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# **Harris County Municipal Utility District No. 122 Harris County, Texas**

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

August 31, 2023

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**Harris County Municipal Utility District No. 122**  
**August 31, 2023**

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## Independent Auditor's Report

Board of Directors  
Harris County Municipal Utility District No. 122  
Harris County, Texas

### **Opinions**

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 122 (the District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of August 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

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

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

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

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

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

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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

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

***Supplementary Information***

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

**FORVIS, LLP**

Houston, Texas  
January 11, 2024

# **Harris County Municipal Utility District No. 122**

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

### **August 31, 2023**

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

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

**Harris County Municipal Utility District No. 122**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2023**

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

**Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Governmental Funds**

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

**Notes to Financial Statements**

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

**Harris County Municipal Utility District No. 122**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2023**

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

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

**Summary of Net Position**

	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 1,989,598	\$ 1,838,180
Capital assets	2,395,776	2,192,131
Total assets	\$ 4,385,374	\$ 4,030,311
Long-term liabilities	\$ 864,813	\$ 952,541
Other liabilities	183,774	253,143
Total liabilities	1,048,587	1,205,684
Net position:		
Net investment in capital assets	1,530,963	1,222,272
Restricted	81,896	75,335
Unrestricted	1,723,928	1,527,020
Total net position	\$ 3,336,787	\$ 2,824,627

The total net position of the District increased by \$512,160, or about 18 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements, as well as maintenance taxes and service revenues exceeding service operation expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b>2023</b>	<b>2022</b>
Revenues:		
Property taxes	\$ 938,595	\$ 806,090
Charges for services	384,745	355,310
Other revenues	110,310	37,490
Total revenues	1,433,650	1,198,890



**Harris County Municipal Utility District No. 122**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2023**

**Summary of Changes in Net Position (Continued)**

	<b>2023</b>	<b>2022</b>
Expenses:		
Services	\$ 699,832	\$ 762,795
Depreciation	181,896	148,614
Debt service	39,762	43,156
Total expenses	921,490	954,565
Change in net position	512,160	244,325
Net position, beginning of year	2,824,627	2,580,302
Net position, end of year	\$ 3,336,787	\$ 2,824,627

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

The District's combined fund balances as of the end of the fiscal year ended August 31, 2023, were \$1,760,992, an increase of \$214,072 from the prior year.

The general fund's fund balance increased by \$210,428. This increase was primarily related to property tax and service revenues and investment income exceeding service operating and capital outlay expenditures.

The debt service fund's fund balance increased by \$3,644 due to property tax revenues exceeding bond principal and interest requirements and contracted services expenditures.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to investment income being greater than anticipated as well as property tax revenues and repairs and maintenance and capital outlay expenditures being less than anticipated. The fund balance as of August 31, 2023, was expected to be \$1,549,810 and the actual end-of-year fund balance was \$1,701,120.

**Capital Assets and Related Debt**

**Capital Assets**

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows.

**Harris County Municipal Utility District No. 122**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2023**

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

	<b>2023</b>	<b>2022</b>
Land and improvements	\$ 255,000	\$ 255,000
Construction in progress	-	270,523
Water facilities	270,426	288,853
Wastewater facilities	1,670,991	1,158,132
Drainage facilities	199,359	219,623
Total capital assets	\$ 2,395,776	\$ 2,192,131

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

Wastewater treatment plant improvements	\$ 48,643
Wastewater treatment plant access road	336,898
Total additions to capital assets	\$ 385,541

**Debt**

The changes in the debt position of the District during the fiscal year ended August 31, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 952,541
Decreases in long-term debt	(87,728)
Long-term debt payable, end of year	\$ 864,813

At August 31, 2023, the District had \$7,810,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "BBB+" from Standard & Poor's.

**Other Relevant Factors**

**Relationship to the City of Missouri City**

Under existing Texas law, since the District lies wholly within the corporate limits of the City of Missouri City (Missouri City), the District must conform to the Missouri City ordinance consenting to the creation of the District. In addition, the District may be dissolved by Missouri City without the District's consent. If the District is dissolved, Missouri City must assume the District's assets and obligations (including the bonded indebtedness) within 90 days.

**Harris County Municipal Utility District No. 122**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$ 75,393	\$ 32,859	\$ 108,252	\$ -	\$ 108,252
Short-term investments	1,756,846	29,872	1,786,718	-	1,786,718
Receivables:					
Property taxes	22,808	6,995	29,803	-	29,803
Service accounts	49,796	-	49,796	-	49,796
Accrued penalty and interest	-	-	-	15,029	15,029
Interfund receivable	757	-	757	(757)	-
Capital assets (net of accumulated depreciation):					
Land and improvements	-	-	-	255,000	255,000
Infrastructure	-	-	-	2,140,776	2,140,776
 Total assets	 <u>\$ 1,905,600</u>	 <u>\$ 69,726</u>	 <u>\$ 1,975,326</u>	 <u>\$ 2,410,048</u>	 <u>\$ 4,385,374</u>

**Harris County Municipal Utility District No. 122**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**August 31, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>					
Accounts payable	\$ 105,927	\$ 2,102	\$ 108,029	\$ -	\$ 108,029
Customer deposits	75,745	-	75,745	-	75,745
Interfund payable	-	757	757	(757)	-
Long-term liabilities:					
Due within one year	-	-	-	95,000	95,000
Due after one year	-	-	-	769,813	769,813
Total liabilities	<u>181,672</u>	<u>2,859</u>	<u>184,531</u>	<u>864,056</u>	<u>1,048,587</u>
<b>Deferred Inflows of Resources</b>					
Deferred property tax revenues	<u>22,808</u>	<u>6,995</u>	<u>29,803</u>	<u>(29,803)</u>	<u>0</u>
<b>Fund Balances/Net Position</b>					
Fund balances:					
Restricted, unlimited tax bonds	-	59,872	59,872	(59,872)	-
Unassigned	<u>1,701,120</u>	<u>-</u>	<u>1,701,120</u>	<u>(1,701,120)</u>	<u>-</u>
Total fund balances	<u>1,701,120</u>	<u>59,872</u>	<u>1,760,992</u>	<u>(1,760,992)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,905,600</u>	<u>\$ 69,726</u>	<u>\$ 1,975,326</u>		
Net position:					
Net investment in capital assets				1,530,963	1,530,963
Restricted for debt service				81,896	81,896
Unrestricted				<u>1,723,928</u>	<u>1,723,928</u>
Total net position				<u>\$ 3,336,787</u>	<u>\$ 3,336,787</u>

**Harris County Municipal Utility District No. 122**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended August 31, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Property taxes	\$ 786,227	\$ 147,735	\$ 933,962	\$ 4,633	\$ 938,595
Water service	207,188	-	207,188	-	207,188
Sewer service	112,424	-	112,424	-	112,424
Regional water fee	65,133	-	65,133	-	65,133
Penalty and interest	18,856	10,782	29,638	2,082	31,720
Investment income	77,255	1,335	78,590	-	78,590
	<u>1,267,083</u>	<u>159,852</u>	<u>1,426,935</u>	<u>6,715</u>	<u>1,433,650</u>
<b>Expenditures/Expenses</b>					
Service operations:					
Purchased services	55,797	-	55,797	-	55,797
Regional water fee	62,920	-	62,920	-	62,920
Professional fees	147,620	3,469	151,089	-	151,089
Contracted services	166,212	15,057	181,269	-	181,269
Utilities	21,283	-	21,283	-	21,283
Repairs and maintenance	167,514	-	167,514	-	167,514
Other expenditures	49,768	10,192	59,960	-	59,960
Capital outlay	385,541	-	385,541	(385,541)	-
Depreciation	-	-	-	181,896	181,896
Debt service:					
Principal retirement	-	90,000	90,000	(90,000)	-
Interest and fees	-	37,490	37,490	2,272	39,762
	<u>1,056,655</u>	<u>156,208</u>	<u>1,212,863</u>	<u>(291,373)</u>	<u>921,490</u>
<b>Excess of Revenues Over Expenditures</b>	210,428	3,644	214,072	(214,072)	
<b>Change in Net Position</b>				512,160	512,160
<b>Fund Balances/Net Position</b>					
Beginning of year	1,490,692	56,228	1,546,920	-	2,824,627
End of year	<u>\$ 1,701,120</u>	<u>\$ 59,872</u>	<u>\$ 1,760,992</u>	<u>\$ 0</u>	<u>\$ 3,336,787</u>

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

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

Harris County Municipal Utility District No. 122 (the District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective March 6, 1979, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

***Reporting Entity***

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

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

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

# Harris County Municipal Utility District No. 122

## Notes to Financial Statements

### August 31, 2023

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

The District presents the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

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



# Harris County Municipal Utility District No. 122

## Notes to Financial Statements

August 31, 2023

### ***Interfund Transactions***

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

### ***Pension Costs***

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

### ***Use of Estimates***

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

### ***Investments and Investment Income***

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

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

### ***Property Taxes***

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

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**Capital Assets**

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

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

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

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

**Debt Issuance Costs**

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

**Long-term Obligations**

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

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

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

***Net Position/Fund Balances***

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

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

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

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 2,395,776
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	29,803
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	15,029
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(864,813)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 1,575,795</u></u>

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

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

Change in fund balances.	\$	726,232
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current year.		203,645
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.		90,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues for the statement of activities.		6,715
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(2,272)</u>
Change in net position of governmental activities.	\$	<u>1,024,320</u>

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

***Deposits***

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

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

At August 31, 2023, none of the District's bank balances were exposed to custodial credit risk.

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

**Investments**

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

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

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

At August 31, 2023, the District had the following investments and securities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 1,786,718	\$ 1,786,718	\$ 0	\$ 0	\$ 0

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

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2023, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

**Summary of Carrying Values**

The carrying values of deposits and investments show previously are included in the statement of net position and balance sheet at August 31, 2023, as follows:

Carrying value:		
Deposits	\$	108,252
Investments		1,786,718
Total	\$	1,894,970

**Investment Income**

Investment income of \$78,590 for the year ended August 31, 2023, consisted of interest income.

**Fair Value Measurements**

The District has the following recurring fair value measurements as of August 31, 2023:

- Pooled investments of \$1,786,718 are valued at fair value per share of the pool's underlying portfolio.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended August 31, 2023, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 255,000	\$ -	\$ -	\$ 255,000
Construction in progress	270,523	-	(270,523)	-
Total capital assets, non-depreciable	525,523	0	(270,523)	255,000
Capital assets, depreciable:				
Water production and distribution facilities	741,842	-	-	741,842
Wastewater collection and treatment facilities	3,182,515	385,541	270,523	3,838,579
Drainage facilities	911,870	-	-	911,870
Total capital assets, depreciable	4,836,227	385,541	270,523	5,492,291

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

<b>Governmental Activities (Continued)</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Reclassi- fications</b>	<b>Balances, End of Year</b>
Less accumulated depreciation:				
Water production and distribution facilities	\$ (452,989)	\$ (18,427)	\$ -	\$ (471,416)
Wastewater collection and treatment facilities	(2,024,383)	(143,205)	-	(2,167,588)
Drainage facilities	(692,247)	(20,264)	-	(712,511)
Total accumulated depreciation	(3,169,619)	(181,896)	0	(3,351,515)
Total governmental activities, net	\$ 2,192,131	\$ 203,645	\$ 0	\$ 2,395,776

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended August 31, 2023, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:				
General obligation bonds	\$ 975,000	\$ 90,000	\$ 885,000	\$ 95,000
Less discounts on bonds	22,459	2,272	20,187	-
Total governmental activities activities long-term liabilities	\$ 952,541	\$ 87,728	\$ 864,813	\$ 95,000

**General Obligation Bonds**

	<b>Series 2012</b>
Amount outstanding, August 31, 2023	\$885,000
Interest rates	2.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2024/2031
Interest payment dates	March 1/September 1
Callable date*	March 1, 2019

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

**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

***Annual Debt Service Requirements***

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2023:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 95,000	\$ 33,290	\$ 128,290
2025	100,000	29,390	129,390
2026	105,000	25,342	130,342
2027	105,000	21,247	126,247
2028	110,000	17,000	127,000
2029-2031	370,000	22,800	392,800
Total	\$ 885,000	\$ 149,069	\$ 1,034,069

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

Bonds voted	\$ 15,000,000
Bonds sold	7,190,000
Refunding bonds voted	15,000,000
Refunding bonds sold	6,010,000

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

The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2023, the District levied an ad valorem debt service tax at the rate of \$0.0900 per \$100 of assessed valuation, which resulted in a tax levy of \$148,990 on the taxable valuation of \$165,544,589 for the 2022 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$126,990.

**Note 6: Maintenance Taxes**

At an election held May 9, 2015, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation, as a replacement for the \$0.20 per \$100 of assessed valuation authorized at an election held April 7, 1979. During the year



**Harris County Municipal Utility District No. 122**  
**Notes to Financial Statements**  
**August 31, 2023**

ended August 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.4780 per \$100 of assessed valuation, which resulted in a tax levy of \$791,303 on the taxable valuation of \$165,544,589 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Risk Management**

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

**Note 8: Water Supply Agreements**

On August 16, 2000, the District entered into a water supply contract with Fort Bend Water Control and Improvement District No. 2 (WCID 2), which is intended to be the primary source of the District's water supply. The contract was last amended November 1, 2022. WCID 2 is within the boundaries of the Fort Bend County Subsidence District (the Subsidence District) and has entered into a Groundwater Reduction Plan Participation Agreement in order to meet the Subsidence District's requirements to reduce groundwater withdrawal through conversion to surface water. WCID 2 pays monthly fees for all groundwater pumped from its wells and all surface water purchased. Under the terms of the water supply contract between the District and WCID 2, the District pays a groundwater reduction plan fee to WCID 2 of \$1.80 per 1,000 gallons of water delivered to the District. This fee is subject to future change. During the current year, the District incurred costs of \$118,717 under this contract.

On November 22, 1994, Ordinance 94-1252 was passed by the City of Houston (Houston) approving a water supply contract with the District. In August 2001, Houston and the District terminated the contract, but the District continues to pay a monthly fee to retain the interconnect as an emergency water supply. During the current year, the District incurred costs of \$2,629 to Houston.

## **Required Supplementary Information**

**Harris County Municipal Utility District No. 122**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended August 31, 2023**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 879,648	\$ 786,227	\$ (93,421)
Water service	195,500	207,188	11,688
Sewer service	114,000	112,424	(1,576)
Regional water fee	52,565	65,133	12,568
Penalty and interest	16,100	18,856	2,756
Tap connection and inspection fees	1,200	-	(1,200)
Investment income	20,015	77,255	57,240
Total revenues	<u>1,279,028</u>	<u>1,267,083</u>	<u>(11,945)</u>
<b>Expenditures</b>			
Service operations:			
Purchased services	47,600	55,797	(8,197)
Regional water fee	55,162	62,920	(7,758)
Professional fees	143,875	147,620	(3,745)
Contracted services	154,700	166,212	(11,512)
Utilities	22,500	21,283	1,217
Repairs and maintenance	281,700	167,514	114,186
Other expenditures	63,120	49,768	13,352
Capital outlay	451,253	385,541	65,712
Total expenditures	<u>1,219,910</u>	<u>1,056,655</u>	<u>163,255</u>
<b>Excess of Revenues Over Expenditures</b>	59,118	210,428	151,310
<b>Fund Balance, Beginning of Year</b>	<u>1,490,692</u>	<u>1,490,692</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,549,810</u>	<u>\$ 1,701,120</u>	<u>\$ 151,310</u>

**Harris County Municipal Utility District No. 122**  
**Notes to Required Supplementary Information**  
**August 31, 2023**

***Budgets and Budgetary Accounting***

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

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

## **Supplementary Information**

**Harris County Municipal Utility District No. 122**  
**Other Schedules Included Within This Report**  
**August 31, 2023**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 12-23
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

# Harris County Municipal Utility District No. 122

## Schedule of Services and Rates

### Year Ended August 31, 2023

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 33.25	10,000	N	\$ 3.50	10,001 to 20,000
				\$ 4.00	20,001 to 30,000
				\$ 4.50	30,001 to No Limit
Wastewater:	\$ 20.06	20,000	N	\$ 3.50	20,001 to No Limit
Regional water fee:	\$ 1.80	1	N	\$ 1.80	1 to No Limit

Does the District employ winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage (including fees): Water \$ 51.25 Wastewater \$ 20.06

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	398	392	x1.0	392
1"	-	-	x2.5	-
1 1/2"	2	1	x5.0	5
2"	11	11	x8.0	88
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	411	404		485
Total wastewater	404	399	x1.0	399

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

Gallons pumped into the system:	40,945
Gallons billed to customers:	40,015
Water accountability ratio (gallons billed/gallons pumped):	97.73%

\*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 122**  
**Schedule of General Fund Expenditures**  
**Year Ended August 31, 2023**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	20,800	
Legal		73,537	
Engineering		52,383	
Financial advisor		900	
		<u>          </u>	147,620
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			55,797
<b>Regional Water Fee</b>			62,920
<b>Contracted Services</b>			
Bookkeeping		40,671	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		48,465	
		<u>          </u>	89,136
<b>Utilities</b>			21,283
<b>Repairs and Maintenance</b>			167,514
<b>Administrative Expenditures</b>			
Directors' fees		10,578	
Office supplies		5,430	
Insurance		9,720	
Other administrative expenditures		24,040	
		<u>          </u>	49,768
<b>Capital Outlay</b>			
Capitalized assets		385,541	
Expenditures not capitalized		-	
		<u>          </u>	385,541
<b>Tap Connection Expenditures</b>			-
<b>Solid Waste Disposal</b>			77,076
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			-
			<u>          </u>
Total expenditures		<u>\$</u>	<u>1,056,655</u>



**Harris County Municipal Utility District No. 122**  
**Schedule of Temporary Investments**  
**August 31, 2023**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Texas CLASS	5.49%	Demand	\$ 1,756,846	\$ -
<b>Debt Service Fund</b>				
Texas CLASS	5.49%	Demand	<u>29,872</u>	<u>-</u>
Totals			<u>\$ 1,786,718</u>	<u>\$ 0</u>

**Harris County Municipal Utility District No. 122**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended August 31, 2023**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 19,010	\$ 6,160
Additions and corrections to prior years' taxes	(1,278)	(420)
Adjusted receivable, beginning of year	17,732	5,740
 <b>2022 Original Tax Levy</b>	 734,065	 138,213
Additions and corrections	57,238	10,777
Adjusted tax levy	791,303	148,990
Total to be accounted for	809,035	154,730
Tax collections: Current year	(780,477)	(146,952)
Prior years	(5,750)	(783)
Receivable, end of year	\$ 22,808	\$ 6,995
 <b>Receivable, by Years</b>		
2022	\$ 10,826	\$ 2,038
2021	2,984	410
2020	2,386	525
2019	1,792	475
2018	695	195
2017	1,579	505
2016	1,372	422
2015	578	231
2014	231	636
2013	213	639
2012-2001	152	919
Receivable, end of year	\$ 22,808	\$ 6,995

**Harris County Municipal Utility District No. 122**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended August 31, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Property Valuations</b>				
Land	\$ 43,137,637	\$ 43,107,837	\$ 43,017,167	\$ 28,441,589
Improvements	134,909,744	112,924,918	81,243,774	77,308,848
Personal property	11,190,483	8,175,001	7,908,671	5,661,232
Exemptions	<u>(23,693,275)</u>	<u>(18,392,390)</u>	<u>(6,331,337)</u>	<u>(12,720,379)</u>
 Total property valuations	 <u>\$ 165,544,589</u>	 <u>\$ 145,815,366</u>	 <u>\$ 125,838,275</u>	 <u>\$ 98,691,290</u>
 <b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.0900	\$ 0.0700	\$ 0.1100	\$ 0.1300
Maintenance tax rates*	<u>0.4780</u>	<u>0.5100</u>	<u>0.5000</u>	<u>0.4900</u>
 Total tax rates per \$100 valuation	 <u>\$ 0.5680</u>	 <u>\$ 0.5800</u>	 <u>\$ 0.6100</u>	 <u>\$ 0.6200</u>
 <b>Tax Levy</b>	 <u>\$ 940,293</u>	 <u>\$ 845,729</u>	 <u>\$ 767,613</u>	 <u>\$ 611,886</u>
 <b>Percent of Taxes Collected to Taxes Levied**</b>	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>

\*Maximum tax rate approved by voters: \$1.00 on May 9, 2015

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

**Harris County Municipal Utility District No. 122**  
**Schedule of Long-term Debt Service Requirements by Years**  
**August 31, 2023**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2012</b>		
	<b>Principal Due March 1</b>	<b>Interest Due March 1, September 1</b>	<b>Total</b>
2024	\$ 95,000	\$ 33,290	\$ 128,290
2025	100,000	29,390	129,390
2026	105,000	25,342	130,342
2027	105,000	21,247	126,247
2028	110,000	17,000	127,000
2029	115,000	12,500	127,500
2030	125,000	7,700	132,700
2031	130,000	2,600	132,600
Totals	<u>\$ 885,000</u>	<u>\$ 149,069</u>	<u>\$ 1,034,069</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

**Harris County Municipal Utility District No. 122**  
**Changes in Long-term Bonded Debt**  
**Year Ended August 31, 2023**

	<b>Bond Issue</b>
	<b>Series 2012</b>
Interest rates	2.00% to 4.00%
Dates interest payable	March 1/ September 1
Maturity dates	March 1, 2024/2031
Bonds outstanding, beginning of current year	\$ 975,000
Retirements, principal	90,000
Bonds outstanding, end of current year	\$ 885,000
Interest paid during current year	\$ 36,990

Paying agent's name and address:

**Series 2012** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 15,000,000	0	\$ 15,000,000
Amount issued	\$ 7,190,000	0	\$ 6,010,000
Remaining to be issued	\$ 7,810,000	0	\$ 8,990,000

Debt service fund cash and temporary investment balances as of August 31, 2023:	\$ 62,731
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$ 129,259

**Harris County Municipal Utility District No. 122**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended August 31,**

	Amounts				
	2023	2022	2021	2020	2019
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 786,227	\$ 710,596	\$ 628,889	\$ 489,832	\$ 445,828
Water service	207,188	192,064	185,318	186,309	168,476
Sewer service	112,424	110,437	106,765	108,194	101,910
Regional water fee	65,133	52,809	48,973	51,024	41,617
Penalty and interest	18,856	16,200	9,661	8,947	11,295
Tap connection and inspection fees	-	-	100,036	2,605	190
Investment income	77,255	10,201	1,665	15,977	24,607
Total revenues	<u>1,267,083</u>	<u>1,092,307</u>	<u>1,081,307</u>	<u>862,888</u>	<u>793,923</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	55,797	43,398	46,924	50,185	46,221
Regional water fee	62,920	53,019	57,073	61,382	55,794
Professional fees	147,620	144,934	140,650	135,742	134,799
Contracted services	166,212	136,406	136,105	125,514	118,197
Utilities	21,283	21,198	20,866	20,741	23,137
Repairs and maintenance	167,514	282,689	330,532	238,405	228,145
Other expenditures	49,768	52,061	41,493	46,884	54,398
Tap connections	-	-	24,722	-	-
Capital outlay	385,541	293,287	12,187	-	925
Total expenditures	<u>1,056,655</u>	<u>1,026,992</u>	<u>810,552</u>	<u>678,853</u>	<u>661,616</u>
<b>Excess of Revenues Over Expenditures</b>	210,428	65,315	270,755	184,035	132,307
<b>Other Financing Uses</b>					
Interfund transfers out	-	(22,378)	-	-	-
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	210,428	42,937	270,755	184,035	132,307
<b>Fund Balance, Beginning of Year</b>	<u>1,490,692</u>	<u>1,447,755</u>	<u>1,177,000</u>	<u>992,965</u>	<u>860,658</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,701,120</u>	<u>\$ 1,490,692</u>	<u>\$ 1,447,755</u>	<u>\$ 1,177,000</u>	<u>\$ 992,965</u>
<b>Total Active Retail Water Connections</b>	<u>404</u>	<u>405</u>	<u>403</u>	<u>403</u>	<u>401</u>
<b>Total Active Retail Wastewater Connections</b>	<u>399</u>	<u>400</u>	<u>398</u>	<u>398</u>	<u>397</u>

**Percent of Fund Total Revenues**

<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
60.8 %	65.1 %	58.2 %	56.8 %	56.2 %
17.0	17.6	17.1	21.6	21.2
9.7	10.1	9.9	12.5	12.9
5.0	4.8	4.5	5.9	5.2
1.5	1.5	0.9	1.0	1.4
-	-	9.2	0.3	0.0
<u>6.0</u>	<u>0.9</u>	<u>0.2</u>	<u>1.9</u>	<u>3.1</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
4.4	4.0	4.3	5.8	5.8
5.0	4.8	5.3	7.1	7.0
11.7	13.3	13.0	15.8	17.0
13.1	12.5	12.6	14.6	14.9
1.7	1.9	1.9	2.4	2.9
13.2	25.9	30.6	27.6	28.7
3.9	4.8	3.8	5.4	6.9
-	-	2.3	-	-
<u>30.4</u>	<u>26.8</u>	<u>1.1</u>	<u>-</u>	<u>0.1</u>
<u>83.4</u>	<u>94.0</u>	<u>74.9</u>	<u>78.7</u>	<u>83.3</u>
<u><u>16.6 %</u></u>	<u><u>6.0 %</u></u>	<u><u>25.1 %</u></u>	<u><u>21.3 %</u></u>	<u><u>16.7 %</u></u>

**Harris County Municipal Utility District No. 122**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended August 31,**

	Amounts				
	2023	2022	2021	2020	2019
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 147,735	\$ 95,699	\$ 138,808	\$ 136,081	\$ 124,974
Penalty and interest	10,782	9,741	8,181	10,798	6,168
Investment income	1,335	90	62	886	1,564
Total revenues	<u>159,852</u>	<u>105,530</u>	<u>147,051</u>	<u>147,765</u>	<u>132,706</u>
<b>Expenditures</b>					
Current:					
Professional fees	3,469	3,285	2,633	1,240	2,155
Contracted services	15,057	14,170	12,890	12,243	10,980
Other expenditures	10,192	7,161	3,881	5,053	3,924
Debt service:					
Principal retirement	90,000	85,000	80,000	80,000	75,000
Interest and fees	37,490	40,971	43,353	46,253	48,190
Total expenditures	<u>156,208</u>	<u>150,587</u>	<u>142,757</u>	<u>144,789</u>	<u>140,249</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	3,644	(45,057)	4,294	2,976	(7,543)
<b>Other Financing Sources</b>					
Interfund transfers in	-	22,378	-	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	3,644	(22,679)	4,294	2,976	(7,543)
<b>Fund Balance, Beginning of Year</b>	<u>56,228</u>	<u>78,907</u>	<u>74,613</u>	<u>71,637</u>	<u>79,180</u>
<b>Fund Balance, End of Year</b>	<u>\$ 59,872</u>	<u>\$ 56,228</u>	<u>\$ 78,907</u>	<u>\$ 74,613</u>	<u>\$ 71,637</u>



**Percent of Fund Total Revenues**

<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
92.4 %	90.7 %	94.4 %	92.1 %	94.2 %
6.8	9.2	5.6	7.3	4.6
0.8	0.1	0.0	0.6	1.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
2.2	3.1	1.8	0.8	1.6
9.4	13.4	8.8	8.3	8.3
6.4	6.8	2.6	3.5	3.0
56.3	80.6	54.4	54.1	56.5
<u>23.4</u>	<u>38.8</u>	<u>29.5</u>	<u>31.3</u>	<u>36.3</u>
<u>97.7</u>	<u>142.7</u>	<u>97.1</u>	<u>98.0</u>	<u>105.7</u>
<u>2.3 %</u>	<u>(42.7) %</u>	<u>2.9 %</u>	<u>2.0 %</u>	<u>(5.7) %</u>

**Harris County Municipal Utility District No. 122**  
**Board Members, Key Personnel and Consultants**  
**Year Ended August 31, 2023**

Complete District mailing address:	Harris County Municipal Utility District No. 122 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>May 25, 2022</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Joycelyn Barnes Reese	Elected 05/20- 05/24	\$ 3,197	\$ 1,121	President
Ronald Bennett	Elected 05/22- 05/26	1,863	0	Vice President
James H. Ragan, Jr.	Elected 05/22- 05/26	1,713	0	Secretary
John Hoxie	Elected 05/22- 05/26	1,863	0	Assistant Secretary
John Marshall	Appointed 06/20- 05/24	1,942	0	Assistant Secretary

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

**Harris County Municipal Utility District No. 122**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended August 31, 2023**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	02/14/85	\$ 18,772	Tax Assessor/ Collector
FORVIS, LLP	04/01/86	20,800	Auditor
The GMS Group, L.L.C.	02/25/15	900	Financial Advisor
Harris Central Appraisal District	Legislative Action	6,477	Appraiser
Inframark LLC	08/22/85	256,339	Operator
Municipal Accounts & Consulting, L.P.	02/06/13	43,986	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/16/95	3,469	Delinquent Tax Attorney
Quiddity Engineering, LLC	03/21/91	124,632	Engineer
Schwartz, Page & Harding, L.L.P.	09/22/94	79,532	Attorney
<b>Investment Officers</b>			
Mark M. Burton and Ghia Lewis	04/24/13	N/A	District Bookkeepers