

SUNBELT FRESH WATER SUPPLY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-33
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	35
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	37-39
GENERAL FUND EXPENDITURES	40-41
INVESTMENTS	42
TAXES LEVIED AND RECEIVABLE (NOT APPLICABLE)	
LONG-TERM DEBT SERVICE REQUIREMENTS	43-47
CHANGE IN LONG-TERM DEBT	48-49
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	50-53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	54-55

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sunbelt Fresh Water Supply District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunbelt Fresh Water Supply District (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Board of Directors
Sunbelt Fresh Water Supply District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 7, 2024

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Management's discussion and analysis of Sunbelt Fresh Water Supply District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for financial resources restricted, committed or assigned for servicing debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$34,890,320 as of June 30, 2024.

A portion of the District's net position reflects its net investment in capital assets (e.g. water facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 28,129,759	\$ 23,325,593	\$ 4,804,166
Capital Assets (Net of Accumulated Depreciation)	<u>37,871,339</u>	<u>35,116,801</u>	<u>2,754,538</u>
Total Assets	<u>\$ 66,001,098</u>	<u>\$ 58,442,394</u>	<u>\$ 7,558,704</u>
Deferred Outflows of Resources	\$ 12,913	\$ 13,952	\$ (1,039)
Due to Developer	\$ 7,034,836	\$ 3,805,515	\$ (3,229,321)
Long -Term Liabilities	18,787,175	19,867,828	1,080,653
Other Liabilities	<u>5,301,680</u>	<u>6,018,684</u>	<u>717,004</u>
Total Liabilities	<u>\$ 31,123,691</u>	<u>\$ 29,692,027</u>	<u>\$ (1,431,664)</u>
Net Position:			
Net Investment in Capital Assets	\$ 31,704,647	\$ 25,014,912	\$ 6,689,735
Restricted	1,781,489	1,974,490	(193,001)
Unrestricted	<u>1,404,184</u>	<u>1,774,917</u>	<u>(370,733)</u>
Total Net Position	<u>\$ 34,890,320</u>	<u>\$ 28,764,319</u>	<u>\$ 6,126,001</u>
		*	

The following table provides a summary of the District's operations for the years ending June 30, 2024, and June 30, 2023. The District's net position increased by \$6,126,001.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Charges for Services	\$ 17,043,048	\$ 12,966,541	\$ 4,076,507
Other Revenues	<u>935,803</u>	<u>703,634</u>	<u>232,169</u>
Total Revenues	\$ 17,978,851	\$ 13,670,175	\$ 4,308,676
Expenses for Services	<u>11,852,850</u>	<u>10,434,118</u>	<u>(1,418,732)</u>
Change in Net Position	\$ 6,126,001	\$ 3,236,057	\$ 2,889,944
Net Position, Beginning of Year	<u>28,764,319</u>	<u>25,528,262</u>	<u>3,236,057</u>
Net Position, End of Year	<u>\$ 34,890,320</u>	<u>\$ 28,764,319</u>	<u>\$ 6,126,001</u>
		*	

As Adjusted, See Note 15

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2024, were \$23,881,786, an increase of \$5,561,203 from the prior year.

The General Fund fund balance decreased by \$370,733, primarily due to service revenues and transfers from the Capital Projects Fund being less than expenditures and transfers to the Debt Service Fund.

The Debt Service Fund fund balance decreased by \$194,845, primarily due to the structure of the District's outstanding debt service requirements offset by transfers from the General Fund.

The Capital Projects Fund fund balance increased by \$6,126,781, primarily due to the receipt of grant revenues during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$6,032,971 less than budgeted revenues primarily due to lower grant revenues than anticipated. Actual expenditures were \$5,341,547 less than budgeted expenditures primarily due to lower capital outlay than anticipated. Transfers out were \$291,069 less than anticipated, resulting in a negative variance of \$400,355.

CAPITAL ASSETS

The District's capital assets as of June 30, 2024, amount to \$37,871,339. These capital assets include land, buildings and equipment, as well as the water and wastewater systems. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 172,090	\$ 172,090	\$
Construction in Progress	1,697,191	3,197,906	(1,500,715)
Capital Assets, Net of Accumulated Depreciation:			
Water System	12,762,733	9,956,569	2,806,164
Wastewater System	18,927,351	19,005,219	(77,868)
Drainage	3,971,137	2,425,739	1,545,398
General Assets	340,837	359,278	(18,441)
Total Net Capital Assets	<u>\$ 37,871,339</u>	<u>\$ 35,116,801</u>	<u>\$ 2,754,538</u>

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

LONG-TERM DEBT

As of June 30, 2024, the District had total bond and note debt payable of \$19,255,000. The changes in the debt position of the District during the fiscal year ended June 30, 2024 are summarized as follows:

Bonds and Notes Payable, July 1, 2023	\$ 20,250,000
Less: Bonds and Notes Principal Paid	<u>995,000</u>
Bonds and Notes Payable, June 30, 2024	<u>\$ 19,255,000</u>

The District's Series 2016 Refunding, Series 2016A and Series 2018 revenue bonds and notes are not rated. The District's Series 2021 Refunding Bonds carry an underlying rating of "A3" from Moody's Investor Services, Inc. and carry an insured rating of "AA" based on bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Sunbelt Fresh Water Supply District, c/o Radcliffe Adams Barner PLLC, 2929 Allen Parkway, Suite 3450, Houston, TX 77019-7120.

SUNBELT FRESH WATER SUPPLY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 3,093,010	\$
Investments	1,304,260	1,923,512
Receivables:		
Service Accounts (Net of Allowance for Doubtful Accounts of \$15,418)	1,261,940	
Other	3,632	
Due from Other Funds		
Inventory	10,887	
Prepaid Costs	110,000	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 5,783,729</u>	<u>\$ 1,923,512</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 5,783,729</u></u>	<u><u>\$ 1,923,512</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 8,108,785	\$ 11,201,795	\$	\$ 11,201,795
12,290,417	15,518,189		15,518,189
	1,261,940		1,261,940
	3,632		3,632
254,888	254,888	(254,888)	
	10,887		10,887
	110,000	23,316	133,316
		172,090	172,090
		1,697,191	1,697,191
		36,002,058	36,002,058
<u>\$ 20,654,090</u>	<u>\$ 28,361,331</u>	<u>\$ 37,639,767</u>	<u>\$ 66,001,098</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 12,913</u>	<u>\$ 12,913</u>
<u><u>\$ 20,654,090</u></u>	<u><u>\$ 28,361,331</u></u>	<u><u>\$ 37,652,680</u></u>	<u><u>\$ 66,014,011</u></u>

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

SUNBELT FRESH WATER SUPPLY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 1,038,167	\$ 100,000
Accrued Interest Payable		
Due to Other Governmental Units	1,683,004	
Due to Developers		
Due to Other Funds	254,888	
Customer Deposits	1,403,486	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 4,379,545</u>	<u>\$ 100,000</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 110,000	\$
Inventory	10,887	
Restricted for Authorized Construction		
Restricted for Debt Service		1,823,512
Assigned to 2025 Budget Deficit	343,495	
Unassigned	939,802	
TOTAL FUND BALANCES	<u>\$ 1,404,184</u>	<u>\$ 1,823,512</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,783,729</u>	<u>\$ 1,923,512</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 1,138,167	\$	\$ 1,138,167
		42,023	42,023
	1,683,004		1,683,004
		7,034,836	7,034,836
	254,888	(254,888)	
	1,403,486		1,403,486
		1,035,000	1,035,000
		18,787,175	18,787,175
<u>\$ -0-</u>	<u>\$ 4,479,545</u>	<u>\$ 26,644,146</u>	<u>\$ 31,123,691</u>
\$	\$ 110,000	\$ (110,000)	\$
	10,887	(10,887)	
20,654,090	20,654,090	(20,654,090)	
	1,823,512	(1,823,512)	
	343,495	(343,495)	
	939,802	(939,802)	
<u>\$ 20,654,090</u>	<u>\$ 23,881,786</u>	<u>\$ (23,881,786)</u>	<u>\$ - 0 -</u>
<u>\$ 20,654,090</u>	<u>\$ 28,361,331</u>		
		\$ 31,704,647	\$ 31,704,647
		1,781,489	1,781,489
		1,404,184	1,404,184
		<u>\$ 34,890,320</u>	<u>\$ 34,890,320</u>

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

**SUNBELT FRESH WATER SUPPLY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balances - Governmental Funds	\$	23,881,786
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred charges on refunding bonds are not an expense of the current period.		12,913
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Prepaid insurance payments on refunding bonds are amortized over the term of the bonds.		23,316
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Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		37,871,339
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (7,034,836)	
Accrued Interest Payable	(42,023)	
Payable Within One Year	(1,035,000)	
Payable After One Year	<u>(18,787,175)</u>	<u>(26,899,034)</u>

Total Net Position - Governmental Activities	\$	<u><u>34,890,320</u></u>
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The accompanying notes to the financial
statements are an integral part of this report.

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SUNBELT FRESH WATER SUPPLY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund
REVENUES		
Water Service	\$ 3,167,728	
Wastewater Service	2,667,336	
Sanitation Revenue	1,543,464	
Sanitation Administration Fees	207,567	
Door Hanger Revenue	140,459	
Grant Revenue	63,294	
Groundwater Reduction Plan Fees	2,776,456	
Penalty and Interest	192,790	
Tap Connection and Inspection Fees	483,954	
Investment Revenues	69,376	92,818
Industrial Waste Sampling/Penalty Fees	94,760	
Miscellaneous Revenues	34,999	
TOTAL REVENUES	<u>\$ 11,442,183</u>	<u>\$ 92,818</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 374,302	\$
Contracted Services	2,462,990	3,325
Purchased Water Service	1,864,692	
Wastewater Treatment Facility Lease	120,000	
Personnel	374,491	
Administrative	847,988	
Utilities	507,375	
Repairs and Maintenance	1,882,071	
Depreciation		
Other	1,313,651	
Capital Outlay	1,156,425	
Debt Service:		
Principal		995,000
Interest		515,338
TOTAL EXPENDITURES/EXPENSES	<u>\$ 10,903,985</u>	<u>\$ 1,513,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	<u>\$ 538,198</u>	<u>\$ (1,420,845)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (908,931)	\$ 1,226,000
NET CHANGE IN FUND BALANCES	<u>\$ (370,733)</u>	<u>\$ (194,845)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION, AS ADJUSTED -		
JULY 1, 2023	1,774,917	2,018,357
FUND BALANCES/NET POSITION - JUNE 30, 2024	<u><u>\$ 1,404,184</u></u>	<u><u>\$ 1,823,512</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
	\$ 3,167,728		\$ 3,167,728
	2,667,336		2,667,336
	1,543,464		1,543,464
	207,567		207,567
	140,459		140,459
5,800,000	5,863,294		5,863,294
	2,776,456		2,776,456
	192,790		192,790
	483,954		483,954
643,850	806,044		806,044
	94,760		94,760
	34,999		34,999
<u>\$ 6,443,850</u>	<u>\$ 17,978,851</u>	<u>\$ - 0 -</u>	<u>\$ 17,978,851</u>
\$	\$ 374,302	\$	\$ 374,302
	2,466,315		2,466,315
	1,864,692		1,864,692
	120,000		120,000
	374,491		374,491
	847,988		847,988
	507,375		507,375
	1,882,071		1,882,071
		1,526,360	1,526,360
	1,313,651	104,848	1,418,499
	1,156,425	(1,156,425)	
	995,000	(995,000)	
	515,338	(44,581)	470,757
<u>\$ -0-</u>	<u>\$ 12,417,648</u>	<u>\$ (564,798)</u>	<u>\$ 11,852,850</u>
<u>\$ 6,443,850</u>	<u>\$ 5,561,203</u>	<u>\$ 564,798</u>	<u>\$ 6,126,001</u>
<u>\$ (317,069)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>\$ 6,126,781</u>	<u>\$ 5,561,203</u>	<u>\$ (5,561,203)</u>	<u>\$</u>
		6,126,001	6,126,001
<u>14,527,309</u>	<u>18,320,583</u>	<u>10,443,736</u>	<u>28,764,319</u>
<u><u>\$ 20,654,090</u></u>	<u><u>\$ 23,881,786</u></u>	<u><u>\$ 11,008,534</u></u>	<u><u>\$ 34,890,320</u></u>

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

SUNBELT FRESH WATER SUPPLY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Governmental Funds	\$ 5,561,203
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,526,360)
--	-------------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	1,051,577
---	-----------

Governmental funds report bond and note principal payments as expenditures. However, in the Statement of Net Position, bond and note principal payments are reported as decreases in long-term liabilities.	995,000
---	---------

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	44,581
---	---

Change in Net Position - Governmental Activities	\$ 6,126,001
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The accompanying notes to the financial
statements are an integral part of this report.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1. CREATION OF DISTRICT

Sunbelt Fresh Water Supply District (the “District”) was created effective November 14, 1995, by an act of Commissioners Court of Harris County, Texas and operates in accordance with Texas Water Code Chapters 49 and 53. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water, the collection, transportation and treatment of wastewater, and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts. The Board of Directors held its first meeting on November 14, 1995, and sold its first bonds on June 26, 1996. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality. On August 14, 2020, the Commission approved the District’s application to convert to a Municipal Utility District under Chapters 49 and 54 of the Texas Water Code while retaining the District name and retaining powers under Chapter 53.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- * Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- * Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- * Unrestricted Net Position– This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has three governmental funds and considers each to be major.

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

Debt Service Fund – To account for financial resources restricted, committed or assigned for servicing debt.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2024, the General Fund owed the Capital Projects Fund \$254,888. The Capital Projects Fund transferred \$317,069 to the General Fund for prior year sanitary sewer project costs and the General Fund transferred \$1,226,000 to the Debt Service Fund to cover debt service requirements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Buildings are amortized over a period of 40 years. Water and Wastewater facilities are amortized over periods ranging from 10 to 45 years. All other equipment is amortized over periods ranging from 3 to 20 years.

Inventory

Inventory is recorded at the average cost basis. Average cost is calculated on the average cost of each specific item during the fiscal year.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has 9 full-time employees. The District and employees of the District make contributions into the social security system. The Internal Revenue Service has determined that Board of Directors is considered to be “employees” for federal payroll tax purposes only. The District has a Simple IRA plan which provides matching contributions for employees in the plan.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of June 30, 2024, the District has assigned \$343,495 of the General Fund fund balance for a projected budget deficit for the year ending June 30, 2025.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding long-term debt payable for the year ended June 30, 2024:

	July 1, 2023	Additions	Retirements	June 30, 2024
Bonds and Notes Payable	\$ 20,250,000	\$	\$ 995,000	\$ 19,255,000
Unamortized Premiums	612,828		45,653	567,175
Total Long-Term Liabilities	<u>\$ 20,862,828</u>	<u>\$ -0-</u>	<u>\$ 1,040,653</u>	<u>\$ 19,822,175</u>
			Amount Due Within One Year	\$ 1,035,000
			Amount Due After One Year	18,787,175
			Total Long-Term Liabilities	<u>\$ 19,822,175</u>

The Series 2016 refunding bonds are private placement revenue refunding bonds sold to a bank. The Series 2016A and 2018 bonds are private placement bonds sold to the Texas Water Development Board.

The revenue bonds and notes are 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.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2016 Refunding	Series 2016A
Amount Outstanding – June 30, 2024	\$ 385,000	\$ 3,310,000
Interest Rates	1.90%	2.25%-4.12%
Maturity Dates - Serially Beginning/Ending	December 1, 2024/2026	December 1, 2024/2038
Interest Payment Dates	December 1/June 1	December 1/June 1
Callable Dates	December 1, 2021*	December 1, 2026*

	Series 2018	Series 2021 Refunding
Amount Outstanding – June 30, 2024	\$ 7,895,000	\$ 7,665,000
Interest Rates	1.22%-2.23%	2.25%-3.00%
Maturity Dates - Serially Beginning/Ending	December 1, 2024/2048	December 1, 2024/2036
Interest Payment Dates	December 1/June 1	December 1/June 1
Callable Dates	December 1, 2028*	December 1, 2030*

* As a whole or from time to time in part in inverse order of maturity in integral multiples of \$5,000 principal on any date, upon payment of a redemption price equal to the principal amount thereof together with interest, if any, accrued thereon from the most recent interest payment date to the redemption date.

As of June 30, 2024, the District had authorized but unissued bonds in the amount of \$15,000,000 for utility facilities and refunding in the Defined Area and \$7,785,000 for roads in the Defined Area.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2024, the debt service requirements on the bonds and notes outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,035,000	\$ 492,298	\$ 1,527,298
2026	1,070,000	467,608	1,537,608
2027	1,100,000	441,493	1,541,493
2028	990,000	415,264	1,405,264
2029	1,020,000	388,858	1,408,858
2030-2034	5,525,000	1,500,145	7,025,145
2035-2039	4,855,000	701,268	5,556,268
2040-2044	1,730,000	309,053	2,039,053
2045-2049	1,930,000	108,695	2,038,695
	<u>\$ 19,255,000</u>	<u>\$ 4,824,682</u>	<u>\$ 24,079,682</u>

Defined Area

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area. On August 6, 2020, the District approved the creation of a defined area (the "Defined Area").

At an election within the District on November 3, 2020, the voters authorized \$15,000,000 principal amount of bonds to finance water, wastewater and drainage improvements within the Defined Area and at an election within the District on May 1, 2021, the voters authorized \$7,785,000 principal amount of bonds to finance road improvements within the Defined Area. Any bonds issued for the Defined Area shall be payable solely from a tax levied within the boundaries of the Defined Area and not on any other part of the District.

During the year ended June 30, 2024, the District did not levy an ad valorem debt service and road tax within the defined area.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders and note resolutions state that the District shall maintain insurance on the system of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business, but considering any governmental immunities to which the District may be entitled.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS
(Continued)

The bond orders and note resolutions state that the District shall establish and maintain a reserve fund ("Reserve Fund") in an amount equal to the average annual principal and interest requirements for the notes and all outstanding notes, if any, but if and whenever said Reserve Fund is reduced below said amount, monthly deposits into the Reserve Fund shall be commenced in an amount equal to 1/60 of the full amount then required to be on deposit in the Reserve Fund. The District has established the Reserve Fund and is funding it at the rate specified. At June 30, 2024, the amount required to be funded was \$1,007,712 and the amount actually funded was \$1,923,512.

The bond orders and note resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the debt.

The District takes all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year end, the carrying amount of the District's deposits was \$11,201,795 and the bank balance was \$11,232,411. As of June 30, 2024, the District was not exposed to custodial credit risk.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 3,093,010
CAPITAL PROJECTS FUND	<u>8,108,785</u>
TOTAL DEPOSITS	<u>\$ 11,201,795</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Hermes, Inc. manages the daily operations of TexPool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investment in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexSTAR, an external public funds investment pools that is not SEC-registered. JPMorgan Investment Management, Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc. provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JP Morgan Chase Bank, NA and/or its subsidiary JP Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pools is the same as the value of pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

As of June 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,304,260	\$ 1,304,260
<u>DEBT SERVICE FUND</u>		
TexPool	1,923,512	1,923,512
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	<u>12,290,417</u>	<u>12,290,417</u>
TOTAL INVESTMENTS	<u>\$ 15,518,189</u>	<u>\$ 15,518,189</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the District's investments in TexPool and TexSTAR were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024:

	July 1, 2023	Increases	Decreases	June 30, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 172,090	\$	\$	\$ 172,090
Construction in Progress	3,197,906	4,280,898	5,781,613	1,697,191
Total Capital Assets Not Being Depreciated	<u>\$ 3,369,996</u>	<u>\$ 4,280,898</u>	<u>\$ 5,781,613</u>	<u>\$ 1,869,281</u>
Capital Assets Subject to Depreciation				
Water System	\$ 25,756,518	\$ 3,532,386	\$	\$ 29,288,904
Wastewater System	29,723,145	541,951		30,265,096
Drainage	2,681,390	1,707,276		4,388,666
General Assets	738,637			738,637
Total Capital Assets Subject to Depreciation	<u>\$ 58,899,690</u>	<u>\$ 5,781,613</u>	<u>\$ - 0 -</u>	<u>\$ 64,681,303</u>
Accumulated Depreciation				
Water System	\$ 15,799,949	\$ 726,222	\$	\$ 16,526,171
Wastewater System	10,717,926	619,819		11,337,745
Drainage	255,651	161,878		417,529
General Assets	379,359	18,441		397,800
Total Accumulated Depreciation	<u>\$ 27,152,885</u>	<u>\$ 1,526,360</u>	<u>\$ - 0 -</u>	<u>\$ 28,679,245</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 31,746,805</u>	<u>\$ 4,255,253</u>	<u>\$ - 0 -</u>	<u>\$ 36,002,058</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 35,116,801</u></u>	<u><u>\$ 8,536,151</u></u>	<u><u>\$ 5,781,613</u></u>	<u><u>\$ 37,871,339</u></u>

NOTE 7. MAINTENANCE TAX

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax would be in addition to taxes which the District is authorized to levy for paying principal of and interest of the outstanding bonds, and any tax bonds which may be issued in the future. To date, an election has not been held to authorize a maintenance tax, and thus no maintenance tax has been levied.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt, and are delinquent the following February 1. Penalty and interest attach thereafter.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7. MAINTENANCE TAX (Continued)

Defined Area

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area. On August 6, 2020, the District approved the creation of a defined area (the “Defined Area”) (See Note 3).

The District is authorized to levy a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation for property within the Defined Area, in addition to the District’s debt service and maintenance tax rates applicable to the remainder of the District. During the fiscal year ended June 30, 2024, the District did not levy an ad valorem maintenance tax.

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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, property, boiler and machinery, workers compensation, auto liability, and public officials liability coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. ESCROW REQUIREMENTS

In compliance with an order of the Texas Water Development Board (the “TWDB”), the District escrowed \$10,440,000 of the Series 2011 Waterworks and Sewer System Revenue Notes proceeds. These funds are to be used to finance construction of wastewater system improvements, including two new wastewater treatment facilities adjacent to the existing Woodland Oaks and Oakwilde wastewater treatment facilities. At closing, the TWDB released \$596,720 from escrow to fund issuance costs. On July 18, 2013, an additional \$877,290 was released from escrow to fund engineering and related costs for the Woodland Oaks Wastewater Treatment Facility and the Oakwilde Wastewater Treatment Facility. On February 3, 2015, the TWDB released \$4,512,200 from escrow for the Woodland Oaks Wastewater Treatment Facility. In September 2019, the TWDB released \$600,935 for engineering. The TWDB granted a change in scope for the remaining \$3,852,855 to fund High Meadows/Fairgreen Water Plant SCADA Installation; Hurlingham Water Plant Improvements; Northline Terrace Water Plant Improvements; Fairgreen Water Plant ground storage tank replacement; matching funds for High Meadows/Fairgreen Sanitary Sewer Rehabilitation; Smoke Testing in Oakwilde, including Mary Ellen/Mary Francis and North Houston Heights; Seven Mile Water Plant half the cost of new water well; Water Distribution System Improvements in Oakwilde; and Marquita Water Plant new water well.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9. ESCROW REQUIREMENTS (Continues)

On December 1, 2021, the TWDB released \$1,346,946 from escrow, composed of \$535,679 for the Marquita Water Well and \$811,267 for the High Meadows/Fairgreen Rehabilitation. On October 19, 2022, the TWDB released \$308,512 from escrow to the District's construction account. On February 24, 2023, the TWDB released \$397,515 from escrow to the District's construction account. On April 1, 2024, the TWDB released \$695,778 from escrow to the District's construction account, leaving an escrowed balance at year-end of \$1,104,464.

In compliance with an order of the TWDB, the District escrowed \$3,734,050 of the Series 2016A Waterworks and Sewer System Revenue Notes proceeds. These funds are to be used to finance construction of rehabilitation work on approximately 43,435 linear feet of existing sanitary sewer lines and associated manholes and sanitary sewer service connections to serve the Northline Terrace Subdivision and construction of a new water well to serve the Oakwilde Subdivision. At closing, the TWDB released \$116,825 from escrow to fund issuance costs. During a prior fiscal year, the TWDB released \$224,125 for engineering costs. On September 24, 2018, the TWDB released \$2,673,097 from escrow for the Northline Terrace Sanitary Sewer Rehabilitation, leaving an escrowed balance at year-end of \$1,060,953.

In compliance with an order of the TWDB, the District escrowed \$7,933,213 of the Series 2018 Water and Sewer Revenue Bonds proceeds. These funds are to be used to fund construction of a new permanent wastewater treatment plant in the Oakwilde service area.

NOTE 10. EQUIPMENT LEASES

On June 23, 2010, the District executed an equipment lease for a wastewater treatment facility to treat the average daily flow of 450,000 gallons per day. Monthly lease payments are \$12,875 per month for the first 24 months and \$8,800 per month thereafter. The term of the lease is 24 months with successive 90-day renewals until the District gives a 90-day notice to terminate the lease. On November 20, 2015, a contract amendment called for relocation of the facility from Woodland Oaks to Oakwilde with a one-time cost of \$157,720 and monthly lease payments of \$8,800 per month. On September 6, 2011, the District executed an equipment lease for a wastewater treatment facility with a minimum capacity of 2,762 cubic feet. Monthly lease payments are \$2,700 per month for the first 24 months and \$1,200 per month thereafter. The term of the lease is 24 months with successive 90-day renewals until the District gives a 90-day notice to terminate the lease. This facility is in Oakwilde.

NOTE 11. UNREIMBURSED COSTS

The District has executed a Developer Reimbursement Agreement with the Developer which calls for the Developer to fund costs associated with the construction of water, wastewater, and drainage facilities to support a commercial development within a defined area. (See Note 3) Reimbursement will come from the proceeds of future bond issuances to the extent approved by the Commission. The Developer Liability at year end totaled \$7,034,836, with an increase from prior year related to the completion of the water, sewer and drainage facilities to serve Urban Logistics Park.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

**NOTE 12. CITY OF HOUSTON WATER SUPPLY AND GROUNDWATER
REDUCTION PLAN WHOLESALE AGREEMENT**

The District entered into a City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Subsidence District (the “Agreement”) with the City of Houston, Texas (the “City”). Under the terms of the Agreement, the City is responsible for the design, construction and operation of a project to achieve regulatory compliance with the Harris-Galveston Subsidence District’s (the “Subsidence District”) requirements to reduce the total amount of groundwater withdrawn by non-exempt Area 3 pumpers of groundwater from wells. The Subsidence District’s deadlines are as follows: January 2005 for commencement of construction of the initial phase; January 2010 deadline for reduction of groundwater withdrawals such that the City and participants, including the District, have a total withdrawal of groundwater of no more than 70% of overall demand, and subsequent deadlines in 2020 and 2030 for further reduction of groundwater withdrawals. The District began taking water under the Agreement. The City will determine the minimum amount of water to be taken and establish maximum peak rates of flow.

The City has developed a Groundwater Reduction Plan (“GRP”) for itself, the District and all other entities who execute a similar agreement with the City. The GRP is based upon the project to supply treated water from alternative sources and includes a plan for co-permitting all groundwater wells owned or controlled by the other participants in accordance with requirements of the Subsidence District. The City and District agree to cooperate to allow co-permitting of their wells under the Subsidence District’s rules as provided in the GRP. The payment commencement date for the District, under the agreement, is based on the renewal dates of the District’s Subsidence District withdrawal permit on or after 2003 or the date on which delivery of treated water to the District commences if such date is earlier. The payment amount is calculated by formulas which are specified in the Agreement based on whether the District has connected to the project or not, as well as quantity of groundwater pumped by the District, and the base GRP Rate per thousand gallons as set by City ordinance. The term of the Agreement extends until noon on December 31, 2040, unless sooner terminated pursuant to the terms of the Agreement.

Effective September 2016, the District entered contract supplements for Oakwilde, High Meadows/Fairgreen and Woodland Oaks which specify updated minimum amounts and maximum peak flows. New development, as defined in the supplements, will be assessed an impact fee by the City, currently \$626.50 per Equivalent Single Family Connection (“ESFC”). Purchased water costs totaled \$1,864,692 during the current fiscal year.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13. WATER AND WASTEWATER TREATMENT AGREEMENT

Effective March 15, 2012, the District entered into a Water Supply and Wastewater Treatment Agreement with Skymark Development Company, Inc. (Developer), on behalf of the developer and on behalf of proposed JFK Municipal Utility District (JFK). The District excluded from the District's jurisdiction tracts of land totaling approximately 144.388 acres. This property, along with other property, would eventually become JFK. The District will sell potable water on a wholesale basis to JFK. The Developer and the District agree to finance, construct, own and operate regional water and wastewater treatment plant facilities.

The District agrees to provide 25 ESFCs of water capacity to JFK upon payment of \$25,000 by the Developer to fund design costs of a waterline extension from the Fairgreen Water Plant to the Cuta Court Water Plant, and upon payment of \$175,000 by the Developer to fund initial construction costs for the waterline extension. The District agrees to provide an additional 25 ESFCs of water capacity to JFK upon payment by the Developer of all costs required for completion of the water line extension, estimated at \$226,000. The District agrees to provide 100 ESFCs of water capacity to JFK upon funding and completion of improvements to the Fairgreen Water Plant, estimated at \$503,125. The District agrees to provide the remaining 100 ESFCs of water capacity to JFK upon payment by the Developer or JFK for shared costs in improvements to Cuta Court Water Plant, estimated at \$157,150. Additional capacity requests may be made according to the terms of the agreement. The District will bill JFK a monthly rate of \$5.00 per 1,000 gallons of water used. The rate may be changed according to the terms of the agreement.

The District and JFK will each construct, operate and maintain a sanitary sewer collection system appropriate for serving the developed areas within their respective boundaries. The District and JFK will each construct, operate and maintain sanitary sewer lines necessary to convey waste to the Fairgreen wastewater treatment and disposal facilities. Legal title to the Fairgreen waste treatment facilities remains with the District.

The District agrees to allocate 33,333 gallons per day of wastewater treatment capacity in the Fairgreen facilities to JFK upon payment of \$100,000 by the Developer. If the District engineer determines that a new lift station at the Fairgreen Facilities and relocation of an 18" sanitary sewer line is necessary, the District and JFK will jointly fund the estimated cost of \$426,000. Future enlargement of the Fairgreen Facilities may be designed and constructed by one party or jointly according to the terms of the agreement. Ownership interest will be recalculated upon completion of the additional capacity constructed.

The District will operate the facilities. The Developer or JFK will fund its proportionate share of operations and maintenance costs. Fixed costs will be billed based on capacity allocated. Variable costs will be billed based on gallons billed to customers utilizing the Fairgreen facilities. Extraordinary repair costs, capital improvements or modifications to the Fairgreen facilities will be paid based on each district's proportionate share of ownership.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13. WATER AND WASTEWATER TREATMENT AGREEMENT (Continued)

The participants and their respective pro-rata share of capacity in the plant are:

	<u>Percentage of Total Capacity</u>
Sunbelt Fresh Water Supply District	88.89%
Harris County Municipal Utility District No. 461	7.69
JFK Municipal Utility District	<u>3.42</u>
	<u>100.00%</u>

Effective August 16, 2017, the land within JFK was annexed into Harris County MUD No. 461. As a result, JFK's obligations under the agreement have been assigned to Harris County MUD No. 461.

NOTE 14. GRANTS

On May 7, 2024, the District was awarded \$5,800,000 in American Rescue Plan Act funds passed through the Harris County Community Services Department (HCCSD). The award is to be used for construction related to expanding an existing wastewater treatment plant to serve Westfield Estates in the Oakwilde Service area. Additional funding for this project will be from the available bond proceeds still on hand from the \$8,265,000 Series 2018 bonds purchased by the Texas Water Development Board from the Clean Water State Revolving Fund.

NOTE 15. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, it was determined that the due from Harris County amount was incorrectly presented in a prior year. In order to correctly account for the District's assets for the current fiscal year, a prior period adjustment has been recorded to adjust the prior year net position balance. The effects of these changes are as follows:

Net Position - July 1, 2023	\$ 29,111,094
Effect of Adjustments	<u>(346,775)</u>
Net Position - July 1, 2023, As Adjusted	<u>\$ 28,764,319</u>
General Fund Fund Balance - July 1, 2023	\$ 2,121,692
Effect of Adjustment	<u>(346,775)</u>
General Fund Fund Balance - July 1, 2023, As Adjusted	<u>\$ 1,774,917</u>

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SUNBELT FRESH WATER SUPPLY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

SUNBELT FRESH WATER SUPPLY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Water Service	\$ 3,114,380	\$ 3,167,728	\$ 53,348
Wastewater Service	2,539,000	2,667,336	128,336
Sanitation Service	1,254,000	1,543,464	289,464
Sanitation Administration Fees	271,110	207,567	(63,543)
Door Hanger Revenue	134,800	140,459	5,659
Grant Revenue	7,199,064	63,294	(7,135,770)
Groundwater Reduction Plan Fee	2,367,000	2,776,456	409,456
Penalty and Interest	185,600	192,790	7,190
Tap Connection and Inspection Fees	149,600	483,954	334,354
Investment Revenues	14,000	69,376	55,376
Industrial Waste Sampling/Penalty Fees	103,700	94,760	(8,940)
Miscellaneous Revenues	142,900	34,999	(107,901)
TOTAL REVENUES	<u>\$ 17,475,154</u>	<u>\$ 11,442,183</u>	<u>\$ (6,032,971)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 527,000	\$ 374,302	\$ 152,698
Contracted Services	2,449,043	2,462,990	(13,947)
Purchased Water Service	1,085,500	1,864,692	(779,192)
Wastewater Treatment Facility Lease	120,000	120,000	
Personnel	349,800	374,491	(24,691)
Administrative Services	432,500	847,988	(415,488)
Utilities	488,400	507,375	(18,975)
Repairs and Maintenance	1,838,850	1,882,071	(43,221)
Other	1,348,800	1,313,651	35,149
Capital Outlay	7,605,639	1,156,425	6,449,214
TOTAL EXPENDITURES	<u>\$ 16,245,532</u>	<u>\$ 10,903,985</u>	<u>\$ 5,341,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,229,622</u>	<u>\$ 538,198</u>	<u>\$ (691,424)</u>
OTHER FINANCING SOURCES(USES)			
Transfers (Out)	\$ (1,200,000)	\$ (908,931)	\$ 291,069
NET CHANGE IN FUND BALANCE	\$ 29,622	\$ (370,733)	\$ (400,355)
FUND BALANCE, AS ADJUSTED - JULY 1, 2023	<u>1,774,917</u>	<u>1,774,917</u>	
FUND BALANCE - JUNE 30, 2024	<u>\$ 1,804,539</u>	<u>\$ 1,404,184</u>	<u>\$ (400,355)</u>

See accompanying independent auditor's report.

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SUNBELT FRESH WATER SUPPLY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2024

FOR THE YEAR ENDED JUNE 30, 2024

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify):				

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective January 18, 2024

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$17.50	3,000	N	\$2.25 \$2.85 \$3.25 \$3.85	3,001 to 8,000 8,001 to 13,000 13,001 to 18,000 18,001 and up
WASTEWATER:	\$20.50	3,000	N	\$2.50	3,001 and up
SURCHARGE:					
Groundwater Reduction Plan Fees	\$4.40 per 1,000 gallons				
Basic Service Fee	\$21.15	N/A	Y		
Commission Regulatory Assessments	.5% actual water and sewer bill				

District employs winter averaging for wastewater usage?

X	
Yes	No
1	1
2	1
3	1
4	1
5	1
6	1
7	1
8	1
9	1
10	1
11	1
12	1
13	1
14	1
15	1
16	1
17	1
18	1
19	1
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88	1
89	1
90	1
91	1
92	1
93	1
94	1
95	1
96	1
97	1
98	1
99	1
100	1

Total monthly charges per 10,000 gallons usage: Water: \$34.45 Wastewater: \$38.00 Basic Service: \$21.15 Surcharge: \$44.36

See accompanying independent auditor's report.

**SUNBELT FRESH WATER SUPPLY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>8,323</u>	<u>7,807</u>	x 1.0	<u>7,807</u>
1"	<u>74</u>	<u>74</u>	x 2.5	<u>185</u>
1½"	<u>95</u>	<u>95</u>	x 5.0	<u>475</u>
2"	<u>68</u>	<u>68</u>	x 8.0	<u>544</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"	<u>8</u>	<u>8</u>	x 25.0	<u>200</u>
6"			x 50.0	
8"	<u>14</u>	<u>14</u>	x 80.0	<u>1,120</u>
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u>8,585</u>	<u>8,069</u>		<u>10,476</u>
Total Wastewater Connections	<u>7,162</u>	<u>7,162</u>	x 1.0	<u>7,162</u>

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

Gallons pumped into system:	461,500,000	Water Accountability Ratio: 79.43% (Gallons billed /Gallons pumped)
Gallons billed to customers:	630,200,000	
Gallons purchased:	331,873,000	From: City of Houston

See accompanying independent auditor's report.

**SUNBELT FRESH WATER SUPPLY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

City of Houston, Texas

Entirely ☐ Partly ☒ Not at all ☐

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 374,491</u>
PROFESSIONAL FEES:	
Auditing	\$ 38,280
Engineering	162,567
Legal	<u>173,455</u>
TOTAL PROFESSIONAL FEES	<u>\$ 374,302</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 1,864,692</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 38,400
Operations and Billing	955,970
Solid Waste Disposal	1,444,393
Security	<u>24,227</u>
TOTAL CONTRACTED SERVICES	<u>\$ 2,462,990</u>
UTILITIES:	
Electricity	\$ 494,430
Telephone	<u>12,945</u>
TOTAL UTILITIES	<u>\$ 507,375</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,882,071</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 32,187
Election Costs	159,290
Insurance	243,629
Office Supplies and Postage	44,605
Travel and Meetings	19,006
Other	<u>349,271</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 847,988</u>

See accompanying independent auditor's report.

**SUNBELT FRESH WATER SUPPLY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024**

TOTAL CAPITAL OUTLAY	<u>\$ 1,156,425</u>
TAP CONNECTIONS	<u>\$ 79,965</u>
OTHER EXPENDITURES:	
Chemicals	\$ 238,217
Laboratory Fees	195,767
Permit Fees	40,072
Wastewater Treatment Facility Lease	120,000
Inspection Fees	87,792
Mowing	42,794
Sludge Hauling	<u>629,044</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,353,686</u>
TOTAL EXPENDITURES	<u><u>\$ 10,903,985</u></u>

Number of persons employed by the District: 9 Full-Time 0 Part-Time

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
INVESTMENTS
JUNE 30, 2024

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 416,957	\$
TexPool	XXXX0008	Varies	Daily	887,303	
TOTAL GENERAL FUND				<u>\$ 1,304,260</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0006	Varies	Daily	\$ 1,049,942	\$
TexPool	XXXX0007	Varies	Daily	873,570	
TOTAL DEBT SERVICE FUND				<u>\$ 1,923,512</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX1110	Varies	Daily	\$ 2,297,462	\$
TexSTAR	XXXX0160	Varies	Daily	1,296,673	
TexSTAR	XXXX0200			8,696,282	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 12,290,417</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 15,518,189</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 1 6 R E F U N D I N G			
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2025	\$ 125,000	\$ 6,127	\$ 131,127
2026	130,000	3,705	133,705
2027	130,000	1,235	131,235
2028			
2029			
2030			
2031			
2032			
2033			
2034			
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2044			
2045			
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2048			
2049			
	<u>\$ 385,000</u>	<u>\$ 11,067</u>	<u>\$ 396,067</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 1 6 A			
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2025	\$ 170,000	\$ 113,176	\$ 283,176
2026	180,000	109,067	289,067
2027	185,000	104,504	289,504
2028	195,000	99,376	294,376
2029	200,000	93,547	293,547
2030	205,000	87,136	292,136
2031	210,000	80,192	290,192
2032	220,000	72,653	292,653
2033	225,000	64,564	289,564
2034	235,000	55,971	290,971
2035	240,000	46,886	286,886
2036	250,000	37,304	287,304
2037	255,000	27,241	282,241
2038	265,000	16,723	281,723
2039	275,000	5,665	280,665
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	<u>\$ 3,310,000</u>	<u>\$ 1,014,005</u>	<u>\$ 4,324,005</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total	
2025	\$ 250,000	\$ 155,457	\$	405,457
2026	255,000	152,224		407,224
2027	260,000	148,591		408,591
2028	260,000	144,626		404,626
2029	265,000	140,398		405,398
2030	270,000	135,877		405,877
2031	275,000	131,067		406,067
2032	280,000	125,988		405,988
2033	285,000	120,662		405,662
2034	290,000	115,098		405,098
2035	295,000	109,277		404,277
2036	305,000	103,170		408,170
2037	310,000	96,820		406,820
2038	315,000	90,257		405,257
2039	320,000	83,494		403,494
2040	330,000	76,523		406,523
2041	335,000	69,374		404,374
2042	345,000	62,047		407,047
2043	355,000	54,469		409,469
2044	365,000	46,640		411,640
2045	370,000	38,609		408,609
2046	380,000	30,378		410,378
2047	385,000	21,944		406,944
2048	395,000	13,304		408,304
2049	400,000	4,460		404,460
	<u>\$ 7,895,000</u>	<u>\$ 2,270,754</u>	<u>\$</u>	<u>10,165,754</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 2 1 R E F U N D I N G			
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2025	\$ 490,000	\$ 217,538	\$ 707,538
2026	505,000	202,612	707,612
2027	525,000	187,163	712,163
2028	535,000	171,262	706,262
2029	555,000	154,913	709,913
2030	570,000	138,037	708,037
2031	590,000	120,638	710,638
2032	605,000	102,712	707,712
2033	625,000	84,263	709,263
2034	640,000	65,287	705,287
2035	660,000	45,788	705,788
2036	675,000	28,293	703,293
2037	690,000	10,350	700,350
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	<u>\$ 7,665,000</u>	<u>\$ 1,528,856</u>	<u>\$ 9,193,856</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 1,035,000	\$ 492,298	\$ 1,527,298
2026	1,070,000	467,608	1,537,608
2027	1,100,000	441,493	1,541,493
2028	990,000	415,264	1,405,264
2029	1,020,000	388,858	1,408,858
2030	1,045,000	361,050	1,406,050
2031	1,075,000	331,897	1,406,897
2032	1,105,000	301,353	1,406,353
2033	1,135,000	269,489	1,404,489
2034	1,165,000	236,356	1,401,356
2035	1,195,000	201,951	1,396,951
2036	1,230,000	168,767	1,398,767
2037	1,255,000	134,411	1,389,411
2038	580,000	106,980	686,980
2039	595,000	89,159	684,159
2040	330,000	76,523	406,523
2041	335,000	69,374	404,374
2042	345,000	62,047	407,047
2043	355,000	54,469	409,469
2044	365,000	46,640	411,640
2045	370,000	38,609	408,609
2046	380,000	30,378	410,378
2047	385,000	21,944	406,944
2048	395,000	13,304	408,304
2049	400,000	4,460	404,460
	<u>\$ 19,255,000</u>	<u>\$ 4,824,682</u>	<u>\$ 24,079,682</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
CHANGE IN LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2024

Description	Original Notes Issued	Bonds and Notes Outstanding July 1, 2023
Sunbelt Fresh Water Supply District Waterworks and Sewer System Revenue Refunding Bonds - Series 2016	\$ 4,780,000	\$ 510,000
Sunbelt Fresh Water Supply District Waterworks and Sewer System Revenue Notes - Series 2016A	4,075,000	3,460,000
Sunbelt Fresh Water Supply District Waterworks and Sewer System Revenue Notes - Series 2018	8,265,000	8,145,000
Sunbelt Fresh Water Supply District Waterworks and Sewer System Revenue Refunding Bonds - Series 2021	<u>8,465,000</u>	<u>8,135,000</u>
TOTAL	<u>\$ 36,025,000</u>	<u>\$ 20,250,000</u>
Debt Service Fund cash and investments balances as of June 30, 2024:		<u>\$ 1,923,512</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 963,187</u>

See accompanying independent auditor's report.

Current Year Transactions				Bonds and Notes Outstanding June 30, 2024	Paying Agent		
Bonds or Notes Sold	Retirements						
	Principal	Interest					
\$	\$	125,000	\$	8,503	\$	385,000	Branch Banking and Trust Company, N.A. Dallas, TX
		150,000		116,603		3,310,000	Amegy Bank Houston, TX
		250,000		158,295		7,895,000	ZB N.A. Houston, TX
		470,000		231,937		7,665,000	The Bank of New York Mellon Trust Company, N.A. Dallas, Tx
<u>\$</u>	<u>- 0 -</u>	<u>\$</u>	<u>995,000</u>	<u>\$</u>	<u>515,338</u>	<u>\$</u>	<u>19,255,000</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Water Service	\$ 3,167,728	\$ 2,963,464	\$ 2,680,314
Wastewater Service	2,667,336	2,417,585	2,354,525
Sanitation Service	1,543,464	1,263,833	1,202,364
Sanitation Administration Fees	207,567	656,591	217,795
Door Hanger Revenue	140,459	136,548	161,785
Grant Revenue	63,294	2,254,887	508,907
Groundwater Reduction Plan Fee	2,776,456	2,391,137	1,975,455
Penalty and Interest	192,790	182,288	166,443
Tap Connection and Inspection Fees	483,954	700,208	225,309
Investment Revenues	69,376	47,030	13,824
Industrial Waste Sampling/Penalty Fees	94,760	101,784	121,422
Miscellaneous Revenues	34,999	41,663	40,185
TOTAL REVENUES	<u>\$ 11,442,183</u>	<u>\$ 13,157,018</u>	<u>\$ 9,668,328</u>
EXPENDITURES			
Professional Fees	\$ 374,302	\$ 348,823	\$ 390,576
Contracted Services	2,462,990	2,347,287	2,277,704
Purchased Water Service	1,864,692	1,219,033	778,122
Wastewater Treatment Facility Lease	120,000	120,000	120,000
Personnel	374,491	347,066	344,379
Administrative	847,988	496,700	418,453
Utilities	507,375	452,478	449,746
Repairs and Maintenance	1,882,071	1,625,915	827,168
Other	1,313,651	1,556,023	1,064,327
Debt Service Principal			10,063
Capital Outlay	1,156,425	3,189,082	2,284,196
TOTAL EXPENDITURES	<u>\$ 10,903,985</u>	<u>\$ 11,702,407</u>	<u>\$ 8,964,734</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 538,198</u>	<u>\$ 1,454,611</u>	<u>\$ 703,594</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ (908,931)</u>	<u>\$ (1,512,000)</u>	<u>\$ (1,642,011)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (370,733)</u>	<u>\$ (57,389)</u>	<u>\$ (938,417)</u>
BEGINNING FUND BALANCE	2,121,692	2,179,081	3,117,498
PRIOR PERIOD ADJUSTMENT	<u>(346,775)</u>		
ENDING FUND BALANCE	<u>\$ 1,404,184</u>	<u>\$ 2,121,692</u>	<u>\$ 2,179,081</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue									
2021	2020	2024		2023		2022		2021		2020	
\$ 2,835,091	\$ 2,570,093	27.7	%	22.5	%	27.7	%	31.6	%	28.0	%
2,352,806	2,369,116	23.3		18.4		24.4		26.3		25.7	
1,249,203	1,263,478	13.5		9.6		12.4		13.9		13.7	
180,792	179,822	1.8		5.0		2.3		2.0		2.0	
14,415	85,636	1.2		1.0		1.7		0.2		0.9	
		0.6		17.1		5.3					
1,961,378	2,003,414	24.3		18.2		20.4		21.9		21.7	
8,524	92,782	1.7		1.4		1.7		0.1		1.0	
116,265	477,774	4.2		5.3		2.3		1.3		5.2	
15,820	34,967	0.6		0.4		0.1		0.2		0.4	
138,014	86,154	0.8		0.8		1.3		1.5		0.9	
89,538	50,472	0.3		0.3		0.4		1.0		0.5	
<u>\$ 8,961,846</u>	<u>\$ 9,213,708</u>	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%
\$ 434,907	\$ 420,018	3.3	%	2.7	%	4.0	%	4.9	%	4.6	%
2,343,872	2,241,053	21.5		17.8		23.6		26.2		24.3	
842,120	585,393	16.3		9.3		8.0		9.4		6.4	
120,000	110,000	1.0		0.9		1.2		1.3		1.2	
303,483	290,895	3.3		2.6		3.6		3.4		3.2	
464,821	440,922	7.4		3.8		4.3		5.2		4.8	
377,609	395,450	4.4		3.4		4.7		4.2		4.3	
995,089	815,543	16.4		12.4		8.6		11.1		8.9	
890,532	1,075,003	11.5		11.8		11.0		9.9		11.7	
14,761	22,560					0.1		0.2		0.2	
650,624	281,069	10.1		24.2		23.6		7.3		3.1	
<u>\$ 7,437,818</u>	<u>\$ 6,677,906</u>	<u>95.2</u>	%	<u>88.9</u>	%	<u>92.7</u>	%	<u>83.1</u>	%	<u>72.7</u>	%
<u>\$ 1,524,028</u>	<u>\$ 2,535,802</u>	<u>4.8</u>	%	<u>11.1</u>	%	<u>7.3</u>	%	<u>16.9</u>	%	<u>27.3</u>	%
<u>\$ (2,067,770)</u>	<u>\$ (1,279,000)</u>										
\$ (543,742)	\$ 1,256,802										
3,661,240	2,404,438										
<u></u>	<u></u>										
\$ 3,117,498	\$ 3,661,240										

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Interest on Investments	\$ 92,818	\$ 66,864	\$ 3,312
EXPENDITURES			
Debt Service Principal	\$ 995,000	\$ 725,000	\$ 1,105,000
Debt Service Interest and Fees	518,663	662,429	499,822
Bond Issuance Costs			319,394
TOTAL EXPENDITURES	\$ 1,513,663	\$ 1,387,429	\$ 1,924,216
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,420,845)	\$ (1,320,565)	\$ (1,920,904)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 1,226,000	\$ 1,512,000	\$ 1,642,011
Long-Term Debt Issued			8,465,000
Payment to Refunded Bond Escrow Agent			(8,910,548)
Bond Premium			682,931
TOTAL OTHER FINANCING SOURCES (USES)	\$ 1,226,000	\$ 1,512,000	\$ 1,879,394
NET CHANGE IN FUND BALANCE	\$ (194,845)	\$ 191,435	\$ (41,510)
BEGINNING FUND BALANCE	2,018,357	1,826,922	1,868,432
ENDING FUND BALANCE	\$ 1,823,512	\$ 2,018,357	\$ 1,826,922
TOTAL ACTIVE RETAIL WATER CONNECTIONS	8,069	7,950	7,926
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	7,162	7,162	7,162

See accompanying independent auditor's report.

		Percentage of Total Revenue							
2021	2020	2024		2023		2022		2021	2020
\$ 1,795	\$ 32,120	100.0	%	100.0	%	100.0	%	100.0	100.0
\$ 1,355,000	\$ 1,305,000	1,072.0	%	1,084.3	%	33,363.5	%	75,487.5	4,062.9
737,485	766,872	558.8		990.7		15,091.2		41,085.5	2,387.5
						9,643.5			
\$ 2,092,485	\$ 2,071,872	1,630.8	%	2,075.0	%	58,098.2	%	116,573.0	6,450.4
\$ (2,090,690)	\$ (2,039,752)	(1,530.8)	%	(1,975.0)	%	(57,998.2)	%	(116,473.0)	(6,350.4)
\$ 2,067,770	\$ 1,270,000								
\$ 2,067,770	\$ 1,270,000								
\$ (22,920)	\$ (769,752)								
1,891,352	2,661,104								
\$ 1,868,432	\$ 1,891,352								
7,926	7,990								
7,162	7,162								

See accompanying independent auditor's report.

District Mailing Address - Sunbelt Fresh Water Supply District
410 West Gulf Bank Road
Houston, TX 77037

District Telephone Number - (281) 272-9577

- 54 -

SUNBELT FRESH WATER SUPPLY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2024</u>	<u>Title</u>
Radcliffe Adams Barner PLLC	05/21/97	\$ 302,509	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/18/13	\$ 25,155 \$ 10,000	Auditor Single Audit
Governmental Financial Reporting, LLC	02/05	\$ 39,671	Bookkeeper
A & S Engineers, Inc.	03/20/03	\$ 297,603	Engineer
The GMS Group	12/18/06	\$ -0-	Financial Advisor
Municipal Operations & Consulting	01/02/03	\$ 2,256,706	Operator
Arbitrage Compliance Specialists, Inc.	As needed	\$ -0-	Arbitrage Consultant
Key Employees:			
LaDonna Smith		\$ 58,785	Business Service Manager

See accompanying independent auditor's report.

