

KLEINWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS 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	17-31
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	33
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	35-37
GENERAL FUND EXPENDITURES	38
INVESTMENTS	39
TAXES LEVIED AND RECEIVABLE	40-41
LONG-TERM DEBT SERVICE REQUIREMENTS	42-47
CHANGES IN LONG-TERM BOND 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

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kleinwood Municipal Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Kleinwood Municipal Utility District (the "District") as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 13 to the financial statements, the District's financial statements as of and for the year ended March 31, 2024, have been restated to account for a change in accounting principle. Our opinions are not modified with respect to these matters.

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
Kleinwood Municipal Utility 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 Ellis PLLC

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

July 24, 2025

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025**

Management's discussion and analysis of the financial performance of Kleinwood Municipal Utility District (the "District") provides an overview of the District's financial activities for the year ended March 31, 2025. 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 like 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 the District's assets, liabilities, deferred inflows of resources, and deferred 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, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025**

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 Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in 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 and deferred inflows of resources by \$12,397,232 as of March 31, 2025. A portion of the District's net position reflects its net investment in capital assets which includes land, buildings and equipment, as well as the water and wastewater facilities less any debt used to acquire those assets that is still outstanding. The table on the following page presents a comparative analysis of government-wide changes in net position.

The 2024 balances in the tables on the following page have been adjusted to reflect a change in accounting principle; see Note 13.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 16,178,044	\$ 16,198,154	\$ (20,110)
Capital Assets (Net of Accumulated Depreciation)	11,853,463	11,537,209	316,254
Total Assets	\$ 28,031,507	\$ 27,735,363	\$ 296,144
Deferred Outflows of Resources	\$ 49,597	\$ 58,359	\$ (8,762)
Bonds Payable	\$ 14,452,890	\$ 15,402,362	\$ 949,472
Other Liabilities	1,168,811	1,375,451	206,640
Total Liabilities	\$ 15,621,701	\$ 16,777,813	\$ 1,156,112
Deferred Inflows of Resources	\$ 62,171	\$ 76,479	\$ 14,308
Net Position:			
Net Investment in Capital Assets	\$ 2,521,649	\$ 1,401,466	\$ 1,120,183
Restricted	2,106,494	2,104,341	2,153
Unrestricted	7,769,089	7,433,623	335,466
Total Net Position	\$ 12,397,232	\$ 10,939,430	\$ 1,457,802

The following table provides a summary of the District's operations for the years ended March 31, 2025, and March 31, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,854,535	\$ 1,901,187	\$ (46,652)
Charges for Services	1,740,997	2,029,320	(288,323)
Other Revenues	1,131,628	900,747	230,881
Total Revenues	\$ 4,727,160	\$ 4,831,254	\$ (104,094)
Expenses for Services	3,269,358	4,072,572	803,214
Change in Net Position	\$ 1,457,802	\$ 758,682	\$ 699,120
Net Position, Beginning of Year	10,939,430	10,180,748	758,682
Net Position, End of Year	\$ 12,397,232	\$ 10,939,430	\$ 1,457,802

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2025, was \$14,481,101, an increase of \$306,358 from the prior fiscal year.

The General Fund fund balance increased by \$461,696, primarily due to property tax revenues, sales tax revenues and service revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by \$58,891, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$96,447. The District used bond proceeds received in a prior year to fund current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year. Actual revenues were \$390,717 less than budgeted revenues and actual expenditures were \$924,460 less than budgeted expenditures which resulted in a total positive variance of \$533,743.

CAPITAL ASSETS

Capital assets as of March 31, 2025, total \$11,853,463 (net of accumulated depreciation) and also include land, buildings, equipment, water facilities, and wastewater facilities. Current year capital asset activity included rehabilitation and improvements to District infrastructure. Fiscal year ending 2024 balances included in the table below have been adjusted; see Note 13.

Capital Assets At Year-End			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,526,486	\$ 1,526,486	\$
Construction in Progress	531,542	372,615	158,927
Capital Assets Subject to Depreciation:			
Building and Equipment	510,932	510,932	
Water System	7,909,379	7,867,504	41,875
Wastewater System	7,549,368	7,008,482	540,886
Less Accumulated Depreciation	(6,174,244)	(5,748,810)	(425,434)
Total Net Capital Assets	<u>\$ 11,853,463</u>	<u>\$ 11,537,209</u>	<u>\$ 316,254</u>

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025**

LONG-TERM DEBT ACTIVITY

As of March 31, 2025, the District had total bonds payable of \$14,289,992. The changes in bonds payable during the current fiscal year are summarized in the following table:

Bond Debt Payable, April 1, 2024	\$ 15,199,992
Less: Bond Principal Paid	<u>(910,000)</u>
Bond Debt Payable, March 31, 2025	<u>\$ 14,289,992</u>

The District carries an underlying rating of "A2". The Series 2024 Bonds do not carry an insured rating. The District's remaining bonds carry insured ratings of "AA" or "A2" by virtue of bond insurance issued by either Assured Guaranty Inc. or 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 Kleinwood Municipal Utility District, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, TX 77046.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 115,961	\$ 415,027
Investments	6,541,401	1,669,313
Receivables:		
Property Taxes	51,504	115,273
Penalty and Interest on Delinquent Taxes		
Service Accounts	101,223	
Sales Tax Receipts	86,565	
Other	6,508	
Due from Other Funds	19,210	
Water Authority Capital Contributions Receivable		
Chloramination Credit Receivable		
Prepaid Costs	74,970	
Reclaimed Water System Receivable		
Operating Advance	17,473	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 7,014,815</u>	<u>\$ 2,199,613</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>\$ 7,014,815</u></u>	<u><u>\$ 2,199,613</u></u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 22,251	\$ 553,239	\$	\$ 553,239
5,818,651	14,029,365		14,029,365
	166,777		166,777
		28,056	28,056
	101,223		101,223
	86,565		86,565
	6,508		6,508
	19,210	(19,210)	
		593,116	593,116
		221,154	221,154
	74,970		74,970
		299,598	299,598
	17,473		17,473
		1,526,486	1,526,486
		531,542	531,542
		9,795,435	9,795,435
<u>\$ 5,840,902</u>	<u>\$ 15,055,330</u>	<u>\$ 12,976,177</u>	<u>\$ 28,031,507</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 49,597</u>	<u>\$ 49,597</u>
<u><u>\$ 5,840,902</u></u>	<u><u>\$ 15,055,330</u></u>	<u><u>\$ 13,025,774</u></u>	<u><u>\$ 28,081,104</u></u>

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

KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2025

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 226,213	\$ 28,648
Accrued Interest Payable		
Due to Other Funds		19,210
Security Deposits	133,381	
Accrued Interest on Compound Interest Bonds		
Long-term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 359,594</u>	<u>\$ 47,858</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 51,504	\$ 115,273
Deferred Revenues on Refunding Bonds		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 51,504</u>	<u>\$ 115,273</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 74,970	\$
Operating Advance	17,473	
Restricted for Authorized Construction		
Restricted for Debt Service		2,036,482
Unassigned	6,511,274	
TOTAL FUND BALANCES	<u>\$ 6,603,717</u>	<u>\$ 2,036,482</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 7,014,815</u></u>	<u><u>\$ 2,199,613</u></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
\$	\$ 254,861	\$	\$ 254,861
		73,317	73,317
	19,210	(19,210)	
	133,381		133,381
		707,252	707,252
		950,000	950,000
		13,502,890	13,502,890
<u>\$ -0-</u>	<u>\$ 407,452</u>	<u>\$ 15,214,249</u>	<u>\$ 15,621,701</u>
\$	\$ 166,777	\$ (166,777)	\$
		62,171	62,171
<u>\$ -0-</u>	<u>\$ 166,777</u>	<u>\$ (104,606)</u>	<u>\$ 62,171</u>
\$	\$ 74,970	\$ (74,970)	\$
	17,473	(17,473)	
5,840,902	5,840,902	(5,840,902)	
	2,036,482	(2,036,482)	
	6,511,274	(6,511,274)	
<u>\$ 5,840,902</u>	<u>\$ 14,481,101</u>	<u>\$ (14,481,101)</u>	<u>\$ - 0 -</u>
<u>\$ 5,840,902</u>	<u>\$ 15,055,330</u>		
		\$ 2,521,649	\$ 2,521,649
		2,106,494	2,106,494
		7,769,089	7,769,089
		<u>\$ 12,397,232</u>	<u>\$ 12,397,232</u>

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

KLEINWOOD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2025

Total Fund Balances - Governmental Funds	\$ 14,481,101
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are recorded in the Statement of Net Position.	1,113,868
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	11,853,463
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Certain costs associated with refunding bond sales are recorded as deferred outflows of resources or deferred inflows of resources in the governmental activities and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.	(12,574)
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.	194,833
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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:

Accrued Interest Payable	\$ (780,569)	
Bonds Payable	<u>(14,452,890)</u>	<u>(15,233,459)</u>
Total Net Position - Governmental Activities		<u>\$ 12,397,232</u>

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

KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 523,716	\$ 1,297,310
Water Service	515,700	
Wastewater Service	246,336	
Water Authority Fees	808,221	
Penalty and Interest	18,746	23,136
Connection Fees and Other Service Revenues	123,169	
Water Authority Credits	110,246	
Sales Tax Revenues	356,564	
Reclaimed Water System Payments	89,597	
Investment and Miscellaneous Revenues	<u>294,340</u>	<u>74,789</u>
TOTAL REVENUES	<u>\$ 3,086,635</u>	<u>\$ 1,395,235</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 297,504	\$ 5,988
Contracted Services	304,089	53,746
Purchased Surface Water	535,435	
Purchased Wastewater Service	237,404	
Utilities	88,925	
Water Authority Pumpage Fees	295,402	
Repairs and Maintenance	343,272	
Depreciation		
Other	220,629	9,591
Capital Outlay	302,279	
Debt Service:		
Bond Principal		910,000
Bond Interest		<u>474,801</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,624,939</u>	<u>\$ 1,454,126</u>
NET CHANGE IN FUND BALANCES	<u>\$ 461,696</u>	<u>\$ (58,891)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
APRIL 1, 2024, AS REPORTED	6,142,021	2,095,373
CHANGE IN ACCOUNTING PRINCIPLE		
APRIL 1, 2024, AS RESTATED	<u>6,142,021</u>	<u>2,095,373</u>
FUND BALANCES/NET POSITION -		
MARCH 31, 2025	<u>\$ 6,603,717</u>	<u>\$ 2,036,482</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,821,026	\$ 33,509	\$ 1,854,535
	515,700		515,700
	246,336		246,336
	808,221		808,221
	41,882	5,689	47,571
	123,169		123,169
	110,246	(65,139)	45,107
	356,564		356,564
	89,597	(72,635)	16,962
343,866	712,995		712,995
<u>\$ 343,866</u>	<u>\$ 4,825,736</u>	<u>\$ (98,576)</u>	<u>\$ 4,727,160</u>
\$	\$ 303,492	\$	\$ 303,492
	357,835		357,835
	535,435		535,435
	237,404		237,404
	88,925		88,925
	295,402		295,402
	343,272		343,272
		425,434	425,434
905	231,125		231,125
439,408	741,687	(741,687)	
	910,000	(910,000)	
	474,801	(23,767)	451,034
<u>\$ 440,313</u>	<u>\$ 4,519,378</u>	<u>\$ (1,250,020)</u>	<u>\$ 3,269,358</u>
\$ (96,447)	\$ 306,358	\$ (306,358)	\$
		1,457,802	1,457,802
5,937,349	14,174,743	(3,695,696)	10,479,047
		460,383	460,383
<u>5,937,349</u>	<u>14,174,743</u>	<u>(3,235,313)</u>	<u>10,939,430</u>
<u>\$ 5,840,902</u>	<u>\$ 14,481,101</u>	<u>\$ (2,083,869)</u>	<u>\$ 12,397,232</u>

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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2025**

Net Change in Fund Balances - Governmental Funds	\$	306,358
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		33,509
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		5,689
---	--	-------

Governmental funds report the repayment of capital contributions and reclaimed water system credits as revenues in the period received. However, in the Statement of Net Position, repayments reduce long-term receivables.		(137,774)
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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.		(425,434)
--	--	-----------

Governmental funds report capital outlay 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.		741,687
---	--	---------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		910,000
---	--	---------

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.		23,767
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Change in Net Position - Governmental Activities	\$	<u>1,457,802</u>
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The accompanying notes to the financial
statements are an integral part of this report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1. CREATION OF DISTRICT

Kleinwood Municipal Utility District was created by order of the Texas Water Rights Commission, predecessor to the TCEQ, dated May 3, 1972. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City, the TCEQ and the District's voters of the District's plans in such regard. The District may also provide for waste collection and disposal service, operate and maintain recreational facilities and contract for its own peace officers with power to make arrests when necessary to prevent or abate the commission of any offense against the rules of the District or District property. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

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 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. The District has entered into an agreement for wastewater treatment with other utility districts as described in Note 10.

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"). 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.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined in the following paragraphs.

- 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.

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.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements and Governmental Funds

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

The District has three governmental funds and considers each to be a major fund. The General Fund accounts for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts 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 collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the period and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or use. 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 March 31, 2025, the Debt Service Fund owed the General Fund \$19,210 for maintenance tax collections.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 5 to 45 years.

Budgeting

An annual 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 budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

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

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 3. LONG-TERM DEBT

	Refunding Series 2014		Refunding Series 2015	
	Current Interest	Compound Interest	Current Interest	Compound Interest
Amount Outstanding – March 31, 2025	\$ 1,970,000	\$ 214,996	\$ 1,670,000	\$ 509,996
Interest Rates	3.50%	4.10%	3.00%	3.75%
Maturity Dates – Serially Beginning/Ending	August 1, 2025/2028	August 1, 2029	August 1, 2025/2029	August 1, 2030
Interest Payment Dates	August 1/ February 1	At Maturity	August 1/ February 1	At Maturity
Callable Dates	August 1, 2022*	N/A**	August 1, 2023*	N/A***

	Series 2020 Refunding	Series 2021	Series 2024
Amount Outstanding – March 31, 2025	\$ 925,000	\$ 2,810,000	\$ 6,190,000
Interest Rates	2.00% - 4.00%	2.00%	3.25% - 7.00%
Maturity Dates – Serially Beginning/Ending	August 1, 2025/2029	August 1, 2031/2033	August 1, 2031/2038
Interest Payment Dates	August 1/ February 1	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2026*	August 1, 2028*	February 1, 2030*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption.

** The par value of the Series 2014 Refunding compound interest bonds is \$214,996 and the maturity value is \$555,000. At March 31, 2025, the accreted value of these bonds is \$465,366, which includes accrued interest of \$250,370. Interest on these bonds will be paid at maturity.

***The par value of the Series 2015 Refunding compound interest bonds is \$509,996 and the maturity value is \$1,180,000. At March 31, 2025, the accreted value of these bonds is \$966,878, which includes accrued interest of \$456,882. Interest on these bonds will be paid at maturity.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 3. LONG-TERM DEBT (Continued)

Bonds payable activity for the current fiscal year is summarized in the following table:

	April 1, 2024	Additions	Retirements	March 31, 2025
Bonds Payable	\$ 15,199,992	\$	\$ 910,000	\$ 14,289,992
Bond Discounts	(203,077)		(13,757)	(189,320)
Bond Premiums	405,447		53,229	352,218
Bonds Payable, Net	<u>\$ 15,402,362</u>	<u>\$ -0-</u>	<u>\$ 949,472</u>	<u>\$ 14,452,890</u>
			Amount Due Within One Year	\$ 950,000
			Amount Due After One Year	13,502,890
			Bonds Payable, Net	<u>\$ 14,452,890</u>

As of March 31, 2025, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 950,000	\$ 423,650	\$ 1,373,650
2027	980,000	390,625	1,370,625
2028	1,030,000	357,138	1,387,138
2029	1,060,000	324,188	1,384,188
2030	759,996	640,754	1,400,750
2031-2035	4,729,996	1,917,054	6,647,050
2036-2039	4,780,000	336,675	5,116,675
	<u>\$ 14,289,992</u>	<u>\$ 4,390,084</u>	<u>\$ 18,680,076</u>

The District has \$10,355,000 of authorized but unissued bonds for water, sewer and drainage facilities and \$8,486,584 of authorized but unissued bonds for refunding purposes. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from the net revenues from the operation of the District's waterworks and sanitary sewer systems.

The District levied an ad valorem debt service tax rate of \$0.266 per \$100 of assessed valuation, which resulted in a tax levy of \$1,354,642 on the adjusted taxable valuation of \$509,265,523 for the 2024 tax year. All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders 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 certain information repositories. 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 bonds.

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

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 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 \$553,239 and the bank balance was \$701,544. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position for the year ended March 31, 2025, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 115,961
DEBT SERVICE FUND	415,027
CAPITAL PROJECTS FUND	<u>22,251</u>
TOTAL DEPOSITS	<u>\$ 553,239</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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 the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measure all of its portfolio assets at amortized cost. The District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District also invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and 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 JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. 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 pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 2025, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 3,406,225	\$ 3,406,225
TexSTAR	3,135,176	3,135,176
<u>DEBT SERVICE FUND</u>		
TexPool	1,052,486	1,052,486
TexSTAR	616,827	616,827
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>5,818,651</u>	<u>5,818,651</u>
TOTAL INVESTMENTS	<u>\$ 14,029,365</u>	<u>\$ 14,029,365</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2025, 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 maturities of less than one year since the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

Restrictions - All cash and investments of the Debt Service Fund are restricted for the payment of debt service and cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

The 2024 balances in the table on the following page have been adjusted; see Note 13.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 6. CAPITAL ASSETS (Continued)

Capital asset activity for the current fiscal year is summarized in the following table:

	April 1, 2024	Increases	Decreases	March 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,526,486	\$	\$	\$ 1,526,486
Construction in Progress	<u>372,615</u>	<u>1,202,072</u>	<u>1,043,145</u>	<u>531,542</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,899,101</u>	<u>\$ 1,202,072</u>	<u>\$ 1,043,145</u>	<u>\$ 2,058,028</u>
Capital Assets Subject to Depreciation				
Building and Equipment	\$ 510,932	\$	\$	\$ 510,932
Water System	7,867,504	41,875		7,909,379
Wastewater System	<u>7,008,482</u>	<u>540,886</u>		<u>7,549,368</u>
Total Capital Assets Subject to Depreciation	<u>\$ 15,386,918</u>	<u>\$ 582,761</u>	<u>\$ - 0 -</u>	<u>\$ 15,969,679</u>
Accumulated Depreciation				
Building and Equipment	\$ 310,982	\$ 15,124	\$	\$ 326,106
Water System	2,963,772	197,259		3,161,031
Wastewater System	<u>2,474,056</u>	<u>213,051</u>		<u>2,687,107</u>
Total Accumulated Depreciation	<u>\$ 5,748,810</u>	<u>\$ 425,434</u>	<u>\$ - 0 -</u>	<u>\$ 6,174,244</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,638,108</u>	<u>\$ 157,327</u>	<u>\$ - 0 -</u>	<u>\$ 9,795,435</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 11,537,209</u></u>	<u><u>\$ 1,359,399</u></u>	<u><u>\$ 1,043,145</u></u>	<u><u>\$ 11,853,463</u></u>

NOTE 7. MAINTENANCE TAX

On December 4, 1974, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation. During the year ended March 31, 2025, the District levied an ad valorem maintenance tax rate of \$0.121 per \$100 of assessed valuation, which resulted in a tax levy of \$616,209 on the adjusted taxable valuation of \$509,265,523 for the 2024 tax year.

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority's purpose is to provide for the conservation, preservation, protection, recharge, and reduction of groundwater withdrawals. The Authority currently charges \$2.60 per 1,000 gallons of water for pumpage fees and \$3.05 per 1,000 gallons of purchased surface water. During the current fiscal year, the District incurred costs totaling \$295,402 for pumpage fees and \$535,435 for purchased surface water.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Capital Contribution Receivable

The District entered into a Capital Contribution Contract with the Authority in which the District paid \$1,213,095 to the Authority. During the current fiscal year, the District received credits of \$88,406 including a return of principal of \$56,840. Future repayments of capital contributions are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 59,782	\$ 28,624	\$ 88,406
2027	62,877	25,529	88,406
2028	66,132	22,274	88,406
2029	69,555	18,851	88,406
2030	73,155	15,251	88,406
2031-2034	261,615	22,364	283,979
	<u>\$ 593,116</u>	<u>\$ 132,893</u>	<u>\$ 726,009</u>

Chloramine Conversion Reimbursement

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority's system. The District has completed its chloramine conversion system which included reimbursable costs of \$300,627. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on its March 2011 Authority billing. Total credits earned in the current fiscal year were \$21,840. Of this amount, \$8,299 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 8,811	\$ 13,029	\$ 21,840
2027	9,192	12,648	21,840
2028	9,660	12,180	21,840
2029	10,239	11,601	21,840
2030	10,854	10,986	21,840
2031-2035	64,902	44,298	109,200
2036-2040	87,036	22,164	109,200
2041	20,460	959	21,419
	<u>\$ 221,154</u>	<u>\$ 127,865</u>	<u>\$ 349,019</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 9. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 1, 2010, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District. The City imposes a sale and use tax within the boundaries of the Subject Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the Subject Tract. During the year ended March 31, 2025, the District recorded sales tax revenues of \$356,564 from the City of Houston.

NOTE 10. KLEINWOOD JOINT POWERS BOARD

The District is a participant in the Kleinwood Regional Wastewater Treatment Plant (“Plant”) which provides wastewater treatment for the District and the following participants: Cy-Champ Public Utility District (“Cy-Champ”), Harris County Water Control & Improvement District No.114, Klein Independent School District, Cypress Forest Public Utility District (“Cypress Forest”), Louetta North Public Utility District and Champions Municipal Utility District (“Champions”). The agreement creating the Kleinwood Joint Powers Board was effective April 9, 1992, and subsequently amended on June 1, 1993, September 8, 1997, July 25, 2005, September 9, 2013, and March 16, 2017. Unless terminated earlier by mutual agreement of all the participants, the agreement will continue in force and effect until April 9, 2047.

The operating expenses of the Plant are allocated based on each participant’s number of connections. Capital costs are paid by each participant based on their ownership interest in the Plant. The District’s capacity ownership is 15%. Operating expenses of \$237,398 were incurred by the District for the year ended March 31, 2025. The following summary financial data of the Plant is presented for the year ended May 31, 2024.

Total Assets	\$ 2,825,600
Total Liabilities	<u>2,709,113</u>
Total Fund Balance	<u>\$ 116,487</u>
Total Revenues	\$ 1,222,240
Total Expenditures	<u>1,222,240</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2023	<u>116,487</u>
Fund Balance – May 31, 2024	<u>\$ 116,487</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 10. KLEINWOOD JOINT POWERS BOARD (Continued)

The Plant and the participant districts entered into a Reclaimed Water Supply Agreement (the “Agreement”), on November 1, 2017, for the construction and funding of a Reclaimed Water System to treat wastewater effluent discharged from the Facilities for landscape irrigation and to comply with the groundwater reduction requirements of the Harris-Galveston Subsidence District and the North Harris County Regional Water Authority. The cost of the Reclaimed Water System was \$3,179,241 and it became operational in May 2023. The Reclaimed Water System costs were originally funded by the pro-rata contributions of the participants except for Klein Independent School District (the “Reclaim Cost Participants”). The reclaimed water will be sold to two participant districts for resale: Champions Municipal Utility District and Cypress Forest Public Utility District (the “Reclaim Receiving Participants”). The Reclaim Receiving Participants will reimburse the total cost of the Reclaimed Water System to the Reclaim Cost Participants in 66 monthly installments beginning May 2023.

The net present value of the District’s share of the cost of the reclaimed water system was \$430,054, which is calculated at 5% interest over the 66-month repayment period. The District began receiving monthly payments of \$7,466.40 (reflected as credits on its monthly Plant invoice) May 2023. Total payments in the current fiscal year were \$89,597. Of this amount, \$72,635 was a return of principal with the balance being applicable to interest. The following schedule summarizes the remaining payments to be received in future years:

Fiscal Year	Principal	Interest	Total
2026	\$ 76,351	\$ 13,246	\$ 89,597
2027	80,257	9,340	89,597
2028	84,363	5,234	89,597
2029	58,627	1,104	59,731
	<u>\$ 299,598</u>	<u>\$ 28,924</u>	<u>\$ 328,522</u>

NOTE 11. WATER SUPPLY AND WASTE DISPOSAL AGREEMENTS

On December 9, 1982, the District entered into a contract with Cypress Forest Public Utility District to provide water and sanitary sewer services to an 8-acre tract within the District’s boundaries. The term of the contract is 40 years and may be renewed on a year-to-year basis after that date. Any party may terminate the contract by giving a one-year written notice of termination. The District pays Cypress Forest an amount equal to 70% of the ad valorem taxes collected on the tract by March 1 of each year during the contract.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 11. WATER SUPPLY AND WASTE DISPOSAL AGREEMENTS (Continued)

On March 18, 1987, the District entered into a contract with Harris County Municipal Utility District No. 24 ("District No. 24") to provide water and sanitary sewer services to a 13-acre tract within the District's boundaries. The term of the contract is 40 years and may be renewed on a year-to-year basis after that date. Any party may terminate the contract by giving one-year written notice of termination. The District pays District No. 24 an amount equal to 70% of the ad valorem taxes collected on the tract by March 1 of each year during the contract.

On April 16, 1989, the District entered into an emergency water supply contract with Cypress-Klein Utility District. This contract was amended on November 14, 2016. The contract provides for emergency water to be provided at a cost per 1,000 gallons of water of \$0.50 plus the surface water fee of the North Harris County Regional Water Authority for a period not to exceed 30 days. The contract is in effect until December 31, 2029, and will automatically renew each January 1 unless otherwise terminated by either party.

On October 7, 1976, the District entered into an emergency water supply contract with Harris County Water Control and Improvement District No. 114. This contract was amended on December 12, 2016. The contract provides for emergency water received to be repaid in kind or repaid at the rate paid by the supplying district per 1,000 gallons to purchase surface water plus an additional \$0.25 per 1,000 gallons of water taken.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE

In accordance with current accounting guidance, groups of items, that on an individual basis may not be material but when aggregated are material, should be capitalized. As such, water meters acquired in the prior fiscal year were recognized as capital assets with a prior period adjustment of \$460,383.

KLEINWOOD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2025

KLEINWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 589,809	\$ 523,716	\$ (66,093)
Water Service	550,000	515,700	(34,300)
Wastewater Service	250,000	246,336	(3,664)
Water Authority Fees	1,200,000	808,221	(391,779)
Penalty and Interest	16,000	18,746	2,746
Connection Fees and Other Service Revenues	58,000	123,169	65,169
Sales Tax Revenues	400,000	356,564	(43,436)
Investment and Miscellaneous Revenues	<u>213,700</u>	<u>294,340</u>	<u>80,640</u>
TOTAL REVENUES	<u>\$ 3,277,509</u>	<u>\$ 2,886,792</u>	<u>\$ (390,717)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 234,000	\$ 297,504	\$ (63,504)
Contracted Services	331,400	304,089	27,311
Water Authority Costs, Net of Credits	1,139,756	720,591	419,165
Purchased Wastewater Service, Net	215,000	147,807	67,193
Utilities	103,100	88,925	14,175
Other	249,300	220,629	28,671
Repairs, Maintenance, Capital Outlay	<u>1,077,000</u>	<u>645,551</u>	<u>431,449</u>
TOTAL EXPENDITURES	<u>\$ 3,349,556</u>	<u>\$ 2,425,096</u>	<u>\$ 924,460</u>
NET CHANGE IN FUND BALANCE	\$ (72,047)	\$ 461,696	\$ 533,743
FUND BALANCE - APRIL 1, 2024	<u>6,142,021</u>	<u>6,142,021</u>	<u></u>
FUND BALANCE - MARCH 31, 2025	<u>\$ 6,069,974</u>	<u>\$ 6,603,717</u>	<u>\$ 533,743</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2025

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2025**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>596</u>	<u>595</u>	x 1.0	<u>595</u>
1"	<u>220</u>	<u>219</u>	x 2.5	<u>548</u>
1½"	<u>46</u>	<u>46</u>	x 5.0	<u>230</u>
2"	<u>27</u>	<u>26</u>	x 8.0	<u>208</u>
3"	<u>4</u>	<u>4</u>	x 15.0	<u>60</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"			x 80.0	
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u>898</u>	<u>895</u>		<u>1,906</u>
Total Wastewater Connections	<u>844</u>	<u>842</u>	x 1.0	<u>842</u>

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

Gallons pumped into system:	92,150,000	Water Accountability Ratio: 92.28 % (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	226,937,000	
Gallons purchased:	153,778,000	From: <u>North Harris County Regional Water Authority</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2025**

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 in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ 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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2025**

PROFESSIONAL FEES:	
Auditing	\$ 21,000
Engineering	163,489
Legal	<u>113,015</u>
TOTAL PROFESSIONAL FEES	<u>\$ 297,504</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Surface Water	\$ 535,435
Purchased Wastewater Service	<u>237,404</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 772,839</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 25,600
Operations and Billing	103,241
Sales Tax Consultant	6,900
Security	<u>168,348</u>
TOTAL CONTRACTED SERVICES	<u>\$ 304,089</u>
UTILITIES	<u>\$ 88,925</u>
REPAIRS AND MAINTENANCE	<u>\$ 343,272</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 25,694
Insurance	43,331
Office Supplies and Postage	26,089
Meetings, Management Fees, Bank Charges, Election	<u>32,289</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 127,403</u>
CAPITAL OUTLAY	<u>\$ 302,279</u>
OTHER EXPENDITURES:	
Chemicals	\$ 13,265
Laboratory Fees	19,935
Permit Fees	3,979
Connection, Inspection and Reconnection Fees	48,068
Water Authority Pumpage Fees	295,402
Regulatory Assessment	<u>7,979</u>
TOTAL OTHER EXPENDITURES	<u>\$ 388,628</u>
TOTAL EXPENDITURES	<u>\$ 2,624,939</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MARCH 31, 2025

<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	XXXX0003	Varies	Daily	\$ 3,406,225	\$
TexSTAR	XXXX1110	Varies	Daily	3,135,176	
TOTAL GENERAL FUND				<u>\$ 6,541,401</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 1,052,486	\$
TexSTAR	XXXX0230	Varies	Daily	616,827	
TOTAL DEBT SERVICE FUND				<u>\$ 1,669,313</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
Texpool	XXXX0013	Varies	Daily	\$ 347,394	
Texpool	XXXX0014	Varies	Daily	5,471,257	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 5,818,651</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 14,029,365</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2025

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
APRIL 1, 2024	\$	39,960	\$	93,308
Adjustments to Beginning				
Balance		<u>(15,259)</u>		<u>(35,367)</u>
	\$	24,701	\$	57,941
Original 2024 Tax Levy	\$	563,721	\$	1,239,254
Adjustment to 2024 Tax Levy		<u>52,488</u>		<u>115,388</u>
		616,209		1,354,642
TOTAL TO BE				
ACCOUNTED FOR		\$ 640,910		\$ 1,412,583
TAX COLLECTIONS:				
Prior Years	\$	11,089	\$	25,967
Current Year		<u>578,317</u>		<u>1,271,343</u>
		589,406		1,297,310
TAXES RECEIVABLE -				
MARCH 31, 2025		<u>\$ 51,504</u>		<u>\$ 115,273</u>
TAXES RECEIVABLE BY				
YEAR:				
2024	\$	37,892	\$	83,299
2023		4,037		9,530
2022		1,814		3,714
2021		1,538		2,966
2020		1,285		2,480
2019		984		2,283
2018 and prior		<u>3,954</u>		<u>11,001</u>
TOTAL	\$	<u>51,504</u>	\$	<u>115,273</u>

Note: Maintenance tax collections include \$65,690 collected on behalf of and remitted to other entities in accordance with contractual provisions.

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2025**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 144,392,018	\$ 135,106,848	\$ 132,570,620	\$ 123,835,644
Improvements	484,804,965	462,615,310	416,573,432	381,763,861
Personal Property	25,532,082	25,206,365	23,342,461	19,822,051
Exemptions	<u>(145,463,542)</u>	<u>(137,990,219)</u>	<u>(132,393,631)</u>	<u>(124,740,960)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 509,265,523</u>	<u>\$ 484,938,304</u>	<u>\$ 440,092,882</u>	<u>\$ 400,680,596</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.266	\$ 0.288	\$ 0.260	\$ 0.270
Maintenance	<u>0.121</u>	<u>0.122</u>	<u>0.127</u>	<u>0.140</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.387</u>	<u>\$ 0.410</u>	<u>\$ 0.387</u>	<u>\$ 0.410</u>
ADJUSTED TAX LEVY*	<u>\$ 1,970,851</u>	<u>\$ 1,988,241</u>	<u>\$ 1,703,153</u>	<u>\$ 1,642,784</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>93.85 %</u>	<u>99.32 %</u>	<u>99.68 %</u>	<u>99.73 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on December 4, 1974.

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2025

REFUNDING SERIES - 2014				
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total	
2026	\$ 460,000	\$ 60,900	\$	520,900
2027	480,000	44,450		524,450
2028	505,000	27,213		532,213
2029	525,000	9,188		534,188
2030	214,996	340,004		555,000
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
	<u>\$ 2,184,996</u>	<u>\$ 481,755</u>	<u>\$</u>	<u>2,666,751</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2025

REFUNDING SERIES - 2015			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2026	\$ 320,000	\$ 45,300	\$ 365,300
2027	325,000	35,625	360,625
2028	335,000	25,725	360,725
2029	340,000	15,600	355,600
2030	350,000	5,250	355,250
2031	509,996	670,004	1,180,000
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 2,179,996</u>	<u>\$ 797,504</u>	<u>\$ 2,977,500</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2025

REFUNDING SERIES - 2020			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2026	\$ 170,000	\$ 23,900	\$ 193,900
2027	175,000	17,000	192,000
2028	190,000	10,650	200,650
2029	195,000	5,850	200,850
2030	195,000	1,950	196,950
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 925,000</u>	<u>\$ 59,350</u>	<u>\$ 984,350</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2025

S E R I E S - 2 0 2 1			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2026	\$	\$ 56,200	\$ 56,200
2027		56,200	56,200
2028		56,200	56,200
2029		56,200	56,200
2030		56,200	56,200
2031		56,200	56,200
2032	920,000	47,000	967,000
2033	935,000	28,450	963,450
2034	955,000	9,550	964,550
2035			
2036			
2037			
2038			
2039			
	<u>\$ 2,810,000</u>	<u>\$ 422,200</u>	<u>\$ 3,232,200</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2025

S E R I E S - 2 0 2 4			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2026	\$	\$ 237,350	\$ 237,350
2027		237,350	237,350
2028		237,350	237,350
2029		237,350	237,350
2030		237,350	237,350
2031		237,350	237,350
2032	100,000	233,850	333,850
2033	110,000	226,500	336,500
2034	110,000	219,350	329,350
2035	1,090,000	188,800	1,278,800
2036	1,130,000	143,187	1,273,187
2037	1,170,000	105,812	1,275,812
2038	1,215,000	65,538	1,280,538
2039	1,265,000	22,138	1,287,138
	<u>\$ 6,190,000</u>	<u>\$ 2,629,275</u>	<u>\$ 8,819,275</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2025

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 950,000	\$ 423,650	\$ 1,373,650
2027	980,000	390,625	1,370,625
2028	1,030,000	357,138	1,387,138
2029	1,060,000	324,188	1,384,188
2030	759,996	640,754	1,400,750
2031	509,996	963,554	1,473,550
2032	1,020,000	280,850	1,300,850
2033	1,045,000	254,950	1,299,950
2034	1,065,000	228,900	1,293,900
2035	1,090,000	188,800	1,278,800
2036	1,130,000	143,187	1,273,187
2037	1,170,000	105,812	1,275,812
2038	1,215,000	65,538	1,280,538
2039	1,265,000	22,138	1,287,138
	<u>\$ 14,289,992</u>	<u>\$ 4,390,084</u>	<u>\$ 18,680,076</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2025**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2024
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	\$ 2,544,996	\$ 2,264,996
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2015	3,689,996	2,359,996
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2020	3,080,000	1,575,000
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2021	2,810,000	2,810,000
Kleinwood Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2024	<u>6,190,000</u>	<u>6,190,000</u>
TOTAL	<u>\$ 18,314,992</u>	<u>\$ 15,199,992</u>
	Tax and	
Bond Authority:	Revenue Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 39,310,000	\$ 11,455,000
Amount Issued	<u>(28,955,000)</u>	<u>(2,968,416)</u>
Remaining to be Issued	<u>\$ 10,355,000</u>	<u>\$ 8,486,584</u>

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding March 31, 2025	Paying Agent	
	Principal	Interest			
\$	\$ 80,000	\$ 70,350	\$ 2,184,996	Wells Fargo Bank, N.A. Minneapolis, MN	
	180,000	52,800	2,179,996	Bank of New York Mellon Trust Co., N.A. Dallas, TX	
	650,000	40,300	925,000	UMB Bank, N.A. Houston, TX	
		56,200	2,810,000	UMB Bank, N.A. Houston, TX	
		255,151	6,190,000	UMB Bank, N.A. Houston, TX	
<u>\$ - 0 -</u>	<u>\$ 910,000</u>	<u>\$ 474,801</u>	<u>\$ 14,289,992</u>		

Debt Service Fund cash and investment balances as of March 31, 2025: \$ 2,084,340

Average annual debt service payment for remaining term of all bond debt: \$ 1,334,291

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 523,716	\$ 514,554	\$ 487,181
Water Service	515,700	572,151	547,920
Wastewater Service	246,336	247,187	246,719
Water Authority Fee	808,221	1,044,974	1,204,390
Penalty and Interest	18,746	23,524	18,316
Connection Fees and Other Service Revenues	123,169	119,250	55,626
Water Authority Credits	110,246	110,246	110,246
Sales Tax Revenues	356,564	357,304	371,680
Reclaimed Water System Payments	89,597	74,664	
Investment and Miscellaneous Revenues	294,340	280,621	128,746
TOTAL REVENUES	<u>\$ 3,086,635</u>	<u>\$ 3,344,475</u>	<u>\$ 3,170,824</u>
EXPENDITURES			
Professional Fees	\$ 297,504	\$ 265,836	\$ 224,717
Contracted Services	304,089	292,747	281,940
Purchased Surface Water	535,435	512,453	718,219
Purchased Wastewater Service	237,404	230,351	178,146
Utilities	88,925	93,919	77,541
Water Authority Pumpage Fees	295,402	560,526	543,799
Repairs and Maintenance	343,272	262,927	251,997
Other	220,629	182,887	171,110
Capital Outlay	302,279	460,383	73,831
Bond Issuance Costs			
TOTAL EXPENDITURES	<u>\$ 2,624,939</u>	<u>\$ 2,862,029</u>	<u>\$ 2,521,300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 461,696</u>	<u>\$ 482,446</u>	<u>\$ 649,524</u>
OTHER FINANCING SOURCES			
Transfers In (Out)	\$	\$ 291,055	\$
Contributed by Other Governmental Units			
TOTAL OTHER FINANCING SOURCES	<u>\$ - 0 -</u>	<u>\$ 291,055</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 461,696	\$ 773,501	\$ 649,524
BEGINNING FUND BALANCE	6,142,021	5,368,520	4,718,996
ENDING FUND BALANCE	<u>\$ 6,603,717</u>	<u>\$ 6,142,021</u>	<u>\$ 5,368,520</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2022	2021	2025	2024	2023	2022	2021		
\$ 501,777	\$ 496,713	16.9 %	15.2 %	15.2 %	18.9 %	19.1 %		
391,036	422,732	16.7	17.1	17.3	14.8	16.3		
225,628	209,142	8.0	7.4	7.8	8.5	8.1		
947,535	945,744	26.2	31.2	38.0	35.8	36.4		
12,169	9,769	0.6	0.7	0.6	0.5	0.4		
61,103	70,230	4.0	3.6	1.8	2.3	2.7		
110,246	110,246	3.6	3.3	3.5	4.2	4.2		
379,768	320,121	11.6	10.7	11.7	14.3	12.3		
		2.9	2.4					
18,887	12,840	9.5	8.4	4.1	0.7	0.5		
<u>\$ 2,648,149</u>	<u>\$ 2,597,537</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 232,483	\$ 245,389	9.6 %	7.9 %	7.1 %	8.8 %	9.4 %		
265,641	236,547	9.9	8.8	8.9	10.0	9.1		
922,605	819,013	17.3	15.3	22.7	34.8	31.5		
158,399	159,905	7.7	6.9	5.6	6.0	6.2		
76,084	74,716	3.0	2.9	2.5	3.0	2.9		
92,152	140,680	9.6	16.8	17.2	3.5	5.4		
189,818	203,861	11.1	7.9	7.9	7.2	7.8		
139,829	139,796	7.1	5.5	5.4	5.3	5.4		
8,165	926,358	9.8	13.8	2.3	0.3	35.7		
	80,810					3.1		
<u>\$ 2,085,176</u>	<u>\$ 3,027,075</u>	<u>85.1 %</u>	<u>85.8 %</u>	<u>79.6 %</u>	<u>78.9 %</u>	<u>116.5 %</u>		
<u>\$ 562,973</u>	<u>\$ (429,538)</u>	<u>14.9 %</u>	<u>14.2 %</u>	<u>20.4 %</u>	<u>21.1 %</u>	<u>(16.5) %</u>		
\$ 690,134	\$							
	181,602							
<u>\$ 690,134</u>	<u>\$ 181,602</u>							
\$ 1,253,107	\$ (247,936)							
<u>3,465,889</u>	<u>3,713,825</u>							
<u>\$ 4,718,996</u>	<u>\$ 3,465,889</u>							

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 1,297,310	\$ 1,354,221	\$ 1,108,826
Penalty and Interest	23,136	20,801	10,420
Investment and Miscellaneous Revenues	<u>74,789</u>	<u>56,811</u>	<u>27,582</u>
TOTAL REVENUES	<u>\$ 1,395,235</u>	<u>\$ 1,431,833</u>	<u>\$ 1,146,828</u>
EXPENDITURES			
Other Expenditures	\$ 66,250	\$ 64,007	\$ 53,311
Debt Service Principal	910,000	885,000	820,000
Debt Service Interest and Fees	477,876	255,206	285,738
Bond Issuance Costs	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 1,454,126</u>	<u>\$ 1,204,213</u>	<u>\$ 1,159,049</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (58,891)</u>	<u>\$ 227,620</u>	<u>\$ (12,221)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the Issuance of Bonds	\$	\$ 118,675	\$
Transfer to Refunded Bond Escrow Agent	<u> </u>	<u> </u>	<u> </u>
Bond Premium	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 118,675</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (58,891)	\$ 346,295	\$ (12,221)
BEGINNING FUND BALANCE	<u>2,095,373</u>	<u>1,749,078</u>	<u>1,761,299</u>
ENDING FUND BALANCE	<u>\$ 2,036,482</u>	<u>\$ 2,095,373</u>	<u>\$ 1,749,078</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>895</u>	<u>891</u>	<u>892</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>842</u>	<u>839</u>	<u>839</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 1,069,017	\$ 1,063,853	92.9 %	94.5 %	96.7 %	98.3 %	98.6 %
17,797	12,098	1.7	1.5	0.9	1.6	1.1
991	2,799	5.4	4.0	2.4	0.1	0.3
<u>\$ 1,087,805</u>	<u>\$ 1,078,750</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 56,573	\$ 55,788	4.7 %	4.5 %	4.6 %	5.2 %	5.2 %
795,000	785,000	65.2	61.8	71.5	73.1	72.8
283,175	279,789	34.3	17.8	24.9	26.0	25.9
	137,003					12.7
<u>\$ 1,134,748</u>	<u>\$ 1,257,580</u>	<u>104.2 %</u>	<u>84.1 %</u>	<u>101.0 %</u>	<u>104.3 %</u>	<u>116.6 %</u>
<u>\$ (46,943)</u>	<u>\$ (178,830)</u>	<u>(4.2) %</u>	<u>15.9 %</u>	<u>(1.0) %</u>	<u>(4.3) %</u>	<u>(16.6) %</u>
\$ 56,200	\$ 3,080,000					
	(3,201,376)					
	258,379					
<u>\$ 56,200</u>	<u>\$ 137,003</u>					
\$ 9,257	\$ (41,827)					
1,752,042	1,793,869					
<u>\$ 1,761,299</u>	<u>\$ 1,752,042</u>					
<u>892</u>	<u>891</u>					
<u>840</u>	<u>839</u>					

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2025**

District Mailing Address - Kleinwood Municipal Utility District
Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2025	Expense Reimbursements for the year ended March 31, 2025	Title
Joseph T. Fratangelo	05/23 05/27 (Elected)	\$ 5,967	\$ -0-	President
Sherry K. Allard	05/21 05/25 (Elected)	\$ 2,652	\$ -0-	Vice President
Robert E. Ehmann	05/21 05/25 (Elected)	\$ 2,652	\$ -0-	Secretary/ Treasurer
David C. Guerrero	05/23 05/27 (Elected)	\$ 6,851	\$ -0-	Assistant Vice President/ Assistant Secretary
Jeff Gobbell	05/23 05/27 (Elected)	\$ 5,746	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

The most recent submission date of the District Registration Form was on May 22, 2025.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2025**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2025</u>	<u>Title</u>
Coats Rose, P.C.	07/24/80	\$ 113,015	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	03/26/15	\$ 21,000	Auditor
Claudia Redden & Associates, LLC	02/28/78	\$ 33,980	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/25/02	\$ 5,988	Delinquent Tax Attorney
Quiddity Engineering	02/22/79	\$ 599,268	Engineer
Blitch Associates, Inc.	03/11/97	\$ -0-	Financial Advisor
Inframark, LLC	04/11/08	\$ 477,948	Operator
Wheeler & Associates	12/17/75	\$ 35,331	Tax Assessor/ Collector
Harris County	Annually	\$ 168,348	Security

See accompanying independent auditor's report.