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# **Northwest Freeway Municipal Utility District Harris County, Texas**

## **Independent Auditor's Report and Financial Statements**

June 30, 2023

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**Northwest Freeway Municipal Utility District**  
**June 30, 2023**

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## Independent Auditor's Report

Board of Directors  
Northwest Freeway Municipal Utility District  
Harris County, Texas

### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Northwest Freeway Municipal Utility District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**FORVIS,LLP**

Houston, Texas  
November 8, 2023

# **Northwest Freeway Municipal Utility District**

## **Management's Discussion and Analysis**

### **June 30, 2023**

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

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, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, 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, liabilities, and deferred inflows and outflows of resources of 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 assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' 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. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 year.

# **Northwest Freeway Municipal Utility District**

## **Management's Discussion and Analysis (Continued)**

### **June 30, 2023**

Although the statement of activities looks different from a commercial enterprise's statement of income, 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 Funds**

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes 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, sewer and drainage 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 assets, liabilities, and deferred inflows and outflows of resources 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 is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to 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.

#### **Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**Northwest Freeway Municipal Utility District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

**Financial Analysis of the District as a Whole**

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

**Summary of Net Position**

	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 7,208,164	\$ 6,935,847
Capital assets	4,663,212	4,845,885
Total assets	11,871,376	11,781,732
Deferred outflows of resources	34,445	36,275
Total assets and deferred outflows of resources	\$ 11,905,821	\$ 11,818,007
Long-term liabilities	\$ 7,941,010	\$ 8,200,629
Other liabilities	301,164	396,077
Total liabilities	8,242,174	8,596,706
Net position:		
Net investment in capital assets	350,275	315,705
Restricted	540,272	381,531
Unrestricted	2,773,100	2,524,065
Total net position	\$ 3,663,647	\$ 3,221,301

The total net position of the District increased by \$442,346, or about 14 percent. The majority of the increase in net position is related to property tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**Northwest Freeway Municipal Utility District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

**Summary of Changes in Net Position**

	<b>2023</b>	<b>2022</b>
Revenues:		
Property taxes	\$ 1,220,715	\$ 1,121,945
Charges for services	1,247,850	1,202,163
Other revenues	373,102	104,547
Total revenues	<u>2,841,667</u>	<u>2,428,655</u>
Expenses:		
Services	1,877,699	1,717,276
Depreciation	236,554	264,096
Debt service	285,068	295,264
Total expenses	<u>2,399,321</u>	<u>2,276,636</u>
Change in net position	442,346	152,019
Net position, beginning of year	<u>3,221,301</u>	<u>3,069,282</u>
Net position, end of year	<u>\$ 3,663,647</u>	<u>\$ 3,221,301</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended June 30, 2023, were \$6,899,738, an increase of \$348,550 from the prior year.

The general fund's fund balance increased by \$239,715, primarily due to property taxes, water and sewer services and investment income revenues exceeding service operations expenditures.

The debt service fund's fund balance decreased by \$5,016, primarily due to bond principal and interest requirements and contracted services expenditures exceeding property tax revenues.

The capital projects fund's fund balance increased by \$113,851 due to investment income exceeding capital outlay expenditures.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, tap connection and inspection fees and investment income revenues and repairs and maintenance expenditures being greater than expected, as well as professional fees expenditures being less than expected. The fund balance as of June 30, 2023, was expected to be \$2,625,166 and the actual end-of-year fund balance was \$2,747,034.

**Northwest Freeway Municipal Utility District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

**Capital Assets and Related Debt**

**Capital Assets**

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

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2023</b>	<b>2022</b>
Land and improvements	\$ 865,923	\$ 865,923
Construction in progress	217,318	181,674
Water facilities	1,742,518	1,859,844
Wastewater facilities	1,837,453	1,938,444
Total capital assets	\$ 4,663,212	\$ 4,845,885

During the current year, additions to capital assets were as follows:

Construction in progress related to engineering for water plant No. 3 improvements	\$ 35,644
Lift pump No. 3 valve replacement	18,237
Total additions to capital assets	\$ 53,881

**Debt**

The changes in the debt position of the District during the fiscal year ended June 30, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 8,200,629
Decreases in long-term debt	(259,619)
Long-term debt payable, end of year	\$ 7,941,010

At June 30, 2023, the District had \$26,180,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

**Northwest Freeway Municipal Utility District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2023**

The District's bonds carry an underlying rating of "BBB+" from Standard & Poor's (S&P). The Series 2016, Refunding Series 2017 and Series 2018 bonds carry a "AA" rating from S&P by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

**Other Relevant Factors**

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 City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

**Northwest Freeway Municipal Utility District**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 162,339	\$ 70,326	\$ 384	\$ 233,049	\$ -	\$ 233,049
Certificates of deposit	475,000	-	-	475,000	-	475,000
Short-term investments	2,142,727	168,601	3,931,740	6,243,068	-	6,243,068
Receivables:						
Property taxes	26,066	29,920	-	55,986	-	55,986
Service accounts	162,539	-	-	162,539	-	162,539
Accrued penalty and interest	-	-	-	-	18,406	18,406
Accrued interest	7,183	-	-	7,183	-	7,183
Interfund receivable	15,893	-	-	15,893	(15,893)	-
Prepaid expenditures	12,933	-	-	12,933	-	12,933
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	865,923	865,923
Construction in progress	-	-	-	-	217,318	217,318
Infrastructure	-	-	-	-	3,579,971	3,579,971
<b>Total assets</b>	<b>3,004,680</b>	<b>268,847</b>	<b>3,932,124</b>	<b>7,205,651</b>	<b>4,665,725</b>	<b>11,871,376</b>
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	0	0	0	0	34,445	34,445
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,004,680</b>	<b>\$ 268,847</b>	<b>\$ 3,932,124</b>	<b>\$ 7,205,651</b>	<b>\$ 4,700,170</b>	<b>\$ 11,905,821</b>

**Northwest Freeway Municipal Utility District**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 94,885	\$ 2,454	\$ -	\$ 97,339	\$ -	\$ 97,339
Accrued interest payable	-	-	-	-	67,130	67,130
Customer deposits	136,695	-	-	136,695	-	136,695
Interfund payable	-	15,893	-	15,893	(15,893)	-
Long-term liabilities:						
Due within one year	-	-	-	-	290,000	290,000
Due after one year	-	-	-	-	7,651,010	7,651,010
<b>Total liabilities</b>	<b>231,580</b>	<b>18,347</b>	<b>0</b>	<b>249,927</b>	<b>7,992,247</b>	<b>8,242,174</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	26,066	29,920	0	55,986	(55,986)	0
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	12,933	-	-	12,933	(12,933)	-
Restricted:						
Unlimited tax bonds	-	220,580	-	220,580	(220,580)	-
Water, sewer and drainage	-	-	3,932,124	3,932,124	(3,932,124)	-
Unassigned	2,734,101	-	-	2,734,101	(2,734,101)	-
<b>Total fund balances</b>	<b>2,747,034</b>	<b>220,580</b>	<b>3,932,124</b>	<b>6,899,738</b>	<b>(6,899,738)</b>	<b>0</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,004,680</b>	<b>\$ 268,847</b>	<b>\$ 3,932,124</b>	<b>\$ 7,205,651</b>		
Net position:						
Net investment in capital assets					350,275	350,275
Restricted for debt service					201,776	201,776
Restricted for capital projects					338,496	338,496
Unrestricted					2,773,100	2,773,100
<b>Total net position</b>					<b>\$ 3,663,647</b>	<b>\$ 3,663,647</b>

**Northwest Freeway Municipal Utility District**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 639,794	\$ 568,441	\$ -	\$ 1,208,235	\$ 12,480	\$ 1,220,715
Water service	361,111	-	-	361,111	-	361,111
Sewer service	520,341	-	-	520,341	-	520,341
Regional water fee	366,398	-	-	366,398	-	366,398
Penalty and interest	65,287	15,217	-	80,504	3,587	84,091
Tap connection and inspection fees	39,203	-	-	39,203	-	39,203
Investment income	86,988	7,938	154,882	249,808	-	249,808
<b>Total revenues</b>	<b>2,079,122</b>	<b>591,596</b>	<b>154,882</b>	<b>2,825,600</b>	<b>16,067</b>	<b>2,841,667</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Regional water fee	377,998	-	-	377,998	-	377,998
Professional fees	159,709	8,166	-	167,875	4,422	172,297
Contracted services	562,007	26,217	-	588,224	480	588,704
Utilities	80,514	-	-	80,514	-	80,514
Repairs and maintenance	495,216	-	-	495,216	23,014	518,230
Other expenditures	104,912	16,759	485	122,156	-	122,156
Tap connections	17,800	-	-	17,800	-	17,800
Capital outlay	41,251	-	40,546	81,797	(81,797)	-
Depreciation	-	-	-	-	236,554	236,554
Debt service:						
Principal retirement	-	265,000	-	265,000	(265,000)	-
Interest and fees	-	280,470	-	280,470	4,598	285,068
<b>Total expenditures/expenses</b>	<b>1,839,407</b>	<b>596,612</b>	<b>41,031</b>	<b>2,477,050</b>	<b>(77,729)</b>	<b>2,399,321</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>239,715</b>	<b>(5,016)</b>	<b>113,851</b>	<b>348,550</b>	<b>(348,550)</b>	
<b>Change in Net Position</b>					<b>442,346</b>	<b>442,346</b>
<b>Fund Balances/Net Position</b>						
Beginning of year	2,507,319	225,596	3,818,273	6,551,188	-	3,221,301
End of year	\$ 2,747,034	\$ 220,580	\$ 3,932,124	\$ 6,899,738	\$ 0	\$ 3,663,647

# **Northwest Freeway Municipal Utility District**

## **Notes to Financial Statements**

### **June 30, 2023**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

Northwest Freeway Municipal Utility District (the District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective March 10, 1977, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

#### ***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

#### ***Government-wide and Fund Financial Statements***

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, such as the provision of water, wastewater, drainage and other related services. 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 with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

# Northwest Freeway Municipal Utility District

## Notes to Financial Statements

### June 30, 2023

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

*General Fund* – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

*Debt Service Fund* – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

#### **Fund Balances – Governmental Funds**

The fund balances for the District's governmental funds can be displayed in up to five components:

*Nonspendable* – Amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.



**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

**Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

***Pension Costs***

The District does not participate in a pension plan and, therefore, has no pension costs.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

***Investments and Investment Income***

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

**Deferred Amount on Debt Refundings**

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

**Debt Issuance Costs**

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 debt service expenditures.

***Net Position/Fund Balances***

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

***Reconciliation of Government-wide and Fund Financial Statements***

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 4,663,212
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	55,986
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	18,406
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	34,445

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (67,130)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(7,941,010)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (3,236,091)</u></u>

Amounts reported for changes in net position of governmental activities in the statement of activities are different from changes in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 348,550
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current period.	(182,673)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	265,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	16,067
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 governmental funds.	<u>(4,598)</u>
Change in net position of governmental activities.	<u><u>\$ 442,346</u></u>

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At June 30, 2023, none of the District's bank balances were exposed to custodial credit risk.

**Investments**

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At June 30, 2023, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	<u>\$ 6,243,068</u>	<u>\$ 6,243,068</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet at June 30, 2023, as follows:

Carrying value:		
Deposits	\$	708,049
Investments		6,243,068
Total	\$	6,951,117

Included in the following statement of net position captions:

Cash	\$	233,049
Certificates of deposit		475,000
Short-term investments		6,243,068
Total	\$	6,951,117

**Investment Income**

Investment income of \$249,808 for the year ended June 30, 2023, consisted of interest income.

**Fair Value Measurements**

The District has the following recurring fair value measurements as of June 30, 2023:

- Pooled investments of \$6,243,068 are valued at fair value per share of the pool's underlying portfolio.

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2023, is presented as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 865,923	\$ -	\$ 865,923
Construction in progress	181,674	35,644	217,318
Total capital assets, non-depreciable	<u>1,047,597</u>	<u>35,644</u>	<u>1,083,241</u>
Capital assets, depreciable:			
Water production and distribution facilities	4,407,438	-	4,407,438
Wastewater collection and treatment facilities	4,778,512	18,237	4,796,749
Total capital assets, depreciable	<u>9,185,950</u>	<u>18,237</u>	<u>9,204,187</u>
Less accumulated depreciation:			
Water production and distribution facilities	(2,547,594)	(117,326)	(2,664,920)
Wastewater collection and treatment facilities	(2,840,068)	(119,228)	(2,959,296)
Total accumulated depreciation	<u>(5,387,662)</u>	<u>(236,554)</u>	<u>(5,624,216)</u>
Total governmental activities, net	<u>\$ 4,845,885</u>	<u>\$ (182,673)</u>	<u>\$ 4,663,212</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2023, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:				
General obligation bonds	\$ 8,380,000	\$ 265,000	\$ 8,115,000	\$ 290,000
Less discounts on bonds	182,803	5,554	177,249	-
Add premiums on bonds	3,432	173	3,259	-
Total governmental activities long-term liabilities	<u>\$ 8,200,629</u>	<u>\$ 259,619</u>	<u>\$ 7,941,010</u>	<u>\$ 290,000</u>



**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

**General Obligation Bonds**

	<u>Series 2016</u>	<u>Refunding Series 2017</u>
Amounts outstanding, June 30, 2023	\$1,240,000	\$1,175,000
Interest rates	2.000% to 3.125%	2.00% to 3.50%
Maturity dates, serially beginning/ending	April 1, 2024/2037	April 1, 2024/2037
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2021	April 1, 2023
		<u>Series 2018</u>
Amount outstanding, June 30, 2023		\$5,700,000
Interest rates		3.00% to 5.00%
Maturity dates, serially beginning/ending		April 1, 2024/2046
Interest payment dates		October 1/ April 1
Callable date*		April 1, 2023

\*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2023:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 290,000	\$ 268,520	\$ 558,520
2025	295,000	261,090	556,090
2026	315,000	253,550	568,550
2027	335,000	245,080	580,080
2028	330,000	236,019	566,019
2029-2033	1,865,000	1,021,702	2,886,702
2034-2038	2,060,000	687,711	2,747,711
2039-2043	1,525,000	376,625	1,901,625
2044-2046	1,100,000	83,438	1,183,438
Total	<u>\$ 8,115,000</u>	<u>\$ 3,433,735</u>	<u>\$ 11,548,735</u>

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

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

Bonds voted	\$ 42,355,000
Bonds sold	16,175,000
Refunding bonds voted	27,355,000
Refunding bond authorization used	796,000

**Note 5: Significant Bond Order and Commission Requirements**

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. During the year ended June 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.3000 per \$100 of assessed valuation, which resulted in a tax levy of \$573,987 on the taxable valuation of \$191,329,861 for the 2022 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$538,745 of which \$404,485 has been paid and \$134,260 is due October 1, 2023.

**Note 6: Maintenance Taxes**

At an election held November 3, 2020, voters authorized a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.3400 per \$100 of assessed valuation, which resulted in a tax levy of \$650,518 on the taxable valuation of \$191,329,861 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Regional Water Authority**

The District is within the boundaries of the North Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of June 30, 2023, the Authority was billing the District \$4.10 per 1,000 gallons of water pumped from its wells. This amount is subject to future adjustments.

**Northwest Freeway Municipal Utility District**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 8: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

## **Required Supplementary Information**

**Northwest Freeway Municipal Utility District**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 534,300	\$ 639,794	\$ 105,494
Water service	358,800	361,111	2,311
Sewer service	503,000	520,341	17,341
Regional water fee	362,700	366,398	3,698
Penalty and interest	63,700	65,287	1,587
Tap connection and inspection fees	600	39,203	38,603
Investment income	26,100	86,988	60,888
	<u>1,849,200</u>	<u>2,079,122</u>	<u>229,922</u>
Total revenues			
<b>Expenditures</b>			
Service operations:			
Regional water fee	362,700	377,998	(15,298)
Professional fees	186,700	159,709	26,991
Contracted services	540,245	562,007	(21,762)
Utilities	79,000	80,514	(1,514)
Repairs and maintenance	416,300	495,216	(78,916)
Other expenditures	106,408	104,912	1,496
Tap connections	-	17,800	(17,800)
Capital outlay	40,000	41,251	(1,251)
	<u>1,731,353</u>	<u>1,839,407</u>	<u>(108,054)</u>
Total expenditures			
<b>Excess of Revenues Over Expenditures</b>	117,847	239,715	121,868
<b>Fund Balance, Beginning of Year</b>	<u>2,507,319</u>	<u>2,507,319</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,625,166</u>	<u>\$ 2,747,034</u>	<u>\$ 121,868</u>

**Northwest Freeway Municipal Utility District**  
**Notes to Required Supplementary Information**  
**June 30, 2023**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's Board of Directors and its consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2023.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

## **Supplementary Information**

**Northwest Freeway Municipal Utility District**  
**Other Schedules Included Within This Report**  
**June 30, 2023**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 13-25
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants



# Northwest Freeway Municipal Utility District

## Schedule of Services and Rates

### Year Ended June 30, 2023

1. Services provided by the District:

<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 checked="" 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):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 21.90	5,000	N	\$ 1.75	5,001 to 15,000
				\$ 2.75	15,001 to No Limit
Wastewater:	\$ 35.94	0	Y		
Regional water fee:	\$ 4.51	1,000	N	\$ 4.51	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 75.75	Wastewater \$ 35.94

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,165	1,140	x1.0	1,140
1"	3	3	x2.5	8
1 1/2"	-	-	x5.0	-
2"	7	6	x8.0	48
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,176	1,150		1,211
Total wastewater	1,171	1,145	x1.0	1,145

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	85,750
Gallons billed to customers:	76,689
Water accountability ratio (gallons billed/gallons pumped):	89.43%

\*"ESFC" means equivalent single-family connections

**Northwest Freeway Municipal Utility District**  
**Schedule of General Fund Expenditures**  
**Year Ended June 30, 2023**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	19,600	
Legal		66,654	
Engineering		72,455	
Financial advisor		1,000	
		<u>          </u>	159,709
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			-
<b>Regional Water Fee</b>			377,998
<b>Contracted Services</b>			
Bookkeeping		58,474	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		162,383	
Other contracted services		126,928	
		<u>          </u>	347,785
<b>Utilities</b>			80,514
<b>Repairs and Maintenance</b>			495,216
<b>Administrative Expenditures</b>			
Directors' fees		10,800	
Office supplies		20,333	
Insurance		40,119	
Other administrative expenditures		33,660	
		<u>          </u>	104,912
<b>Capital Outlay</b>			
Capitalized assets		18,237	
Expenditures not capitalized		23,014	
		<u>          </u>	41,251
<b>Tap Connection Expenditures</b>			17,800
<b>Solid Waste Disposal</b>			214,222
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			-
			<u>          </u>
Total expenditures		<u>          </u>	<u>\$ 1,839,407</u>

**Northwest Freeway Municipal Utility District**  
**Schedule of Temporary Investments**  
**June 30, 2023**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificates of Deposit				
No. 6000048196	4.00%	12/28/23	\$ 240,000	\$ 4,839
No. 3300041638	4.79%	04/14/24	235,000	2,344
Texas CLASS	5.30%	Demand	<u>2,142,727</u>	<u>-</u>
			<u>2,617,727</u>	<u>7,183</u>
<b>Debt Service Fund</b>				
Texas CLASS	5.30%	Demand	<u>168,601</u>	<u>0</u>
<b>Capital Projects Fund</b>				
Texas CLASS	5.30%	Demand	3,930,710	-
Texas CLASS	5.30%	Demand	<u>1,030</u>	<u>-</u>
			<u>3,931,740</u>	<u>0</u>
Totals			<u>\$ 6,718,068</u>	<u>\$ 7,183</u>

**Northwest Freeway Municipal Utility District**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended June 30, 2023**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 16,746	\$ 26,760
Additions and corrections to prior years' taxes	(1,404)	(2,386)
Adjusted receivable, beginning of year	15,342	24,374
<b>2022 Original Tax Levy</b>	545,389	481,226
Additions and corrections	105,129	92,761
Adjusted tax levy	650,518	573,987
Total to be accounted for	665,860	598,361
Tax collections:		
Current year	(631,817)	(557,486)
Prior years	(7,977)	(10,955)
Receivable, end of year	\$ 26,066	\$ 29,920
 <b>Receivable, by Years</b>		
2022	\$ 18,701	\$ 16,501
2021	3,281	4,526
2020	1,175	2,115
2019	786	1,414
2018	686	1,261
2017	250	460
2016	158	297
2015	271	596
2014	110	442
2013	87	363
2012 and prior	561	1,945
Receivable, end of year	\$ 26,066	\$ 29,920

**Northwest Freeway Municipal Utility District**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended June 30, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Property Valuations</b>				
Land	\$ 50,830,165	\$ 40,890,348	\$ 39,555,897	\$ 32,748,335
Improvements	149,754,189	130,930,020	117,929,264	115,072,560
Personal property	3,717,567	1,904,834	1,833,616	1,794,436
Exemptions	<u>(12,972,060)</u>	<u>(11,136,782)</u>	<u>(11,098,222)</u>	<u>(10,821,686)</u>
Total property valuations	<u>\$ 191,329,861</u>	<u>\$ 162,588,420</u>	<u>\$ 148,220,555</u>	<u>\$ 138,793,645</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.3000	\$ 0.4000	\$ 0.4500	\$ 0.4500
Maintenance tax rates*	<u>0.3400</u>	<u>0.2900</u>	<u>0.2500</u>	<u>0.2500</u>
Total tax rates per \$100 valuation	<u>\$ 0.6400</u>	<u>\$ 0.6900</u>	<u>\$ 0.7000</u>	<u>\$ 0.7000</u>
<b>Tax Levy</b>	<u>\$ 1,224,505</u>	<u>\$ 1,121,854</u>	<u>\$ 1,037,539</u>	<u>\$ 971,550</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>97%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$0.50 on November 3, 2020

\*\*Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

**Northwest Freeway Municipal Utility District**  
**Schedule of Long-term Debt Service Requirements by Years**  
**June 30, 2023**

<b>Due During Fiscal Years Ending June 30</b>	<b>Series 2016</b>		
	<b>Principal Due April 1</b>	<b>Interest Due October 1, April 1</b>	<b>Total</b>
2024	\$ 75,000	\$ 34,875	\$ 109,875
2025	75,000	33,375	108,375
2026	75,000	31,875	106,875
2027	75,000	30,281	105,281
2028	75,000	28,594	103,594
2029	75,000	26,344	101,344
2030	75,000	24,094	99,094
2031	100,000	21,844	121,844
2032	100,000	18,844	118,844
2033	100,000	15,844	115,844
2034	100,000	12,844	112,844
2035	100,000	9,844	109,844
2036	100,000	6,718	106,718
2037	115,000	3,593	118,593
Totals	<u>\$ 1,240,000</u>	<u>\$ 298,969</u>	<u>\$ 1,538,969</u>

**Northwest Freeway Municipal Utility District**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

<b>Due During Fiscal Years Ending June 30</b>	<b>Refunding Series 2017</b>		
	<b>Principal Due April 1</b>	<b>Interest Due October 1, April 1</b>	<b>Total</b>
2024	\$ 65,000	\$ 35,958	\$ 100,958
2025	70,000	34,527	104,527
2026	65,000	32,988	97,988
2027	85,000	31,362	116,362
2028	80,000	29,238	109,238
2029	80,000	26,837	106,837
2030	75,000	24,438	99,438
2031	80,000	22,187	102,187
2032	85,000	19,788	104,788
2033	95,000	16,918	111,918
2034	90,000	13,713	103,713
2035	95,000	10,674	105,674
2036	100,000	7,350	107,350
2037	110,000	3,850	113,850
Totals	<u>\$ 1,175,000</u>	<u>\$ 309,828</u>	<u>\$ 1,484,828</u>

**Northwest Freeway Municipal Utility District**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	Series 2018		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ 150,000	\$ 197,687	\$ 347,687
2025	150,000	193,188	343,188
2026	175,000	188,687	363,687
2027	175,000	183,437	358,437
2028	175,000	178,187	353,187
2029	175,000	172,938	347,938
2030	200,000	167,469	367,469
2031	200,000	161,219	361,219
2032	200,000	154,719	354,719
2033	225,000	148,219	373,219
2034	225,000	140,625	365,625
2035	250,000	132,750	382,750
2036	250,000	124,000	374,000
2037	250,000	115,250	365,250
2038	275,000	106,500	381,500
2039	275,000	96,531	371,531
2040	300,000	86,563	386,563
2041	300,000	75,687	375,687
2042	325,000	64,813	389,813
2043	325,000	53,031	378,031
2044	350,000	41,250	391,250
2045	375,000	28,125	403,125
2046	375,000	14,063	389,063
Totals	\$ 5,700,000	\$ 2,824,938	\$ 8,524,938



**Northwest Freeway Municipal Utility District**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**June 30, 2023**

Due During Fiscal Years Ending June 30	<u>Annual Requirements For All Series</u>		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 290,000	\$ 268,520	\$ 558,520
2025	295,000	261,090	556,090
2026	315,000	253,550	568,550
2027	335,000	245,080	580,080
2028	330,000	236,019	566,019
2029	330,000	226,119	556,119
2030	350,000	216,001	566,001
2031	380,000	205,250	585,250
2032	385,000	193,351	578,351
2033	420,000	180,981	600,981
2034	415,000	167,182	582,182
2035	445,000	153,268	598,268
2036	450,000	138,068	588,068
2037	475,000	122,693	597,693
2038	275,000	106,500	381,500
2039	275,000	96,531	371,531
2040	300,000	86,563	386,563
2041	300,000	75,687	375,687
2042	325,000	64,813	389,813
2043	325,000	53,031	378,031
2044	350,000	41,250	391,250
2045	375,000	28,125	403,125
2046	375,000	14,063	389,063
Totals	<u>\$ 8,115,000</u>	<u>\$ 3,433,735</u>	<u>\$ 11,548,735</u>

**Northwest Freeway Municipal Utility District**  
**Changes in Long-term Bonded Debt**  
**Year Ended June 30, 2023**

	<b>Bond Issues</b>			<b>Totals</b>
	<b>Series 2016</b>	<b>Refunding Series 2017</b>	<b>Series 2018</b>	
Interest rates	2.000% to 3.125%	2.00% to 3.50%	3.00% to 5.00%	
Dates interest payable	October 1/ April 1	October 1/ April 1	October 1/ April 1	
Maturity dates	April 1, 2024/2037	April 1, 2024/2037	April 1, 2024/2046	
Bonds outstanding, beginning of current year	\$ 1,290,000	\$ 1,240,000	\$ 5,850,000	\$ 8,380,000
Retirements, principal	50,000	65,000	150,000	265,000
Bonds outstanding, end of current year	\$ 1,240,000	\$ 1,175,000	\$ 5,700,000	\$ 8,115,000
Interest paid during current year	\$ 35,875	\$ 37,907	\$ 205,187	\$ 278,969

Paying agent's name and address:

**Series 2016** - Amegy Bank National Association, Houston, Texas

**Series 2017** - Amegy Bank National Association, Houston, Texas

**Series 2018** - ZB, National Association, dba Amegy Bank, Houston, Texas

Bond authority:

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 42,355,000	0	\$ 27,355,000
Amount issued	\$ 16,175,000	0	\$ 796,000
Remaining to be issued	\$ 26,180,000	0	\$ 26,559,000

Debt service fund cash and temporary investment balances as of June 30, 2023: \$ 238,927

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 502,119

**Northwest Freeway Municipal Utility District**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended June 30,**

	Amounts				
	2023	2022	2021	2020	2019
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 639,794	\$ 467,874	\$ 370,963	\$ 349,987	\$ 307,203
Water service	361,111	349,020	351,218	348,191	358,480
Sewer service	520,341	498,126	488,132	479,879	478,510
Regional water fee	366,398	355,017	346,845	322,855	285,579
Penalty and interest	65,287	60,444	58,727	45,578	67,441
Tap connection and inspection fees	39,203	2,465	-	-	1,190
Investment income	86,988	8,922	21,362	46,460	43,348
Other income	-	-	-	38,055	-
Total revenues	<u>2,079,122</u>	<u>1,741,868</u>	<u>1,637,247</u>	<u>1,631,005</u>	<u>1,541,751</u>
<b>Expenditures</b>					
Service operations:					
Purchased sewer services	-	-	19,704	-	-
Regional water fee	377,998	377,858	368,118	355,444	352,600
Professional fees	159,709	165,419	140,030	164,270	158,579
Contracted services	562,007	509,015	488,231	479,319	474,466
Utilities	80,514	76,808	66,038	71,551	74,116
Repairs and maintenance	495,216	402,687	298,524	235,723	339,001
Other expenditures	104,912	97,424	169,021	89,522	67,932
Tap connections	17,800	600	-	400	-
Capital outlay	41,251	35,422	112,051	-	-
Total expenditures	<u>1,839,407</u>	<u>1,665,233</u>	<u>1,661,717</u>	<u>1,396,229</u>	<u>1,466,694</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	<u>239,715</u>	<u>76,635</u>	<u>(24,470)</u>	<u>234,776</u>	<u>75,057</u>
<b>Other Financing Sources</b>					
Interfund transfers in	-	-	-	-	7,734
Proceeds from insurance	-	-	100,540	-	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>100,540</u>	<u>0</u>	<u>7,734</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>					
	239,715	76,635	76,070	234,776	82,791
<b>Fund Balance, Beginning of Year</b>	<u>2,507,319</u>	<u>2,430,684</u>	<u>2,354,614</u>	<u>2,119,838</u>	<u>2,037,047</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,747,034</u>	<u>\$ 2,507,319</u>	<u>\$ 2,430,684</u>	<u>\$ 2,354,614</u>	<u>\$ 2,119,838</u>
<b>Total Active Retail Water Connections</b>	<u>1,150</u>	<u>1,170</u>	<u>1,161</u>	<u>1,153</u>	<u>1,138</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,145</u>	<u>1,142</u>	<u>1,151</u>	<u>1,150</u>	<u>1,136</u>

**Percent of Fund Total Revenues**

<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
30.8 %	26.9 %	22.7 %	21.5 %	19.9 %
17.4	20.0	21.4	21.3	23.3
25.0	28.6	29.8	29.4	31.0
17.6	20.4	21.2	19.8	18.5
3.1	3.5	3.6	2.8	4.4
1.9	0.1	-	-	0.1
4.2	0.5	1.3	2.9	2.8
-	-	-	2.3	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
-	-	1.2	-	-
18.2	21.7	22.5	21.8	22.9
7.7	9.5	8.6	10.1	10.3
27.0	29.2	29.8	29.4	30.7
3.9	4.4	4.0	4.4	4.8
23.8	23.1	18.3	14.4	22.0
5.1	5.6	10.3	5.5	4.4
0.9	0.0	-	0.0	-
1.9	2.1	6.8	-	-
<u>88.5</u>	<u>95.6</u>	<u>101.5</u>	<u>85.6</u>	<u>95.1</u>
<u>11.5 %</u>	<u>4.4 %</u>	<u>(1.5) %</u>	<u>14.4 %</u>	<u>4.9 %</u>

**Northwest Freeway Municipal Utility District**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended June 30,**

	Amounts				
	2023	2022	2021	2020	2019
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 568,441	\$ 648,820	\$ 667,735	\$ 631,946	\$ 567,525
Penalty and interest	15,217	19,606	13,236	23,446	21,164
Investment income	7,938	565	334	7,983	12,050
Total revenues	<u>591,596</u>	<u>668,991</u>	<u>681,305</u>	<u>663,375</u>	<u>600,739</u>
<b>Expenditures</b>					
Current:					
Professional fees	8,166	5,684	4,474	11,641	6,380
Contracted services	26,217	25,515	24,882	26,406	24,583
Other expenditures	16,759	18,977	19,661	17,160	14,985
Debt service:					
Principal retirement	265,000	265,000	545,000	530,000	505,000
Interest and fees	280,470	290,920	312,820	330,695	276,953
Total expenditures	<u>596,612</u>	<u>606,096</u>	<u>906,837</u>	<u>915,902</u>	<u>827,901</u>
<b>Excess (Deficiency) of Revenues</b>					
Over Expenditures	(5,016)	62,895	(225,532)	(252,527)	(227,162)
<b>Other Financing Sources</b>					
General obligation bonds issued	-	-	-	-	212,688
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>					
	(5,016)	62,895	(225,532)	(252,527)	(14,474)
<b>Fund Balance, Beginning of Year</b>	<u>225,596</u>	<u>162,701</u>	<u>388,233</u>	<u>640,760</u>	<u>655,234</u>
<b>Fund Balance, End of Year</b>	<u>\$ 220,580</u>	<u>\$ 225,596</u>	<u>\$ 162,701</u>	<u>\$ 388,233</u>	<u>\$ 640,760</u>

**Percent of Fund Total Revenues**

<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
96.1 %	97.0 %	98.0 %	95.3 %	94.5 %
2.6	2.9	1.9	3.5	3.5
<u>1.3</u>	<u>0.1</u>	<u>0.1</u>	<u>1.2</u>	<u>2.0</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1.4	0.9	0.7	1.8	1.1
4.4	3.8	3.6	4.0	4.1
2.8	2.8	2.9	2.6	2.5
44.8	39.6	80.0	79.9	84.0
<u>47.4</u>	<u>43.5</u>	<u>45.9</u>	<u>49.8</u>	<u>46.1</u>
<u>100.8</u>	<u>90.6</u>	<u>133.1</u>	<u>138.1</u>	<u>137.8</u>
<u><u>(0.8) %</u></u>	<u><u>9.4 %</u></u>	<u><u>(33.1) %</u></u>	<u><u>(38.1) %</u></u>	<u><u>(37.8) %</u></u>

**Northwest Freeway Municipal Utility District**  
**Board Members, Key Personnel and Consultants**  
**Year Ended June 30, 2023**

Complete District mailing address:	Northwest Freeway Municipal Utility District c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 26, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Barry A. Campbell	Elected 05/20- 05/24	\$ 1,800	\$ 474	President
Tom Wildrick	Elected 05/22- 05/26	1,650	423	Vice President
Charles "Kendrick" Dudley	Elected 05/20- 05/24	1,800	461	Secretary
Carlos Heredia	Elected 05/22- 05/26	3,750	2,263	Assistant Secretary
William White	Elected 05/22- 05/26	1,800	423	Assistant Secretary

\*Fees are the amounts actually paid to a director during the District's fiscal year.

**Northwest Freeway Municipal Utility District**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended June 30, 2023**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
FORVIS, LLP	04/01/86	\$ 20,200	Auditor
The GMS Group, L.L.C.	01/26/98	1,000	Financial Advisor
Harris Central Appraisal District	Legislative Action	8,715	Appraiser
Municipal Accounts & Consulting, L.P.	Prior to 07/01/83	62,867	Bookkeeper
Regional Water Corporation	07/28/97	305,487	Operator
Sander Engineering Corporation	01/18/84	127,932	Engineer
Schwartz, Page & Harding, L.L.P.	03/11/77	72,609	General Counsel
Ted A. Cox, P.C.	Prior to 07/01/97	7,421	Delinquent Tax Attorney
Wheeler & Associates, Inc.	01/22/81	24,054	Tax Assessor/ Collector
<b>Investment Officers</b>			
Mark M. Burton and Ghia Lewis	12/16/02	N/A	Bookkeepers