

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2022**

**McCall Gibson Swedlund Barfoot PLLC**  
Certified Public Accountants

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Chateau Woods Municipal  
Utility District  
Montgomery County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Chateau Woods Municipal Utility District (the "District") as of and for the year ended September 30, 2022, 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 major fund of the District as of September 30, 2022, 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  
Chateau Woods 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.

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

January 26, 2023

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management’s discussion and analysis of the financial performance of Chateau Woods Municipal Utility District (the “District”) provides an overview of the District’s financial activities for the fiscal year ended September 30, 2022. 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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, if applicable, 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 one governmental fund type. The General Fund accounts for property tax revenues, customer service revenues, operating costs and general expenditures.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**FUND FINANCIAL STATEMENTS (Continued)**

The General Fund is reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental fund. 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 Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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 exceeded liabilities by \$6,727,161 as of September 30, 2022. A portion of the District's net position reflects its investment in capital assets (water system, wastewater system, building and equipment).



**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Changes in the Statement of Net Position are presented below:

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 2,845,657	\$ 3,838,223	\$ (992,566)
Capital Assets (Net of Accumulated Depreciation)	4,152,423	2,839,919	1,312,504
Total Assets	\$ 6,998,080	\$ 6,678,142	\$ 319,938
Total Liabilities	\$ 270,919	\$ 280,125	\$ 9,206
Net Position:			
Investment in Capital Assets	\$ 4,152,423	\$ 2,839,919	\$ 1,312,504
Unrestricted	2,574,738	3,558,098	(983,360)
Total Net Position	\$ 6,727,161	\$ 6,398,017	\$ 329,144

The following table provides a summary of the Statement of Activities for the fiscal years ending September 30, 2022, and September 30, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 400,058	\$ 346,556	\$ 53,502
Charges for Services	848,866	2,196,904	(1,348,038)
Other Revenues	46,205	30,721	15,484
Total Revenues	\$ 1,295,129	\$ 2,574,181	\$ (1,279,052)
Expenses for Services	965,985	812,795	(153,190)
Change in Net Position	\$ 329,144	\$ 1,761,386	\$ (1,432,242)
Net Position, Beginning of Year	6,398,017	4,636,631	1,761,386
Net Position, End of Year	\$ 6,727,161	\$ 6,398,017	\$ 329,144

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The General Fund fund balance decreased by \$985,389 during the current fiscal year primarily due to operating and capital costs exceeding property tax revenues and service revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$452,295 less than budgeted revenues and actual expenditures were \$2,667,552 less than budgeted expenditures which resulted in a positive budget variance of \$2,215,257. See the budget to actual comparison for more information.

**CAPITAL ASSETS**

Capital assets as of September 30, 2022, total \$4,152,423 (net of accumulated depreciation) and include the water system, wastewater system, buildings and equipment.

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 15,137	\$ 15,137	\$
Construction in Progress	1,371,736	695,670	676,066
Capital Assets Subject to Depreciation:			
Buildings and Equipment	235,978	235,978	
Water System	2,504,348	2,504,348	
Wastewater and Drainage System	2,458,522	1,721,723	736,799
Less Accumulated Depreciation	(2,433,298)	(2,332,937)	(100,361)
Total Net Capital Assets	\$ 4,152,423	\$ 2,839,919	\$ 1,312,504

**LONG-TERM DEBT ACTIVITY**

The District has no outstanding long-term debt.

**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 Chateau Woods Municipal Utility District, 10224 Fairview Drive, Conroe, Texas 77385.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**SEPTEMBER 30, 2022**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 920,965	\$	\$ 920,965
Investments	1,887,048		1,887,048
Receivables:			
Property Taxes	10,929		10,929
Service Accounts	26,715		26,715
Land		15,137	15,137
Construction in Progress		1,371,736	1,371,736
Capital Assets (Net of Accumulated Depreciation)		2,765,550	2,765,550
<b>TOTAL ASSETS</b>	<b>\$ 2,845,657</b>	<b>\$ 4,152,423</b>	<b>\$ 6,998,080</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 126,720	\$	\$ 126,720
Security Deposits	144,199		144,199
<b>TOTAL LIABILITIES</b>	<b>\$ 270,919</b>	<b>\$ -0-</b>	<b>\$ 270,919</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 10,929	\$ (10,929)	\$ -0-
<b>FUND BALANCE</b>			
Committed for Construction Projects	\$ 1,948,881	\$ (1,948,881)	\$
Unassigned	614,928	(614,928)	
<b>TOTAL FUND BALANCE</b>	<b>\$ 2,563,809</b>	<b>\$ (2,563,809)</b>	<b>\$ -0-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,845,657</b>		
<b>NET POSITION</b>			
Investment in Capital Assets		\$ 4,152,423	\$ 4,152,423
Unrestricted		2,574,738	2,574,738
<b>TOTAL NET POSITION</b>		<b>\$ 6,727,161</b>	<b>\$ 6,727,161</b>

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

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022**

Total Fund Balance - Governmental Fund \$ 2,563,809

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are not current financial resources and, therefore, are not reported as assets in the governmental funds. 4,152,423

Deferred inflows of resources related to property tax revenues for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District. 10,929

Total Net Position - Governmental Activities \$ 6,727,161

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

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Property Taxes, Including Penalty and Interest	\$ 398,029	\$ 2,029	\$ 400,058
Water Service	271,942		271,942
Wastewater Service	318,767		318,767
Solid Waste Revenue	155,250		155,250
Tap Connection and Inspection Fees	102,907		102,907
Investment and Miscellaneous Revenues	<u>46,205</u>		<u>46,205</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,293,100</u>	<u>\$ 2,029</u>	<u>\$ 1,295,129</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 61,894	\$	\$ 61,894
Contracted Services	275,724		275,724
Utilities	58,827		58,827
Repairs and Maintenance	235,263	11,974	247,237
Depreciation		100,361	100,361
Other	221,942		221,942
Capital Outlay	<u>1,424,839</u>	<u>(1,424,839)</u>	<u></u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 2,278,489</u>	<u>\$ (1,312,504)</u>	<u>\$ 965,985</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (985,389)	\$ 985,389	\$
<b>CHANGE IN NET POSITION</b>		329,144	329,144
<b>FUND BALANCE/NET POSITION - OCTOBER 1, 2021</b>	<u>3,549,198</u>	<u>2,848,819</u>	<u>6,398,017</u>
<b>FUND BALANCE/NET POSITION - SEPTEMBER 30, 2022</b>	<u>\$ 2,563,809</u>	<u>\$ 4,163,352</u>	<u>\$ 6,727,161</u>

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

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balance - Governmental Fund	\$	(985,389)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		2,029
<p>In the Statement of Activities, depreciation expense is recorded on capital assets over the useful life of the asset.</p>		(100,361)
<p>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.</p>		<u>1,412,865</u>
Change in Net Position - Governmental Activities	\$	<u>329,144</u>

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

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1. CREATION OF DISTRICT**

Chateau Woods Municipal Utility District, located in Montgomery County, Texas (the “District”) was created effective August 19, 1993, by an act of the State of Texas in accordance with the Texas Water Code. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District.

**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 Texas Commission on Environmental Quality (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”).

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:

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- 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.

Fund Financial Statements

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.



**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for property tax revenues, customer service revenues, operating costs and general expenditures.

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 revenues reported in the 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.

Property taxes considered available by the District and included in revenue include taxes collected during the year 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.

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 one year. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings and Equipment	3-40
Water System	10-45
Wastewater System	10-45

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Pensions

The District does not have employees. The Internal Revenue Service has determined that the directors are considered to be employees for federal 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. 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. The District does not have any nonspendable fund balances.

*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. The District does not have any restricted fund balances.

*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 committed \$1,948,881 of its fund balance for construction projects.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*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 and did 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.

**NOTE 3. 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 \$920,965 and the bank balance was \$1,203,402. The District was not exposed to custodial credit risk at year-end.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2022**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

The carrying values of the deposits at year end are as follows:

DEPOSITS - GENERAL FUND	Cash \$ 920,965
-------------------------	--------------------

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 Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, 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.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of September 30, 2022, the District’s investment in TexPool was 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 investment in TexPool 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.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of September 30, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,887,048	\$ 1,887,048

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2022, is summarized in the following table:

	October 1, 2021	Increases	Decreases	September 30, 2022
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 15,137	\$	\$	\$ 15,137
Construction in Progress	695,670	1,412,865	736,799	1,371,736
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 710,807</b>	<b>\$ 1,412,865</b>	<b>\$ 736,799</b>	<b>\$ 1,386,873</b>
<b>Capital Assets Subject to Depreciation</b>				
Buildings and Equipment	\$ 235,978	\$	\$	\$ 235,978
Water System	2,504,348			2,504,348
Wastewater and Drainage System	1,721,723	736,799		2,458,522
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 4,462,049</b>	<b>\$ 736,799</b>	<b>\$ -0-</b>	<b>\$ 5,198,848</b>
<b>Accumulated Depreciation</b>				
Buildings and Equipment	\$ 36,527	\$ 6,629	\$	\$ 43,156
Water System	669,558	74,341		743,899
Wastewater and Drainage System	1,626,852	19,391		1,646,243
<b>Total Accumulated Depreciation</b>	<b>\$ 2,332,937</b>	<b>\$ 100,361</b>	<b>\$ -0-</b>	<b>\$ 2,433,298</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 2,129,112</b>	<b>\$ 636,438</b>	<b>\$ -0-</b>	<b>\$ 2,765,550</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 2,839,919</b>	<b>\$ 2,049,303</b>	<b>\$ 736,799</b>	<b>\$ 4,152,423</b>

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 5. MAINTENANCE TAX**

In 1993, the voters of the District approved the levy and collection of a maintenance tax. During the fiscal year ended September 30, 2022, the District levied an ad valorem maintenance tax rate of \$0.3315 per \$100 of assessed valuation, which resulted in a tax levy of \$388,374 on the adjusted taxable valuation of \$117,108,127 for the 2021 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

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.

**NOTE 6. 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, automobile, and errors and omissions 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 7. LONESTAR GROUNDWATER CONSERVATION DISTRICT**

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District"). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the "Act"), as passed by the 77<sup>th</sup> Texas Legislature, in 2001. The Act empowers the Conservation District for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Conservation District charges fees to the owners of wells located within the boundaries of the Conservation District, unless exempted.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2022**

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Property Taxes, Including Penalty and Interest	\$ 383,085	\$ 398,029	\$ 14,944
Water Service	272,500	271,942	(558)
Wastewater Service	312,600	318,767	6,167
Impact Fees	76,000		(76,000)
Solid Waste Revenue	136,710	155,250	18,540
Tap Connection and Inspection Fees	526,000	102,907	(423,093)
Investment and Miscellaneous Revenues	38,500	46,205	7,705
<b>TOTAL REVENUES</b>	<u>\$ 1,745,395</u>	<u>\$ 1,293,100</u>	<u>\$ (452,295)</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 77,500	\$ 61,894	\$ 15,606
Contracted Services	241,700	275,724	(34,024)
Utilities	48,500	58,827	(10,327)
Repairs and Maintenance	192,000	235,263	(43,263)
Other	222,910	221,942	968
Capital Outlay	4,163,431	1,424,839	2,738,592
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,946,041</u>	<u>\$ 2,278,489</u>	<u>\$ 2,667,552</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (3,200,646)</u>	<u>\$ (985,389)</u>	<u>\$ 2,215,257</u>
<b>FUND BALANCE - OCTOBER 1, 2021</b>	<u>3,549,198</u>	<u>3,549,198</u>	<u>                    </u>
<b>FUND BALANCE - SEPTEMBER 30, 2022</b>	<u>\$ 348,552</u>	<u>\$ 2,563,809</u>	<u>\$ 2,215,257</u>

See accompanying independent auditor's report.



**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**SEPTEMBER 30, 2022**

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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
<u>  X  </u>	Parks/Recreation	<u>      </u>	Fire Protection	<u>      </u>	Security
<u>  X  </u>	Solid Waste/Garbage	<u>      </u>	Flood Control	<u>      </u>	Roads
<u>      </u>	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):**

The following rates are based on the rate order effective January 1, 2022.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 10.05	3,000	N	\$ 1.51	3,001 to 6,000
				\$ 1.76	6,001 to 9,000
				\$ 2.01	9,001 to 12,000
				\$ 2.26	12,001 to 15,000
				\$ 2.51	15,001 and up

WASTEWATER      \$ 25.13      N/A      Y

GARBAGE      \$ 23.95  
plus tax

SURCHARGE:  
Lone Star GCD      \$ 0.11 per 1,000 gallons  
Fees

District employs winter averaging for wastewater usage?                    X    
Yes      No

Note: District adds \$0.005 to water and sewer rates for TCEQ regulatory charges.

Total monthly charges per 10,000 gallons usage: Water: \$21.87 Wastewater: \$25.13

See accompanying independent auditor's report.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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	_____
≤ <sup>3</sup> / <sub>4</sub> "	<u>926</u>	<u>874</u>	x 1.0	<u>874</u>
1"	<u>7</u>	<u>7</u>	x 2.5	<u>18</u>
1½"	_____	_____	x 5.0	_____
2"	<u>2</u>	<u>1</u>	x 8.0	<u>8</u>
3"	_____	_____	x 15.0	_____
4"	<u>2</u>	<u>1</u>	x 25.0	<u>25</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>938</u>	<u>884</u>		<u>975</u>
Total Wastewater Connections	<u>922</u>	<u>866</u>	x 1.0	<u>866</u>

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

Gallons billed to customers: 77,804,000      Water Accountability Ratio: 93.2%  
(Gallons billed/Gallons pumped)

Gallons pumped: 83,506,000

See accompanying independent auditor's report.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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:

Montgomery 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

ETJs in which District is located:

City of Oak Ridge North, Texas and City of Conroe, Texas

Are the Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

PROFESSIONAL FEES:	
Auditing	\$ 12,500
Engineering	26,852
Legal	<u>22,542</u>
TOTAL PROFESSIONAL FEES	<u>\$ 61,894</u>
CONTRACTED SERVICES:	
Tax Collection Costs	\$ 2,917
Bookkeeping	14,112
Operations and Billing	91,944
Solid Waste Disposal	<u>166,751</u>
TOTAL CONTRACTED SERVICES	<u>\$ 275,724</u>
UTILITIES:	
Electricity	\$ 51,949
Telephone	<u>6,878</u>
TOTAL UTILITIES	<u>\$ 58,827</u>
REPAIRS AND MAINTENANCE	<u>\$ 235,263</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 21,961
Insurance	15,490
Membership Fees	1,102
Website, Legal Notices, Office and Other	<u>14,230</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 52,783</u>
CAPITAL OUTLAY	<u>\$ 1,424,839</u>
TAP CONNECTIONS	<u>\$ 55,584</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 6,520
Permit and Regulatory Assessment Fees	41,803
Sludge Removal	<u>65,252</u>
TOTAL OTHER EXPENDITURES	<u>\$ 113,575</u>
TOTAL EXPENDITURES	<u><u>\$ 2,278,489</u></u>

See accompanying independent auditor's report.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
INVESTMENTS  
SEPTEMBER 30, 2022**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 1,887,048</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Maintenance Taxes	
TAXES RECEIVABLE -		
OCTOBER 1, 2021	\$ 8,900	
Adjustments to Beginning		
Balance	(3,117)	\$ 5,783
Original 2021 Tax Levy	\$ 371,618	
Adjustment to 2021 Tax Levy	16,756	388,374
TOTAL TO BE		
ACCOUNTED FOR		\$ 394,157
 TAX COLLECTIONS:		
Prior Years	\$ 834	
Current Year	382,394	383,228
 TAXES RECEIVABLE -		
SEPTEMBER 30, 2022		\$ 10,929
 TAXES RECEIVABLE BY		
YEAR:		
2021		\$ 5,980
2020		1,976
2019		1,613
2018		629
2017		135
2016 and prior		596
TOTAL		\$ 10,929

See accompanying independent auditor's report.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS: TOTAL PROPERTY				
VALUATIONS	<u>\$ 117,108,127</u>	<u>\$ 103,770,330</u>	<u>\$ 97,797,781</u>	<u>\$ 104,069,560</u>
TAX RATES PER \$100 VALUATION:				
Maintenance	<u>\$ 0.3315</u>	<u>\$ 0.335</u>	<u>\$ 0.335</u>	<u>\$ 0.2741</u>
ADJUSTED TAX LEVY*	<u>\$ 388,374</u>	<u>\$ 347,724</u>	<u>\$ 327,623</u>	<u>\$ 285,255</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.46 %</u>	<u>99.43 %</u>	<u>99.51 %</u>	<u>99.78 %</u>

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

See accompanying independent auditor's report.



**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND - FIVE YEARS**

	Amounts		
	2022	2021	2020
<b>REVENUES</b>			
Property Taxes, Including Penalty and Interest	\$ 398,029	\$ 349,012	\$ 332,162
Service Revenues	745,959	712,665	811,786
Impact Fees		1,388,469	342,701
Tap Connection and Inspection Fees	102,907	95,770	28,303
Investment and Miscellaneous Revenues	46,205	30,721	37,257
<b>TOTAL REVENUES</b>	<b>\$ 1,293,100</b>	<b>\$ 2,576,637</b>	<b>\$ 1,552,209</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 61,894	\$ 68,651	\$ 99,281
Contracted Services	275,724	247,515	247,833
Utilities	58,827	49,382	60,525
Repairs and Maintenance	235,263	211,724	183,510
Other	221,942	140,776	226,164
Debt Service			
Capital Outlay	1,424,839	637,728	334,383
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,278,489</b>	<b>\$ 1,355,776</b>	<b>\$ 1,151,696</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (985,389)</b>	<b>\$ 1,220,861</b>	<b>\$ 400,513</b>
<b>BEGINNING FUND BALANCE</b>	<b>3,549,198</b>	<b>2,328,337</b>	<b>1,927,824</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,563,809</b>	<b>\$ 3,549,198</b>	<b>\$ 2,328,337</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>884</b>	<b>869</b>	<b>830</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>866</b>	<b>846</b>	<b>812</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 311,825	\$ 289,528	30.8 %	13.5 %	21.4 %	27.2 %	26.3 %
786,920	757,547	57.7	27.7	52.3	68.6	68.6
13,900	28,785	8.0	53.9	22.1		
34,228	27,864	3.5	3.7	1.8	1.2	2.6
			1.2	2.4	3.0	2.5
<u>\$ 1,146,873</u>	<u>\$ 1,103,724</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 61,171	\$ 92,180	4.8 %	2.7 %	6.4 %	5.3 %	8.3 %
243,816	208,171	21.3	9.6	16.0	21.3	18.9
54,930	50,360	4.5	1.9	3.9	4.8	4.6
235,433	136,824	18.2	8.2	11.8	20.5	12.4
217,477	190,121	17.2	5.5	14.6	19.0	17.2
	713,259					64.6
166,328	356,169	110.2	24.8	21.5	14.5	32.3
<u>\$ 979,155</u>	<u>\$ 1,747,084</u>	<u>176.2 %</u>	<u>52.7 %</u>	<u>74.2 %</u>	<u>85.4 %</u>	<u>158.3 %</u>
\$ 167,718	\$ (643,360)	<u>(76.2) %</u>	<u>47.3 %</u>	<u>25.8 %</u>	<u>14.6 %</u>	<u>(58.3) %</u>
1,760,106	2,403,466					
<u>\$ 1,927,824</u>	<u>\$ 1,760,106</u>					
<u>830</u>	<u>814</u>					
<u>812</u>	<u>800</u>					

See accompanying independent auditor's report.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2022**

District Mailing Address - Chateau Woods Municipal Utility District  
10224 Fairview Drive  
Conroe, Texas 77385

District Telephone Number - (281) 298-6501

<b>Board Members:</b>	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2022</u>	<u>Expense Reimbursements for the year ended September 30, 2022</u>	<u>Title</u>
David Schoop	11/20 11/24 (Elected)	\$ 6,150	\$ -0-	President
Steven Mitschke	11/18 11/22 (Elected)	\$ 3,900	\$ -0-	Vice President
Cassandra Merceri	11/18 11/22 (Elected)	\$ 4,800	\$ -0-	Secretary
Alanna Hardage	11/20 11/24 (Elected)	\$ 3,000	\$ -0-	Treasurer
Shane Ramsour	12/20 11/24 (Appointed)	\$ 2,550	\$ -0-	Director

Note: 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 Developer or with any of the District's consultants.

Submission Date of most recent District Registration Form: December 15, 2022

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

See accompanying independent auditor's report.

**CHATEAU WOODS MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2022**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
Darden, Fowler, & Creighton, LLP	08/01/93	\$ 24,826	General Counsel
McCall Gibson Swedlund Barfoot PLLC	02/25/21	\$ 12,500	Auditor
L&S District Services, LLC	02/28/19	\$ 15,292	Bookkeeper
L Squared Engineering LLC	07/24/14	\$ 161,910	Engineer
Debra Loggins	02/28/19	\$ -0-	Investment Officer
Bill Blich & Associates	05/26/22	\$ -0-	Financial Advisor
A-1 Utility and Construction Services, Inc.	08/01/93	\$ 339,041	Operator

See accompanying independent auditor's report.

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

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January 26, 2023

Board of Directors  
Chateau Woods Municipal  
Utility District

We have audited the financial statements of the governmental activities and major fund of Chateau Woods Municipal Utility District No (the "District") for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 25, 2021. Professional standards also require that we communicate to you the following information related to our audit. For the purposes of this letter, the term "management" refers to the Board of Directors and/or District consultants.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies used by the District, including new accounting policies, if any, that have been adopted and implemented during the current fiscal year, are discussed in Note 2. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were management's estimate of depreciable lives of capital assets. Depreciation of infrastructure assets is based on industry wide accepted estimated useful lives taken on a straight-line basis. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The District's Bookkeeper and Board of Directors will be provided with all such adjustments.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 26, 2023.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to perform the following non-attest services for the District: (1) preparation of financial statements and related notes and schedules in conformity with accounting principles generally accepted in the United States of America and (2) preparation of the capital assets schedule. These services were performed based on information provided by you. We performed these services in accordance with applicable professional standards. The non-attest services we performed are limited to those specifically defined and did not result in assuming management responsibilities.

We applied certain limited procedures to the Management's Discussion and Analysis and the budgetary comparison schedule for the General Fund, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information required by the Texas Commission on Environmental Quality, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

**Chateau Woods MUD  
Trial Balance Worksheet - Grouped by Type - GENERAL FUND**

Account	Type	Description	09/30/21 Adjusted Balance	09/30/22 Unadjusted Balance	09/30/22 Adjusting JE Adjustments	09/30/22 Adjusted Balance	09/30/22 WP Reference
1-1110	A	Central - General Operating	60,549.79	161,060.29		161,060.29	B-1
1-1111	A	Central - Electronic Fund GF AJE 4 To agree Bank ending balance	33,847.06	2,756.71	38,448.49	41,205.20	B-1
1-1118	A	Texpool GOF	0.00	1,887,047.76		1,887,047.76	B-1
1-1121.000	A	Central Bank - MM	250,490.80	688,813.08		688,813.08	B-1
1-1124.000	A	Central M & O Tax	445,000.93	29,886.77		29,886.77	B-1
1-1130	A	Time Deposits	2,980,000.00	0.00		0.00	C-1
1-1150	A	Service Accounts Receivable GF AJE 4 To agree Bank ending balance	59,317.66	65,163.69	(38,448.49)	26,715.20	E-1
1-1152	A	Taxes Receivable	8,900.05	10,928.54		10,928.54	D-1
1-1158	A	Accrued Interest Receivable	116.36	0.00		0.00	PASS
<b>Total Assets</b>			<u>3,838,222.65</u>	<u>2,845,656.84</u>	<u>0.00</u>	<u>2,845,656.84</u>	
1-2110	L	Accounts Payable	(102,830.58)	(35,746.99)		(35,746.99)	N-1
1-2112	L	Sales Tax Payable	(875.08)	(1,200.94)		(1,200.94)	PASS
1-2140	L	Due to Others GF AJE 3 To adjust per review of Capital Outlay account analysis	0.00	(81,105.88)	81,105.88	0.00	
1-2150	L	Due to Tax A/C GF AJE 1 To adjust per review of tax account analysis	(8,014.26)	0.00	(14,800.93)	(14,800.93)	D-1
1-2161	L	Customer Meter Deposits GF AJE 2 To adjust per review of water services account analysis	(134,119.45)	(155,478.59)	11,279.39	(144,199.20)	E-1-2
1-2162	L	Builder Deposits GF AJE 2 To adjust per review of water services account analysis	0.00	40,810.65	8,189.35	49,000.00	F-1
1-2163	L	Temporary Meter Deposits GF AJE 2 To adjust per review of water services account analysis	5,183.73	7,683.73	(2,500.00)	5,183.73	PASS
1-2175	L	Customer Overpayments	371.09	371.09		371.09	PASS
1-2670	L	Retainage Payable GF AJE 3 To adjust per review of Capital Outlay account analysis	(35,805.54)	0.00	(89,770.88)	(89,770.88)	W-1-1
1-2700	L	Old Outstanding Checks	(4,032.61)	(4,032.61)		(4,032.61)	PASS
1-2740	L	Deferred Tax Revenue	(8,900.05)	(10,928.54)		(10,928.54)	D-1
<b>Total Liabilities</b>			<u>(289,022.75)</u>	<u>(239,628.08)</u>	<u>(6,497.19)</u>	<u>(246,125.27)</u>	
1-3000	Q	Unallocated Fund Balance	(2,328,339.17)	(3,549,199.90)		(3,549,199.90)	~
<b>Total Equity</b>			<u>(2,328,339.17)</u>	<u>(3,549,199.90)</u>	<u>0.00</u>	<u>(3,549,199.90)</u>	
<b>Total Liabilities &amp; Equity</b>			<u>(2,617,361.92)</u>	<u>(3,788,827.98)</u>	<u>(6,497.19)</u>	<u>(3,795,325.17)</u>	
1-4100	R	Customer Service Fees - Water	(234,573.84)	(254,973.64)		(271,942.38)	E-1

**Chateau Woods MUD**

**Trial Balance Worksheet - Grouped by Type - GENERAL FUND**

Account	Type	Description	09/30/21 Adjusted Balance	09/30/22 Unadjusted Balance	09/30/22 Adjusting JE Adjustments	09/30/22 Adjusted Balance	09/30/22 WP Reference
		GF AJE 2 To adjust per review of water services account analysis			(16,968.74)		
1-4110	R	Tap Fees / Meter Revenue	(95,770.00)	(157,091.00)		(157,091.00)	E-1 / V-1
1-4111	R	Impact Fees	(1,388,469.00)	0.00		0.00	See W-1
1-4150	R	GRP / LSG Revenue	(29,547.63)	(8,526.98)		(8,526.98)	E-1
1-4200	R	Customer Services Fees - Sewer	(310,629.39)	(318,766.78)		(318,766.78)	E-1
1-4300	R	Garbage Service Revenue	(137,914.69)	(155,250.49)		(155,250.49)	E-1
1-4320	R	Maintenance Taxes	(349,011.61)	(398,029.19)		(383,228.26)	D-1
		GF AJE 1 To adjust per review of tax account analysis			14,800.93		
1-4330	R	Penalties & Interest	(8,145.73)	(9,774.17)		(9,774.17)	E-1
1-4334	R	Building Rental	(2,895.00)	(4,120.00)		(4,120.00)	E-1
1-4380	R	Termination / Reconnection / NSF Fees	(13,319.79)	(10,377.06)		(10,377.06)	E-1
1-5380	R	Miscellaneous Income	(2,030.00)	0.00		0.00	PASS
1-5391	R	Interest Income	(4,329.62)	(9,744.63)		(9,744.63)	PASS
		<b>Total Revenue</b>	<b>(2,576,636.30)</b>	<b>(1,326,653.94)</b>	<b>(2,167.81)</b>	<b>(1,328,821.75)</b>	
1-6124	E	Laboratory Expense	7,586.18	6,520.16		6,520.16	PASS
1-6126	E	Permit Fees	2,082.50	2,082.50		2,082.50	PASS
1-6128	E	Lone Star Permits	8,059.45	34,919.45		34,919.45	W-4-1
1-6132	E	Operator Fees	40,429.84	41,455.34		41,455.34	PASS
1-6135	E	Repairs & Maintenance	28,580.42	36,438.81		36,438.81	W-1-1
1-6136	E	R&M Meter Boxes	23,504.64	38,767.06		38,767.06	W-1-1
1-6137	E	R&M Water Line / Hydrants	8,039.67	19,474.58		19,474.58	W-1-1
1-6170	E	Tap Connection Expense	48,248.10	55,583.51		55,583.51	W-5
1-6226	E	Sewer Permit Fee	2,050.04	2,050.04		2,050.04	PASS
1-6232	E	Operator Fees	44,689.83	45,924.34		45,924.34	PASS
1-6235	E	Repairs & Maintenance	35,891.05	54,810.27		59,715.27	W-1-1
		GF AJE 3 To adjust per review of Capital Outlay account analysis			4,905.00		
1-6236	E	Sewer Plant Construction Expense	1,460.42	0.00		0.00	PASS
1-6237	E	Sludge Removal	23,062.12	65,251.84		65,251.84	See W-1
1-6238	E	R&M Sewer Lines	26,000.85	38,266.93		38,266.93	W-1-1
1-6310	E	Director Fees	20,100.00	20,400.00		20,400.00	W-4a
1-6314	E	Payroll Taxes	1,537.67	1,560.61		1,560.61	PASS
1-6320	E	Legal Fees	27,128.31	22,541.65		22,541.65	W-2
1-6321	E	Auditing Fees	10,500.00	12,500.00		12,500.00	W-4-1
1-6322	E	Engineering Fees	31,023.27	26,852.31		26,852.31	W-3
1-6322.001	E	Engineering: Falvey Lake WP	113,320.36	0.00		0.00	See W-1
1-6326	E	TCEQ Assessment Fees	2,679.30	2,751.31		2,751.31	PASS
1-6332	E	Other Operator Expenses	9,110.71	4,565.07		4,565.07	PASS
1-6333	E	Bookkeeping Fees	14,143.25	14,112.34		14,112.34	W-4-1
1-6335	E	M&R - Other Facilities	67,529.21	18,808.74		18,808.74	W-1-1
1-6338	E	Legal Notices / Other Publications	465.00	1,728.76		1,728.76	PASS



**Chateau Woods MUD**

**Trial Balance Worksheet - Grouped by Type - GENERAL FUND**

Account	Type	Description	09/30/21 Adjusted Balance	09/30/22 Unadjusted Balance	Adjusting JE Adjustments	09/30/22 Adjusted Balance	09/30/22 WP Reference
1-6339	E	Tax Collection Expense	2,632.36	2,916.88		2,916.88	W-4-1
1-6340	E	Office Expense	449.06	250.51		250.51	PASS
1-6351	E	Telephone	7,074.69	6,877.76		6,877.76	PASS
1-6352	E	Utilities	42,306.81	51,949.33		51,949.33	See W-1
1-6353	E	Insurance	13,433.82	15,490.30		15,490.30	PASS
1-6356	E	Registration / Membership Fees	1,101.60	1,101.60		1,101.60	PASS
1-6357	E	Website Expenses	439.45	453.75		453.75	PASS
1-6358	E	Building Rental Expense	4,810.18	6,345.00		6,345.00	PASS
1-6359	E	Other Expenses	15,597.44	5,453.11		5,453.11	See W-1
1-6399	E	Garbage Expense	136,509.20	166,751.18		166,751.18	W-6
1-6400	E	Park Beautification / Equipment	9,790.87	14,050.00		14,050.00	PASS
1-7300	E	Capital Outlay - Facilities	268,648.19	2,245.00		2,245.00	See W-1
1-7304	E	WWTP Lift Station Rehab	160,145.96	0.00		0.00	See W-1
1-7306	E	AC Line Replacement - Cactus	(5,541.46)	0.00		0.00	See W-1
1-7307	E	Fairview Waterline Extension	16,245.05	146.28		146.28	See W-1
1-7308	E	Parkway Manhole Rehab	6,300.00	5,673.49		5,673.49	I-2
1-7309	E	WP 1 & 2 Ground Storage Tank Recoating Outlay account analysis	11,665.16	94,362.62	46,595.00	140,957.62	I-2
1-7310	E	Sanitary Sewer - Manhole Flow	66,945.00	0.00	16,043.00	16,043.00	See W-1
1-7312	E	GF AJE 3 To adjust per review of Capital Outlay account analysis	0.00	6,800.00		6,800.00	W-1-1
1-7313	E	WWTP Road Maintenance Capital Outlay - White Oak Maint.	0.00	154,922.70	(7,378.00)	147,544.70	I-2
1-7314	E	GF AJE 3 To adjust per review of Capital Outlay account analysis	0.00	83,003.30	(51,500.00)	31,503.30	I-2
1-7317	E	Capital Outlay - WWTP Addition 2 GF AJE 3 To adjust per review of Capital Outlay account analysis	0.00	1,083,116.65		1,083,116.65	I-2
1-7401	E	Falvey Lake Water Plant Chateau Creek (Bali Star)	0.00	550.00		550.00	PASS
		<b>Total Expense</b>	<u>1,355,775.57</u>	<u>2,269,825.08</u>	<u>8,665.00</u>	<u>2,278,490.08</u>	
		<b>Totals</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
		<b>Net Profit/(Loss)</b>	<u>1,220,860.73</u>	<u>(943,171.14)</u>	<u>(6,497.19)</u>	<u>(949,668.33)</u>	

# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

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January 26, 2023

Board of Directors  
Chateau Woods Municipal  
Utility District  
Montgomery County, Texas

In planning and performing our audit of the financial statements of Chateau Woods Municipal Utility District (the "District") as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Material Weaknesses**

We observed the following deficiencies in the District's internal control that we consider to be material weaknesses.

The District's management consists of an elected Board of Directors (the "Directors"). In most cases the day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

As is common within the system of internal control of most small organizations, the accounting function of the District does not include preparation of the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control over financial reporting.

### **Material Weaknesses (Continued)**

During the course of performing an audit, we prepared various entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weaknesses above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

### **Management's Response**

The financial statements have been prepared in a manner that is consistent with prior years. The Board engages a bonded bookkeeper who possesses industry knowledge and expertise, including a concentration in special districts accounting. The Board also engages a financial advisor and tax assessor/collector who possess industry knowledge and expertise, as well as legal and professional engineering services. The Board has consulted with its independent auditor concerning this "management letter" and the auditor does not recommend any change in the Board's bookkeeping or audit procedures at this time. To the best of its knowledge, the Board conducts the District's business affairs in the same manner as other similarly situated special districts, and, based on the recommendations of its auditor, does not believe that the addition of an employee to oversee the monthly and annual financial reporting process or to prepare financial statements or that undertaking an additional annual audit is necessary or cost effective.

### **Conclusion**

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas