</u>	<u>5,686,386</u>	<u>1,567,711</u>
Net position, end of year	<u>\$ 9,692,083</u>	<u>\$ 7,254,097</u>	<u>\$ 2,437,986</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2023, were \$10,636,696, an increase of \$1,136,476 from the prior year.

The General Fund balance increased by \$1,100,071, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$36,405, in accordance with the District's financial plan.

The Capital Projects Fund balance did not change due to the reimbursement of \$8,476 to the General Fund.

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 23 of this report. The budgetary fund balance as of December 31, 2023, was expected to be \$5,331,929 and the actual end of year fund balance was \$7,786,353.

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 and easements	\$ 3,733,719	\$ 3,733,719	\$ 0
Detention ponds	1,832,384	1,832,384	0
Construction in progress	2,054,801	2,228,379	(173,578)
Water facilities	5,773,380	5,673,472	99,908
Sewer facilities	7,622,814	7,909,024	(286,210)
Drainage facilities	<u>1,634,354</u>	<u>982,632</u>	<u>651,722</u>
Totals	<u>\$ 22,651,452</u>	<u>\$ 22,359,610</u>	<u>\$ 291,842</u>

Changes to capital assets during the fiscal year ended December 31, 2023, are summarized as follows:

Additions:		
Water system improvements		\$ 220,135
Sewer system improvements		43,946
Drainage system improvements		<u>698,645</u>
Total additions to capital assets		962,726
Decreases:		
Depreciation		<u>(670,884)</u>
Net change to capital assets		<u>\$ 291,842</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Bonded debt payable, beginning of year	\$ 22,600,000
Bonds paid	<u>(1,005,000)</u>
Bonded debt payable, end of year	<u>\$ 21,595,000</u>

At December 31, 2023, the District had \$39,835,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's Series 2015 and 2017 bonds have an underlying rating of A- by Standard and Poor's and the Series 2020 and 2021 bonds have an underlying rating of A3 by Moody's. The Series 2015 bonds are insured by Mutual Assurance Corp. The Series 2017, 2020 and 2021 bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the Series 2015, 2017, 2020 and 2021 bonds is AA by Standard & Poor's. The Series 2020 and 2021 bonds also have an insured rating of A1 by Moody's. There was no change in the bond ratings during the fiscal year ended December 31, 2023.

As further described in Note 5 of the notes to the financial statements, a developer within the District is constructing water, sewer and drainage facilities on behalf of the District under the terms of the contract between the District and the developer. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality and subject to the terms of the contract. At December 31, 2023, the estimated amount due to developer was \$1,954,384.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

As of December 31, 2023, the District's tax base increased approximately \$54,310,000 for the 2023 tax year (about 13%) primarily due to the increase in the 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.

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 14, 2009. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District by the City. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City, and the City provides only limited services. The City pays the District an amount equal to 50 percent of all Sales and Use Tax revenues received by the City from the properties subject to the SPA. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

Water Supply Issues

The District is located within the boundaries of the Harris-Galveston Subsidence District ("Subsidence District") and the North Harris County Regional Water Authority ("NHCRWA"). The NHCRWA was created to provide for conversion of the area within its boundaries from groundwater usage to alternative sources of water supply (e.g., surface water) as required by regulations of the Subsidence District. The NHCRWA covers an area located in northern Harris County and adjacent to the City of Houston. Pursuant to an order of the Subsidence District and the NHCRWA's Groundwater Reduction Plan (as approved by the Subsidence District), the area within the boundaries of the NHCRWA had to be converted to at least 30% alternate source (e.g., surface) water use by 2010, and must be converted to at least 60% alternate source water use by 2025, and 80% alternate source water use by 2035. To implement the required conversion to alternate source water use in accordance with such schedule, the NHCRWA is in the process of designing and constructing and will operate a network of transmission and distribution lines, storage tanks, and pumping stations to transport and distribute water within the NHCRWA (the "NHCRWA System"). In addition, the NHCRWA has entered into a water supply contract to secure a long-term supply of treated surface water from the City of Houston.

The District is subject to the NHCRWA's Groundwater Reduction Plan. The NHCRWA, as part of the plan of financing the NHCRWA System, has elected to allow districts, such as the District, to participate in a pro-rata share of the costs associated with the acquisition and construction of the NHCRWA System (including the costs associated with the acquisition of alternate sources of water supply) by issuing its own debt or using cash on hand, entitling the District to a future credit against pumpage fees due to the NHCRWA. The District has not elected this financing option. As a result, the District has elected to pay its share in the NHCRWA System costs over time through payment of levied pumpage fees to the NHCRWA. The District may be required by the NHCRWA to participate in the groundwater conversion project by converting to surface water in the future. Noncompliance with the NHCRWA's Groundwater Reduction Plan or nonparticipation in the NHCRWA's surface water conversion project could result in the District's exclusion from the NHCRWA's Groundwater Reduction Plan and assessment of the Subsidence District's disincentive fee against groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA's Pumpage Fee Order. The NHCRWA pumpage fee was \$3.60 per 1,000 gallons at December 31, 2023. The NHCRWA surface water fee was \$4.05 per 1,000 gallons at December 31, 2023. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA.

SPRING WEST MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 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	\$ 197,173	\$ 418,557	\$	\$ 615,730	\$	\$ 615,730
Temporary investments, at cost, Note 7	8,221,777	2,912,279	166,398	11,300,454		11,300,454
Receivables:						
Property taxes	1,435,967	1,248,889		2,684,856		2,684,856
Accrued penalty and interest on property taxes				0	26,242	26,242
Service accounts	133,387			133,387		133,387
Sales and Use Taxes, Note 10	72,170			72,170		72,170
Due from other fund			9,990	9,990	(9,990)	0
Maintenance taxes collected not yet transferred from other fund	169,268			169,268	(169,268)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	7,620,904	7,620,904
Depreciable capital assets				0	15,030,548	15,030,548
Total assets	<u>\$10,229,742</u>	<u>\$ 4,579,725</u>	<u>\$ 176,388</u>	<u>\$ 14,985,855</u>	<u>22,498,436</u>	<u>37,484,291</u>
LIABILITIES						
Accounts payable	\$ 179,014	\$ 12,077	\$	\$ 191,091		191,091
Developer reimbursement payable			176,388	176,388		176,388
Accrued interest payable				0	196,077	196,077
Customer and builder deposits	472,528			472,528		472,528
Due to other fund	9,990			9,990	(9,990)	0
Maintenance taxes collected not yet transferred to other fund		169,268		169,268	(169,268)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,054,444	1,054,444
Due in more than one year				0	22,408,014	22,408,014
Total liabilities	<u>661,532</u>	<u>181,345</u>	<u>176,388</u>	<u>1,019,265</u>	<u>23,479,277</u>	<u>24,498,542</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>1,781,857</u>	<u>1,548,037</u>	<u>0</u>	<u>3,329,894</u>	<u>(36,228)</u>	<u>3,293,666</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		2,850,343		2,850,343	(2,850,343)	0
Capital projects			0	0	0	0
Unassigned	<u>7,786,353</u>			<u>7,786,353</u>	<u>(7,786,353)</u>	<u>0</u>
Total fund balances	<u>7,786,353</u>	<u>2,850,343</u>	<u>0</u>	<u>10,636,696</u>	<u>(10,636,696)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$10,229,742</u>	<u>\$ 4,579,725</u>	<u>\$ 176,388</u>	<u>\$ 14,985,855</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(811,006)	(811,006)
Restricted for debt service					2,701,048	2,701,048
Restricted for capital projects					0	0
Unrestricted					<u>7,802,041</u>	<u>7,802,041</u>
Total net position					<u>\$ 9,692,083</u>	<u>\$ 9,692,083</u>

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

SPRING WEST MUNICIPAL UTILITY DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 1,491,399	\$ 1,491,303	\$	\$ 2,982,702	\$ 12,553	\$ 2,995,255
Water service	610,516			610,516		610,516
Sewer service	588,413			588,413		588,413
Surface water fees, Note 9	556,950			556,950		556,950
Penalty and interest	25,542	25,818		51,360	5,800	57,160
Sales and Use Taxes, Note 10	302,085			302,085		302,085
Tap connection and inspection fees	94,899			94,899		94,899
Interest on deposits and investments	409,646	168,496	8,476	586,618		586,618
Other revenues	107,384	33,906		141,290		141,290
Total revenues	4,186,834	1,719,523	8,476	5,914,833	18,353	5,933,186
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	428,560	3,292		431,852		431,852
Contracted services	139,927	41,249		181,176		181,176
Utilities	156,909			156,909		156,909
Groundwater pumpage fees, Note 9	563,775			563,775		563,775
Repairs and maintenance	327,020			327,020		327,020
Other operating expenditures	168,108			168,108		168,108
Security service	157,784			157,784		157,784
Administrative expenditures	139,771	8,946		148,717		148,717
Depreciation				0	670,884	670,884
Capital outlay / non-capital outlay	1,013,385			1,013,385	(962,726)	50,659
Debt service:						
Principal retirement		1,005,000		1,005,000	(1,005,000)	0
Interest and fees		624,631		624,631	13,685	638,316
Total expenditures / expenses	3,095,239	1,683,118	0	4,778,357	(1,283,157)	3,495,200
Excess (deficiency) of revenues over expenditures	1,091,595	36,405	8,476	1,136,476	1,301,510	2,437,986
OTHER FINANCING SOURCES (USES)						
Reimbursement to (from) other fund	8,476	0	(8,476)	0	0	0
Total other financing sources (uses)	8,476	0	(8,476)	0	0	0
Net change in fund balances / net position	1,100,071	36,405	0	1,136,476	1,301,510	2,437,986
Beginning of year	6,686,282	2,813,938	0	9,500,220	(2,246,123)	7,254,097
End of year	\$ 7,786,353	\$ 2,850,343	\$ 0	\$ 10,636,696	\$ (944,613)	\$ 9,692,083

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

SPRING WEST MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: REPORTING ENTITY

Spring West Municipal Utility District (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective July 25, 1978, and operates in accordance with Texas Water Code Chapters 49 and 54, as amended. 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 26, 1978 and the first bonds were sold on December 1, 1999. 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. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 10,636,696
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		22,651,452
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (21,595,000)	
Deferred charge on refunding (to be amortized as interest expense)	403,385	
Net issuance discount (to be amortized as interest expense)	(316,459)	
Due to developer	<u>(1,954,384)</u>	(23,462,458)
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	26,242	
Uncollected property taxes	<u>36,228</u>	62,470
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(196,077)</u>
Net position, end of year		<u>\$ 9,692,083</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		\$ 1,136,476
<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	\$ 962,726	
Depreciation	<u>(670,884)</u>	291,842
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		1,005,000
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(84,752)	
Issuance discount, net of premium	<u>59,933</u>	(24,819)
<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	5,800	
Uncollected property taxes	<u>12,553</u>	18,353
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>11,134</u>
Change in net position		<u>\$ 2,437,986</u>

NOTE 4: CAPITAL ASSETS

At December 31, 2023, "Invested in capital assets, net of related debt" was \$(811,006). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District, excluding detention ponds and linear detention/drainage channels. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 3,733,719	\$	\$	\$ 3,733,719
Detention ponds	1,832,384			1,832,384
Construction in progress	<u>2,228,379</u>	<u>135,974</u>	<u>309,552</u>	<u>2,054,801</u>
Total capital assets not being depreciated	<u>7,794,482</u>	<u>135,974</u>	<u>309,552</u>	<u>7,620,904</u>
Depreciable capital assets:				
Water system	9,085,709	393,713		9,479,422
Sewer system	11,218,105	43,946		11,262,051
Drainage system	<u>1,132,396</u>	<u>698,645</u>		<u>1,831,041</u>
Total depreciable capital assets	<u>21,436,210</u>	<u>1,136,304</u>	<u>0</u>	<u>22,572,514</u>
Less accumulated depreciation for:				
Water system	(3,412,237)	(293,805)		(3,706,042)
Sewer system	(3,309,081)	(330,156)		(3,639,237)
Drainage system	<u>(149,764)</u>	<u>(46,923)</u>		<u>(196,687)</u>
Total accumulated depreciation	<u>(6,871,082)</u>	<u>(670,884)</u>	<u>0</u>	<u>(7,541,966)</u>
Total depreciable capital assets, net	<u>14,565,128</u>	<u>465,420</u>	<u>0</u>	<u>15,030,548</u>
Total capital assets, net	<u>\$ 22,359,610</u>	<u>\$ 601,394</u>	<u>\$ 309,552</u>	<u>\$ 22,651,452</u>
Changes to capital assets:				
Capital outlay		\$ 962,726	\$	
Assets transferred to depreciable assets		309,552	309,552	
Less depreciation expense for the fiscal year		<u>(670,884)</u>		
Net increases / decreases to capital assets		<u>\$ 601,394</u>	<u>\$ 309,552</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 22,600,000	\$	\$ 1,005,000	\$ 21,595,000	\$ 1,035,000
Less deferred amounts:					
Issuance (discount), net of premium	376,392		59,933	316,459	68,383
For refunding charges	<u>(488,137)</u>		<u>(84,752)</u>	<u>(403,385)</u>	<u>(48,939)</u>
Total bonds payable	<u>22,488,255</u>	<u>0</u>	<u>980,181</u>	<u>21,508,074</u>	<u>1,054,444</u>
Due to developer (see below)	<u>1,954,384</u>	<u>0</u>	<u>0</u>	<u>1,954,384</u>	-----
Total long-term liabilities	<u>\$ 24,442,639</u>	<u>\$ 0</u>	<u>\$ 980,181</u>	<u>\$ 23,462,458</u>	<u>\$ 1,054,444</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

A developer within the District is currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developer for these facilities and related costs plus interest not to exceed the interest rate of the applicable District bond issue, pursuant to the terms of the contract between the District and the developer. These amounts are to be reimbursed from the proceeds of future bond issues to the extent approved by the Texas Commission on Environmental Quality and the terms of the contract. The District's engineer stated that the estimated amount due to developer for such facilities at December 31, 2023, was \$1,954,384. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

As of December 31, 2023, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,035,000	\$ 588,231	\$ 1,623,231
2025	1,070,000	553,881	1,623,881
2026	1,105,000	518,432	1,623,432
2027	1,175,000	477,581	1,652,581
2028	1,275,000	434,431	1,709,431
2029 - 2033	6,705,000	1,763,058	8,468,058
2034 - 2038	7,530,000	996,561	8,526,561
2039	<u>1,700,000</u>	<u>57,375</u>	<u>1,757,375</u>
	<u>\$ 21,595,000</u>	<u>\$ 5,389,550</u>	<u>\$ 26,984,550</u>

Bonds voted	\$ 71,800,000
Bonds approved for sale and sold	31,965,000
Bonds voted and not issued	39,835,000
Refunding bonds voted	10,000,000
Refunding bonds voted and issued	445,000
Refunding bonds voted and not issued	9,555,000

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without legal limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at December 31, 2023, were as follows:

	<u>Refunding Series 2015</u>	<u>Series 2017</u>
Amounts outstanding, December 31, 2023	\$2,495,000	\$6,685,000
Interest rates	4.00%	3.00% to 3.375%
Maturity dates, serially beginning/ending	September 1, 2024/2027	September 1, 2031/2039
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates	September 1, 2022*	September 1, 2024*

	<u>Refunding Series 2020</u>	<u>Refunding Series 2021</u>
Amounts outstanding, December 31, 2023	\$5,195,000	\$7,220,000
Interest rates	2.00% to 3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2024/2030	September 1, 2024/2035
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates	September 1, 2025*	September 1, 2026*

*Or any date thereafter at the option of the District, in whole or in part, at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

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.

At an election held on August 12, 1978, the voters within the District authorized a maintenance tax without limitation as to rate or amount on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay operating expenditures of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 12, 2023, the District levied the following ad valorem taxes for the 2023 tax year and the 2024 fiscal year on the adjusted taxable valuation of \$477,342,880:

	Rate	Amount
Debt service	\$ 0.3200	\$ 1,527,497
Maintenance	0.3700	1,766,169
	\$ 0.6900	\$ 3,293,666

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

2023 tax year total property tax levy	\$ 3,293,666
2023 tax year total property tax levy deferred to 2024 fiscal year	(3,293,666)
2022 tax year total property tax levy deferred to 2023 fiscal year	3,126,734
Appraisal district adjustments to prior year taxes	(131,479)
Statement of Activities property tax revenues	\$ 2,995,255

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, Texas Cooperative Liquid Asset Securities System Trust ("TXCLASS"), a private sector local government investment pool, and in TexPool, a local government investment pool sponsored by the State Comptroller. TXCLASS and TexPool are 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 carrying amount of the District's deposits was \$615,730 and the bank balance was \$684,643. Of the bank balance, \$500,000 was covered by federal insurance and \$184,643 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas.

At the balance sheet date the carrying value and market value of the investments in TXCLASS was \$11,213,298 and the carrying value and market value of the investments in TexPool was \$87,156.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash		\$	418,557
Temporary investments			<u>2,912,279</u>
		\$	<u>3,330,836</u>

Capital Projects Fund

For construction of capital assets:

Temporary investments		\$	<u>166,398</u>
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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 December 31, 2023, the District had physical damage and boiler and machinery coverage of \$29,527,500, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, automobile liability coverage of \$1,000,000, worker’s compensation coverage of \$1,000,000, consultant’s crime coverage of \$100,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: REGIONAL WATER AUTHORITY FEES

The North Harris County Regional Water Authority (the "Authority") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five 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 December 31, 2023, the Authority had established a well pumpage fee of \$3.60 per 1,000 gallons of water pumped from each regulated well. The District's well pumpage fees payable to the Authority for the fiscal year ended December 31, 2023, were \$563,775. The District billed its customers \$556,950 during the fiscal year to pay for the fees charged by the Authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT

On December 14, 2009, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City has imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$302,085 from the City for the fiscal year ended December 31, 2023. \$72,170 of this amount was receivable at that date.

SPRING WEST MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,511,452	\$ 1,511,452	\$ 1,491,399	\$ (20,053)
Water service	500,400	500,400	610,516	110,116
Sewer service	511,980	511,980	588,413	76,433
Surface water fees	606,000	606,000	556,950	(49,050)
Penalty and interest	18,000	18,000	25,542	7,542
Sales and Use Taxes	240,000	240,000	302,085	62,085
Tap connection and inspection fees	0	0	94,899	94,899
Interest on deposits and investments	216,000	216,000	409,646	193,646
Other revenues	88,700	88,700	107,384	18,684
TOTAL REVENUES	3,692,532	3,692,532	4,186,834	494,302
EXPENDITURES				
Service operations:				
Professional fees	347,450	347,450	428,560	81,110
Contracted services	128,025	128,025	139,927	11,902
Utilities	168,000	168,000	156,909	(11,091)
Groundwater pumpage fees	606,000	606,000	563,775	(42,225)
Repairs and maintenance	549,988	549,988	327,020	(222,968)
Other operating expenditures	148,600	148,600	168,108	19,508
Security service	155,244	155,244	157,784	2,540
Administrative expenditures	152,029	152,029	139,771	(12,258)
Capital outlay	2,791,549	2,791,549	1,013,385	(1,778,164)
TOTAL EXPENDITURES	5,046,885	5,046,885	3,095,239	(1,951,646)
EXCESS REVENUES (EXPENDITURES)	(1,354,353)	(1,354,353)	1,091,595	2,445,948
OTHER FINANCING SOURCES (USES)				
Reimbursement from other fund	0	0	8,476	8,476
TOTAL OTHER FINANCIAL SOURCES (USES)	0	0	8,476	8,476
EXCESS SOURCES (USES)	(1,354,353)	(1,354,353)	1,100,071	2,454,424
FUND BALANCE, BEGINNING OF YEAR	6,686,282	6,686,282	6,686,282	0
FUND BALANCE, END OF YEAR	\$ 5,331,929	\$ 5,331,929	\$ 7,786,353	\$ 2,454,424

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.

SPRING WEST MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DECEMBER 31, 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
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [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

SPRING WEST MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2023

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

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" 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 checked="" type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input 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) (residential rates):

	<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:	\$22.00	5,000	N	\$1.00 1.50 2.00	5,001 to 10,000 10,001 to 15,000 Over 15,000
WASTEWATER:	\$27.50		Y		

SURCHARGE: \$4.01 per 1,000 gallons of water used. – NHCRWA groundwater fees.

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$27.00 Wastewater: \$27.50 Surcharge: \$40.10

SPRING WEST MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
DECEMBER 31, 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"	544	537	1.0	537
1"	109	107	2.5	268
1-1/2"	17	16	5.0	80
2"	50	48	8.0	384
3"	2	2	15.0	30
4"	3	3	25.0	75
6"	4	4	50.0	200
8"	12	10	80.0	800
10"	0	0	115.0	0
Total Water	<u>741</u>	<u>727</u>		<u>2,374</u>
Total Wastewater	<u>689</u>	<u>680</u>	1.0	<u>680</u>

*Equivalent single family connections

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

Gallons pumped into system (unaudited): 139,658
 Gallons billed to customers (unaudited): 128,869

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 92%

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: _____

SPRING WEST MUNICIPAL UTILITY DISTRICTEXPENDITURESFOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 10,950	\$	\$	\$ 10,950
Legal	214,850	3,292		218,142
Engineering	202,760			202,760
	<u>428,560</u>	<u>3,292</u>	<u>0</u>	<u>431,852</u>
Contracted services:				
Bookkeeping	46,850			46,850
Operation and billing	86,875			86,875
Tax assessor-collector		17,857		17,857
Central appraisal district		23,392		23,392
SPA monitoring	6,202			6,202
	<u>139,927</u>	<u>41,249</u>	<u>0</u>	<u>181,176</u>
Utilities	<u>156,909</u>	<u>0</u>	<u>0</u>	<u>156,909</u>
Groundwater pumpage fees	<u>563,775</u>	<u>0</u>	<u>0</u>	<u>563,775</u>
Repairs and maintenance	<u>327,020</u>	<u>0</u>	<u>0</u>	<u>327,020</u>
Other operating expenditures:				
Sludge hauling	56,201			56,201
Chemicals	27,505			27,505
Laboratory costs	22,945			22,945
Generator rental	24,000			24,000
Inspection costs	16,560			16,560
Reconnection costs	4,209			4,209
TCEQ assessment	6,165			6,165
Other	10,523			10,523
	<u>168,108</u>	<u>0</u>	<u>0</u>	<u>168,108</u>
Security service	<u>157,784</u>	<u>0</u>	<u>0</u>	<u>157,784</u>
Administrative expenditures:				
Director's fees	28,568			28,568
Office supplies and postage	16,082			16,082
Insurance	56,448	100		56,548
Permit fees	7,034			7,034
Communications	14,670			14,670
Other	16,969	8,846		25,815
	<u>139,771</u>	<u>8,946</u>	<u>0</u>	<u>148,717</u>

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 962,726	\$	\$	\$ 962,726
Tap connection costs	50,659			50,659
	<u>1,013,385</u>	<u>0</u>	<u>0</u>	<u>1,013,385</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>1,005,000</u>	<u>0</u>	<u>1,005,000</u>
Interest and fees:				
Interest		621,631		621,631
Paying agent fees		3,000		3,000
	<u>0</u>	<u>624,631</u>	<u>0</u>	<u>624,631</u>
TOTAL EXPENDITURES	<u>\$ 3,095,239</u>	<u>\$ 1,683,118</u>	<u>\$ 0</u>	<u>\$ 4,778,357</u>

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 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 excluding maintenance taxes	\$ 2,438,158	\$ 1,451,668	\$ 8,476	\$ 3,898,302
Maintenance tax receipts		1,270,286		1,270,286
Transfer of maintenance taxes	1,563,880			1,563,880
Increase in customer and builder deposits	214,683			214,683
Overpayments from taxpayers		<u>155,942</u>		<u>155,942</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>4,216,721</u>	<u>2,877,896</u>	<u>8,476</u>	<u>7,103,093</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,087,420	53,484		2,140,904
Capital outlay	1,035,175			1,035,175
Debt service		1,629,631		1,629,631
Transfer of maintenance taxes		1,563,880		1,563,880
Refund of taxpayer overpayments		<u>154,742</u>		<u>154,742</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>3,122,595</u>	<u>3,401,737</u>	<u>0</u>	<u>6,524,332</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	1,094,126	(523,841)	8,476	578,761
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>7,324,824</u>	<u>3,854,677</u>	<u>157,922</u>	<u>11,337,423</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 8,418,950</u>	<u>\$ 3,330,836</u>	<u>\$ 166,398</u>	<u>\$11,916,184</u>

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
DECEMBER 31, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2564000002	Market	On demand	\$ 39,609	\$ 0
TXCLASS				
No. TX-01-0628-0001	Market	On demand	<u>8,182,168</u>	<u>0</u>
			<u>\$ 8,221,777</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 2564000001	Market	On demand	<u>46,390</u>	<u>0</u>
TXCLASS				
No. TX-01-0628-0003	Market	On demand	<u>2,865,889</u>	<u>0</u>
			<u>\$ 2,912,279</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2564000003	Market	On demand	<u>1,157</u>	<u>0</u>
TXCLASS				
No. TX-01-0628-0002	Market	On demand	<u>165,241</u>	<u>0</u>
			<u>\$ 166,398</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 11,300,454</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 1,005,541	\$ 1,010,862
Additions and corrections to prior year taxes	<u>(65,457)</u>	<u>(66,022)</u>
Adjusted receivable, beginning of year	940,084	944,840
2023 ADJUSTED TAX ROLL	<u>1,766,169</u>	<u>1,527,497</u>
Total to be accounted for	2,706,253	2,472,337
Tax collections: Current tax year	(345,890)	(299,148)
Prior tax years	<u>(924,396)</u>	<u>(924,300)</u>
RECEIVABLE, END OF YEAR	<u>\$ 1,435,967</u>	<u>\$ 1,248,889</u>
RECEIVABLE, BY TAX YEAR		
2013 and prior	\$ 297	\$ 873
2014	40	94
2015	0	0
2016	256	847
2017	335	1,058
2018	809	1,912
2019	1,527	2,370
2020	1,886	2,555
2021	1,995	2,288
2022	8,543	8,543
2023	<u>1,420,279</u>	<u>1,228,349</u>
RECEIVABLE, END OF YEAR	<u>\$ 1,435,967</u>	<u>\$ 1,248,889</u>

Fiscal year 2023 General Fund property tax revenue of \$1,491,399 under the modified accrual basis of accounting is comprised of prior tax year collections of \$924,396 during fiscal year 2023 and 2022 tax year collections of \$567,003 during fiscal year 2022.

Fiscal year 2023 Debt Service Fund property tax revenue of \$1,491,303 under the modified accrual basis of accounting is comprised of prior tax year collections of \$924,300 during fiscal year 2023 and 2022 tax year collections of \$567,003 during fiscal year 2022.

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 177,939,170	\$ 171,376,608	\$ 135,762,041	\$ 133,626,496
Improvements	393,845,865	298,422,360	276,070,552	250,514,878
Personal property	38,075,336	35,192,131	29,903,798	31,039,604
Less exemptions	<u>(132,517,491)</u>	<u>(81,960,119)</u>	<u>(60,608,558)</u>	<u>(54,024,537)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 477,342,880</u>	 <u>\$ 423,030,980</u>	 <u>\$ 381,127,833</u>	 <u>\$ 361,156,441</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.32000	\$ 0.35500	\$ 0.39000	\$ 0.42000
Maintenance tax rates*	<u>0.37000</u>	<u>0.35500</u>	<u>0.34000</u>	<u>0.31000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.69000</u>	 <u>\$ 0.71000</u>	 <u>\$ 0.73000</u>	 <u>\$ 0.73000</u>
 TAX ROLLS	 <u>\$ 3,293,666</u>	 <u>\$ 3,003,520</u>	 <u>\$ 2,782,234</u>	 <u>\$ 2,636,443</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>19.6%**</u>	 <u>99.4 %</u>	 <u>99.8 %</u>	 <u>99.8 %</u>

*Maximum tax rate approved by voters on August 12, 1978: without limitation

**The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

SPRING WEST MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2015</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 330,000	\$ 99,800	\$ 429,800
2025	335,000	86,600	421,600
2026	900,000	73,200	973,200
2027	<u>930,000</u>	<u>37,200</u>	<u>967,200</u>
TOTALS	<u>\$ 2,495,000</u>	<u>\$ 296,800</u>	<u>\$ 2,791,800</u>

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2017</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$	\$ 220,781	\$ 220,781
2025		220,781	220,781
2026		220,782	220,782
2027		220,781	220,781
2028		220,781	220,781
2029		220,782	220,782
2030		220,782	220,782
2031	100,000	220,782	320,782
2032	100,000	217,781	317,781
2033	55,000	214,781	269,781
2034	30,000	213,061	243,061
2035		212,125	212,125
2036	1,500,000	212,125	1,712,125
2037	1,600,000	163,375	1,763,375
2038	1,600,000	111,375	1,711,375
2039	<u>1,700,000</u>	<u>57,375</u>	<u>1,757,375</u>
TOTALS	<u>\$ 6,685,000</u>	<u>\$ 3,168,250</u>	<u>\$ 9,853,250</u>

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2020</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 630,000	\$ 116,800	\$ 746,800
2025	660,000	97,900	757,900
2026	130,000	78,100	208,100
2027	140,000	75,500	215,500
2028	1,170,000	72,700	1,242,700
2029	1,210,000	49,300	1,259,300
2030	1,255,000	25,100	1,280,100
TOTALS	<u>\$ 5,195,000</u>	<u>\$ 515,400</u>	<u>\$ 5,710,400</u>

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2021</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 75,000	\$ 150,850	\$ 225,850
2025	75,000	148,600	223,600
2026	75,000	146,350	221,350
2027	105,000	144,100	249,100
2028	105,000	140,950	245,950
2029	105,000	137,800	242,800
2030	105,000	134,650	239,650
2031	1,200,000	131,500	1,331,500
2032	1,260,000	107,500	1,367,500
2033	1,315,000	82,300	1,397,300
2034	1,375,000	56,000	1,431,000
2035	1,425,000	28,500	1,453,500
TOTALS	<u>\$ 7,220,000</u>	<u>\$ 1,409,100</u>	<u>\$ 8,629,100</u>

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2024	\$ 1,035,000	\$ 588,231	\$ 1,623,231
2025	1,070,000	553,881	1,623,881
2026	1,105,000	518,432	1,623,432
2027	1,175,000	477,581	1,652,581
2028	1,275,000	434,431	1,709,431
2029	1,315,000	407,882	1,722,882
2030	1,360,000	380,532	1,740,532
2031	1,300,000	352,282	1,652,282
2032	1,360,000	325,281	1,685,281
2033	1,370,000	297,081	1,667,081
2034	1,405,000	269,061	1,674,061
2035	1,425,000	240,625	1,665,625
2036	1,500,000	212,125	1,712,125
2037	1,600,000	163,375	1,763,375
2038	1,600,000	111,375	1,711,375
2039	1,700,000	57,375	1,757,375
TOTALS	<u>\$ 21,595,000</u>	<u>\$ 5,389,550</u>	<u>\$ 26,984,550</u>

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>(1)</u>	<u>(2)</u>
Bond Series:	2015	2017
Interest Rate:	4.00%	3.00% to 3.375%
Dates Interest Payable:	March1/ September 1	March1/ September 1
Maturity Dates:	September 1, 2024/2027	September 1, 2031/2039
Bonds Outstanding at Beginning of Current Year	\$ 2,820,000	\$ 6,685,000
Less Retirements	<u>(325,000)</u>	<u>0</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,495,000</u>	<u>\$ 6,685,000</u>
Current Year Interest Paid:	<u>\$ 112,800</u>	<u>\$ 220,781</u>

Bond Descriptions and Original Amount of Issue

- (1) Spring West Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2015 (\$4,485,000)
- (2) Spring West Municipal Utility District Unlimited Tax Bonds, Series 2017 (\$6,685,000)

Paying Agent/Registrar

- (1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

SPRING WEST MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT, (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>(3)</u>	<u>(4)</u>	<u>Totals</u>
Bond Series:	2020	2021	
Interest Rate:	2.00% to 3.00%	2.00% to 3.00%	
Dates Interest Payable:	March1/ September 1	March1/ September 1	
Maturity Dates:	September 1, 2024/2030	September 1, 2024/2035	
Bonds Outstanding at Beginning of Current Year	\$ 5,800,000	\$ 7,295,000	\$ 22,600,000
Less Retirements	<u>(605,000)</u>	<u>(75,000)</u>	<u>(1,005,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 5,195,000</u>	<u>\$ 7,220,000</u>	<u>\$ 21,595,000</u>
Current Year Interest Paid:	<u>\$ 134,950</u>	<u>\$ 153,100</u>	<u>\$ 621,631</u>

Bond Descriptions and Original Amount of Issue

(3) Spring West Municipal Utility District Unlimited Tax Refunding Bonds, Series 2020 (\$6,970,000)

(4) Spring West Municipal Utility District Unlimited Tax Refunding Bonds, Series 2021 (\$7,385,000)

Paying Agent/Registrar

(3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 71,800,000	\$ 0	\$ 10,000,000
Amount Issued:	31,965,000		445,000
Remaining to be Issued:	39,835,000		9,555,000

Net Debt Service Fund deposits and investments balances as of December 31, 2023: \$2,850,343
Average annual debt service payment for remaining term of all debt: 1,686,534

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$ 1,491,399	\$ 1,301,935	\$ 1,108,623	\$ 1,004,580	\$ 778,833	35.5 %	37.0 %	36.5 %	37.2 %	30.9 %
Water service	610,516	557,531	480,886	457,880	471,523	14.6	15.8	15.8	16.9	18.6
Sewer service	588,413	542,227	481,729	474,258	476,846	14.1	15.4	15.9	17.5	18.8
Surface water fees	556,950	626,398	485,166	445,200	396,956	13.3	17.8	16.0	16.4	15.7
Penalty	25,542	24,852	17,235	18,042	28,323	0.6	0.7	0.6	0.7	1.1
Tap connection and inspection fees	94,899	0	153,400	0	13,323	2.3	0.0	5.0	0.0	0.5
Sales and Use Taxes	302,085	272,813	231,464	207,025	199,941	7.2	7.8	7.6	7.6	7.9
Interest on deposits and investments	409,646	124,240	3,958	38,874	109,799	9.8	3.5	0.1	1.4	4.3
Other revenues	107,384	70,028	76,318	63,040	54,658	2.6	2.0	2.5	2.3	2.2
TOTAL REVENUES	4,186,834	3,520,024	3,038,779	2,708,899	2,530,202	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	428,560	412,920	290,486	335,241	283,322	10.2	11.7	9.6	12.4	11.2
Contracted services	139,927	128,783	127,806	124,244	118,399	3.3	3.7	4.2	4.6	4.7
Utilities	156,909	154,186	147,238	148,362	147,085	3.7	4.4	4.8	5.5	5.8
Groundwater pumpage fees	563,775	673,969	523,784	463,108	407,970	13.5	19.1	17.2	17.0	16.1
Repairs and maintenance	327,020	397,459	501,102	339,672	187,387	7.8	11.3	16.5	12.5	7.4
Other operating expenditures	168,108	166,388	172,734	158,486	165,394	4.0	4.7	5.7	5.9	6.5
Security service	157,784	150,354	148,136	143,970	138,330	3.8	4.3	4.9	5.3	5.5
Administrative expenditures	139,771	144,204	117,046	115,451	126,357	3.3	4.1	3.9	4.3	5.0
Capital outlay	1,013,385	649,815	639,568	322,915	100,918	24.3	18.5	21.0	11.9	4.0
TOTAL EXPENDITURES	3,095,239	2,878,078	2,667,900	2,151,449	1,675,162	73.9	81.8	87.8	79.4	66.2
EXCESS REVENUES (EXPENDITURES)	\$ 1,091,595	\$ 641,946	\$ 370,879	\$ 557,450	\$ 855,040	26.1 %	18.2 %	12.2 %	20.6 %	33.8 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	727	723	723	719	720					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	680	678	681	678	678					

SPRING WEST MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$ 1,491,303	\$ 1,494,652	\$ 1,501,584	\$ 1,545,838	\$ 1,856,355	86.7 %	87.9 %	98.3 %	96.2 %	91.6 %
Penalty and interest	25,818	41,586	20,819	23,681	85,877	1.5	2.4	1.4	1.5	4.2
Accrued interest on bonds received at date of sale	0	0	3,029	13,226	0	0.0	0.0	0.2	0.8	0.0
Interest on deposits and investments and other	<u>202,402</u>	<u>165,055</u>	<u>2,040</u>	<u>24,457</u>	<u>84,108</u>	<u>11.8</u>	<u>9.7</u>	<u>0.1</u>	<u>1.5</u>	<u>4.2</u>
TOTAL REVENUES	<u>1,719,523</u>	<u>1,701,293</u>	<u>1,527,472</u>	<u>1,607,202</u>	<u>2,026,340</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	3,292	15,539	8,084	2,491	38,666	0.2	0.9	0.5	0.2	1.9
Contracted services	41,249	38,403	37,278	37,712	33,284	2.4	2.3	2.4	2.3	1.6
Other expenditures	8,946	10,510	6,771	7,024	6,240	0.5	0.6	0.4	0.4	0.3
Debt service:										
Principal retirement	1,005,000	945,000	960,000	915,000	795,000	58.5	55.4	62.9	57.0	39.3
Refunding contribution	0	0	0	8,174	0	0.0	0.0	0.0	0.5	0.0
Interest and fees	<u>624,631</u>	<u>656,331</u>	<u>692,491</u>	<u>806,059</u>	<u>947,885</u>	<u>36.3</u>	<u>38.7</u>	<u>45.4</u>	<u>50.2</u>	<u>46.8</u>
TOTAL EXPENDITURES	<u>1,683,118</u>	<u>1,665,783</u>	<u>1,704,624</u>	<u>1,776,460</u>	<u>1,821,075</u>	<u>97.9</u>	<u>97.9</u>	<u>111.6</u>	<u>110.6</u>	<u>89.9</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 36,405</u>	<u>\$ 35,510</u>	<u>\$ (177,152)</u>	<u>\$ (169,258)</u>	<u>\$ 205,265</u>	<u>2.1 %</u>	<u>2.1 %</u>	<u>(11.6) %</u>	<u>(10.6) %</u>	<u>10.1 %</u>

SPRING WEST MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSDECEMBER 31, 2023

Complete District Mailing Address: Spring West Municipal Utility District
c/o Schwartz, Page & Harding L.L.P.
1300 Post Oak Blvd., Suite 2400
Houston, Texas 77056

District Business Telephone No.: 713-623-4531

Submission date of the most recent District Registration Form: May 11, 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>
Beverly F. O'Neal c/o Schwartz, Page & Harding L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/02/20- 5/04/24	\$ 7,200	\$ 4,155	President
Kim S. Stephens c/o Schwartz, Page & Harding L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/07/22- 5/02/26	6,078	2,186	Vice President
W. Eugene Norris c/o Schwartz, Page & Harding L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/02/20- 5/04/24	3,781	468	Secretary
Scott D. Shelnett c/o Schwartz, Page & Harding L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/07/22- 5/02/26	7,200	1,149	Assistant Secretary
Jerome A. Patridge c/o Schwartz, Page & Harding L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/02/20- 5/04/24	4,302	0	Assistant Secretary

See accompanying independent auditor's report.

SPRING WEST MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)DECEMBER 31, 2023CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Schwartz, Page & Harding L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	11/30/94	\$ 213,450	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	3/14/96	3,292	Delinquent Tax Attorney
McLennan & Associates, L.P. 1717 St. James Place, Suite 500 Houston, Texas 77056	3/10/04	49,487	Bookkeeper
Jorge Diaz 1717 St. James Place, Suite 500 Houston, Texas 77056	7/14/04	0	Investment Officer
EDP Water Utility Services 17495 Village Green Drive Houston, Texas 77040	6/27/12	295,791	Operator
Odyssey Engineering Group 2500 Tanglewilde Street, Suite 480 Houston, Texas 77056	5/09/18	294,094	Engineer
Bob Leared Interests, Inc. 11111 Katy Freeway, Suite 725 Houston, Texas 77079	9/05/84	31,974	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	23,392	Central Appraisal District
Rathmann & Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	5/14/03	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.