




Harris County Municipal Utility District No. 183 Harris County, Texas

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

June 30, 2023



Harris County Municipal Utility District No. 183
June 30, 2023

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.....	12
Notes to Financial Statements.....	13
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	27
Notes to Required Supplementary Information	28
Supplementary Information	
Other Schedules Included Within This Report	29
Schedule of Services and Rates	30
Schedule of General Fund Expenditures.....	31
Schedule of Temporary Investments.....	32
Analysis of Taxes Levied and Receivable	33
Schedule of Long-term Debt Service Requirements by Years	35
Changes in Long-term Bonded Debt	38
Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years	39
Board Members, Key Personnel and Consultants.....	41



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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 183
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. 183 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

FORVIS,LLP

Houston, Texas
December 10, 2023

Harris County Municipal Utility District No. 183

Management's Discussion and Analysis

June 30, 2023

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Harris County Municipal Utility District No. 183
Management's Discussion and Analysis (Continued)
June 30, 2023

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

Fund Financial Statements

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

Governmental Funds

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total 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. 183
Management's Discussion and Analysis (Continued)
June 30, 2023

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2023	2022
Current and other assets	\$ 13,106,228	\$ 4,955,861
Capital assets	4,612,519	4,495,150
Total assets	\$ 17,718,747	\$ 9,451,011
Long-term liabilities	\$ 10,308,909	\$ 2,405,573
Other liabilities	796,626	485,555
Total liabilities	11,105,535	2,891,128
Net position:		
Net investment in capital assets	2,603,214	2,897,276
Restricted	990,695	607,562
Unrestricted	3,019,303	3,055,045
Total net position	\$ 6,613,212	\$ 6,559,883

The total net position of the District increased by \$53,329, or less than 1 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 included in long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 1,429,834	\$ 1,302,914
City of Houston rebates	127,309	91,284
Charges for services	1,103,818	1,027,195
Other revenues	337,865	172,162
Total revenues	2,998,826	2,593,555

Harris County Municipal Utility District No. 183
Management's Discussion and Analysis (Continued)
June 30, 2023

Summary of Changes in Net Position (Continued)

	2023	2022
Expenses:		
Services	\$ 1,989,304	\$ 1,717,688
Depreciation	310,006	302,109
Debt service	646,187	114,833
Total expenses	2,945,497	2,134,630
Change in net position	53,329	458,925
Net position, beginning of year	6,559,883	6,100,958
Net position, end of year	\$ 6,613,212	\$ 6,559,883

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2023, were \$12,454,200, an increase of \$8,018,557 from the prior year.

The general fund's fund balance increased by \$61,384. This increase was primarily due to property taxes, sales tax rebates, services and investment income revenues exceeding service operations expenditures.

The debt service fund's fund balance increased by \$314,691 because property tax revenues were greater than bond principal and interest requirements and contracted services expenditures.

The capital projects fund's fund balance increased by \$7,642,482, primarily due to proceeds received from the sale of bonds exceeding capital outlay expenditures and debt issuance costs.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes revenue, investment income and purchased sewer service expenditures being greater than anticipated. In addition, capital outlay expenditures incurred were not included in the current year budget and budgeted interfund transfers in were not received. The fund balance as of June 30, 2023, was expected to be \$3,521,359 and the actual end-of-year fund balance was \$3,087,551.

Harris County Municipal Utility District No. 183
Management's Discussion and Analysis (Continued)
June 30, 2023

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2023	2022
Land and improvements	\$ 351,746	\$ 351,746
Construction in progress	184,491	45,154
Water facilities	1,773,683	1,739,995
Wastewater facilities	2,302,599	2,358,255
Total capital assets	\$ 4,612,519	\$ 4,495,150

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

Construction in progress related to design of the administration building and District's share of floodwall at Jackrabbit wastewater treatment plant	\$ 154,116
Water plant No. 1 fuel tank addition	139,924
District's share of the sanitary sewer rehabilitation project	127,114
Replacement of lift pump No. 1	6,221
Total current year additions	\$ 427,375

Debt

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

Long-term debt payable, beginning of year	\$ 2,405,573
Increases in long-term debt	8,172,500
Decreases in long-term debt	(269,164)
Long-term debt payable, end of year	\$ 10,308,909

At June 30, 2023, the District had \$17,335,000 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.

Harris County Municipal Utility District No. 183
Management's Discussion and Analysis (Continued)
June 30, 2023

The District's bonds carry an underlying rating of "A" from Standard & Poor's. The Series 2018 and Series 2023 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Co.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective December 19, 2011, the District entered into a Strategic Partnership Agreement with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years.

Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$246,800. This amount has not been recorded in the financial statements.

Harris County Municipal Utility District No. 183
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 110,969	\$ 30,829	\$ 495	\$ 142,293	\$ -	\$ 142,293
Certificates of deposit	480,765	-	-	480,765	-	480,765
Short-term investments	2,825,271	673,693	8,750,745	12,249,709	-	12,249,709
Receivables:						
Property taxes	17,183	14,259	-	31,442	-	31,442
Service accounts	90,865	-	-	90,865	-	90,865
Sales tax rebates	21,575	-	-	21,575	10,787	32,362
Accrued penalty and interest	-	-	-	-	10,403	10,403
Accrued interest	4,821	-	-	4,821	-	4,821
Interfund receivables	82,470	3,154	-	85,624	(85,624)	-
Prepaid expenditures	15,019	-	-	15,019	-	15,019
Operating reserve	48,549	-	-	48,549	-	48,549
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	351,746	351,746
Construction in progress	-	-	-	-	184,491	184,491
Infrastructure	-	-	-	-	4,076,282	4,076,282
Total assets	\$ 3,697,487	\$ 721,935	\$ 8,751,240	\$ 13,170,662	\$ 4,548,085	\$ 17,718,747

Harris County Municipal Utility District No. 183
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
June 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 251,607	\$ 4,844	\$ 4,953	\$ 261,404	\$ 96,218	\$ 357,622
Accrued interest payable	-	-	-	-	101,012	101,012
Customer deposits	68,250	-	-	68,250	-	68,250
Due to others	269,742	-	-	269,742	-	269,742
Interfund payables	3,154	-	82,470	85,624	(85,624)	-
Long-term liabilities:						
Due within one year	-	-	-	-	275,000	275,000
Due after one year	-	-	-	-	10,033,909	10,033,909
Total liabilities	<u>592,753</u>	<u>4,844</u>	<u>87,423</u>	<u>685,020</u>	<u>10,420,515</u>	<u>11,105,535</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>17,183</u>	<u>14,259</u>	<u>0</u>	<u>31,442</u>	<u>(31,442)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	15,019	-	-	15,019	(15,019)	-
Restricted:						
Debt service on unlimited tax bonds	-	702,832	-	702,832	(702,832)	-
Water, sewer and drainage	-	-	8,663,817	8,663,817	(8,663,817)	-
Assigned:						
Operating reserve	48,549	-	-	48,549	(48,549)	-
Future expenditures	200,251	-	-	200,251	(200,251)	-
Unassigned	<u>2,823,732</u>	<u>-</u>	<u>-</u>	<u>2,823,732</u>	<u>(2,823,732)</u>	<u>-</u>
Total fund balances	<u>3,087,551</u>	<u>702,832</u>	<u>8,663,817</u>	<u>12,454,200</u>	<u>(12,454,200)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,697,487</u>	<u>\$ 721,935</u>	<u>\$ 8,751,240</u>	<u>\$ 13,170,662</u>		
Net position:						
Net investment in capital assets					2,603,214	2,603,214
Restricted for debt service					626,482	626,482
Restricted for capital projects					364,213	364,213
Unrestricted					<u>3,019,303</u>	<u>3,019,303</u>
Total net position					<u>\$ 6,613,212</u>	<u>\$ 6,613,212</u>

Harris County Municipal Utility District No. 183
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended June 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 767,331	\$ 657,610	\$ -	\$ 1,424,941	\$ 4,893	\$ 1,429,834
Sales tax rebates	129,999	-	-	129,999	(2,690)	127,309
Water service	334,945	-	-	334,945	-	334,945
Sewer service	296,926	-	-	296,926	-	296,926
Regional water fee	471,947	-	-	471,947	-	471,947
Penalty and interest	35,423	15,386	-	50,809	(401)	50,408
Tap connection and inspection fees	15,465	-	-	15,465	-	15,465
Investment income	93,465	22,262	156,265	271,992	-	271,992
Total revenues	<u>2,145,501</u>	<u>695,258</u>	<u>156,265</u>	<u>2,997,024</u>	<u>1,802</u>	<u>2,998,826</u>
Expenditures/Expenses						
Service operations:						
Purchased services, sewer	404,260	-	-	404,260	(109,571)	294,689
Purchased services, water	359,138	-	-	359,138	-	359,138
Regional water fee	95,890	-	-	95,890	-	95,890
Professional fees	340,354	3,287	-	343,641	4,021	347,662
Contracted services	339,901	25,871	-	365,772	58,199	423,971
Utilities	3,689	-	-	3,689	38,019	41,708
Repairs and maintenance	337,568	-	-	337,568	-	337,568
Other expenditures	76,203	11,740	735	88,678	-	88,678
Capital outlay	127,114	-	194,711	321,825	(321,825)	-
Depreciation	-	-	-	-	310,006	310,006
Debt service:						
Principal retirement	-	275,000	-	275,000	(275,000)	-
Interest and fees	-	64,669	-	64,669	90,681	155,350
Debt issuance costs	-	-	490,837	490,837	-	490,837
Total expenditures/expenses	<u>2,084,117</u>	<u>380,567</u>	<u>686,283</u>	<u>3,150,967</u>	<u>(205,470)</u>	<u>2,945,497</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>61,384</u>	<u>314,691</u>	<u>(530,018)</u>	<u>(153,943)</u>	<u>207,272</u>	
Other Financing Sources (Uses)						
General obligation bonds issued	-	-	8,425,000	8,425,000	(8,425,000)	
Discount on debt issued	-	-	(252,500)	(252,500)	252,500	
Total other financing sources	<u>0</u>	<u>0</u>	<u>8,172,500</u>	<u>8,172,500</u>	<u>(8,172,500)</u>	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>61,384</u>	<u>314,691</u>	<u>7,642,482</u>	<u>8,018,557</u>	<u>(8,018,557)</u>	
Change in Net Position					53,329	53,329
Fund Balances/Net Position						
Beginning of year	3,026,167	388,141	1,021,335	4,435,643	-	6,559,883
End of year	<u>\$ 3,087,551</u>	<u>\$ 702,832</u>	<u>\$ 8,663,817</u>	<u>\$ 12,454,200</u>	<u>\$ 0</u>	<u>\$ 6,613,212</u>

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

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

Harris County Municipal Utility District No. 183 (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 July 10, 1979. 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. 183

Notes to Financial Statements

June 30, 2023

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Harris County Municipal Utility District No. 183

Notes to Financial Statements

June 30, 2023

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

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

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

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment 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. 183
Notes to Financial Statements
June 30, 2023

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 4,612,519
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	31,442
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	10,403
Receivable for sales tax rebates are not available in the current period and are not reported in the funds.	10,787
Accrued expenses as well as interest on long-term liabilities are not payable with current financial resources and are not reported in the funds.	(197,230)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(10,308,909)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (5,840,988)</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. 183
Notes to Financial Statements
June 30, 2023

Change in fund balances.	\$ 8,018,557
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 and noncapitalized costs in the current period.	117,369
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any affect on net position.	(8,150,000)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	252,500
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	1,802
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.	(186,899)
Change in net position of governmental activities.	\$ <u>53,329</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.

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

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

Investments

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

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

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

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

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Texas CLASS	<u>\$ 12,249,709</u>	<u>\$ 12,249,709</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

Summary of Carrying Values

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

Carrying value:	
Deposits	\$ 623,058
Investments	<u>12,249,709</u>
Total	<u><u>\$ 12,872,767</u></u>

Included in the following statement of net position captions:

Cash	\$ 142,293
Certificates of deposit	480,765
Short-term investments	<u>12,249,709</u>
Total	<u><u>\$ 12,872,767</u></u>

Investment Income

Investment income of \$271,992 for the year ended June 30, 2023, consisted of interest income.

Fair Value Measurements

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

- Pooled investments of \$12,249,709 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 June 30, 2023, is presented as follows.

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 351,746	\$ -	\$ -	\$ 351,746
Construction in process	45,154	154,116	(14,779)	184,491
Total capital assets, non-depreciable	396,900	154,116	(14,779)	536,237
Capital assets, depreciable:				
Water production and distribution facilities	\$ 4,628,501	\$ 139,924	14,779	\$ 4,783,204
Wastewater collection and treatment facilities	4,783,726	133,335	-	4,917,061
Total capital assets, depreciable	9,412,227	273,259	14,779	9,700,265
Less accumulated depreciation:				
Water production and distribution facilities	(2,888,506)	(121,015)	-	(3,009,521)
Wastewater collection and treatment facilities	(2,425,471)	(188,991)	-	(2,614,462)
Total accumulated depreciation	(5,313,977)	(310,006)	0	(5,623,983)
Total governmental activities, net	<u>\$ 4,495,150</u>	<u>\$ 117,369</u>	<u>\$ 0</u>	<u>\$ 4,612,519</u>

Note 4: Long-term Liabilities

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

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 2,465,000	\$ 8,425,000	\$ 275,000	\$ 10,615,000	\$ 275,000
Less discounts on bonds	59,427	252,500	5,836	306,091	-
Total governmental activities long-term liabilities	<u>\$ 2,405,573</u>	<u>\$ 8,172,500</u>	<u>\$ 269,164</u>	<u>\$ 10,308,909</u>	<u>\$ 275,000</u>

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

General Obligation Bonds

	<u>Series 2018</u>	<u>Series 2023</u>
Amounts outstanding, June 30, 2023	\$2,190,000	\$8,425,000
Interest rates	2.00% to 3.00%	3.50% to 4.25%
Maturity dates, serially beginning/ending	April 1, 2024/2031	April 1, 2032/2048
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2024	April 1, 2029

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

Annual Debt Service Requirements

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 275,000	\$ 403,097	\$ 678,097
2025	275,000	395,956	670,956
2026	275,000	389,425	664,425
2027	275,000	382,550	657,550
2028	275,000	374,988	649,988
2029-2033	1,430,000	1,753,125	3,183,125
2034-2038	1,890,000	1,468,400	3,358,400
2039-2043	2,535,000	1,042,638	3,577,638
2044-2048	<u>3,385,000</u>	<u>448,587</u>	<u>3,833,587</u>
Total	<u>\$ 10,615,000</u>	<u>\$ 6,658,766</u>	<u>\$ 17,273,766</u>

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, and are further payable from and secured by a lien on and a pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

Bonds voted	\$ 41,625,000
Bonds sold	24,290,000
Refunding bonds voted	28,500,000
Refunding bonds sold	0

Note 5: Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.21000 per \$100 of assessed valuation, which resulted in a tax levy of \$665,994 on the taxable valuation of \$317,139,973 for the 2022 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$509,359 of which \$307,334 has been paid and \$202,025 is due October 1, 2023.

Note 6: Maintenance Taxes

At an election held November 4, 2014, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.24500 per \$100 of assessed valuation, which resulted in a tax levy of \$776,993 on the taxable valuation of \$317,139,973 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

Note 7: Contracts With Other Districts

The District has entered into a contract whereby Jackrabbit Road Public Utility District (Jackrabbit) has agreed to provide the regional wastewater treatment and disposal facilities necessary to serve several participating districts, including the District. The contract has a term of 35 years. Jackrabbit operates the facilities and holds title for the benefit of participants. Participants are billed monthly for their pro rata share of operating costs based on percent-capacity owned. The participants are as follows:

Harris County Municipal Utility District No. 183

Notes to Financial Statements

June 30, 2023

Participants	Percentage Capacity
Barker-Cypress Municipal Utility District	21.86%
The District	12.45
Harris County Utility District No. 6	30.43
Harris County Municipal Utility District No. 136	9.80
Jackrabbit	21.59
Harris County Municipal Utility District No. 276	3.87
Total	100.00%

The following summarizes condensed audited financial information of the general fund of Jackrabbit Road Wastewater Treatment Facilities (the Plant) for the year ended July 31, 2022:

	General Fund
Total assets	\$ 832,092
Total liabilities	\$ 479,139
Total fund balance	352,953
Total liabilities and fund balance	\$ 832,092
Revenues	\$ 1,775,905
Expenditures	1,775,905
Excess of revenues over expenditures	-
Other financing uses	(163,915)
Deficiency of revenues and other financing sources over expenditures and other financing uses	\$ (163,915)

The District owns 635,000 gallons-per-day capacity in the Plant and has \$48,549 on deposit with Jackrabbit for its share of an operating reserve. For the year ended June 30, 2023, the District incurred \$404,260 for its share of operating costs.

Harris County Municipal Utility District No. 183
Notes to Financial Statements
June 30, 2023

Note 8: Risk Management

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

Note 9: Strategic Partnership Agreement

Effective December 19, 2011, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement), under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district, as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$127,309 in revenues related to the Agreement.

Note 10: Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of June 30, 2023, the Authority was billing the District \$3.95 per 1,000 gallons of water pumped from its wells and \$4.35 per 1,000 gallons of surface water received. These amounts are subject to future increases.

Note 11: Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$246,800. This amount has not been recorded in the financial statements.

Required Supplementary Information

Harris County Municipal Utility District No. 183
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 619,500	\$ 767,331	\$ 147,831
Sales tax rebates	82,000	129,999	47,999
Water service	357,300	334,945	(22,355)
Sewer service	305,700	296,926	(8,774)
Regional water fee	425,000	471,947	46,947
Penalty and interest	32,300	35,423	3,123
Tap connection and inspection fees	12,700	15,465	2,765
Investment income	10,010	93,465	83,455
Total revenues	<u>1,844,510</u>	<u>2,145,501</u>	<u>300,991</u>
Expenditures			
Service operations:			
Purchased services, sewer	168,188	404,260	(236,072)
Purchased services, water	371,000	359,138	11,862
Regional water fee	54,000	95,890	(41,890)
Professional fees	299,700	340,354	(40,654)
Contracted services	385,000	339,901	45,099
Utilities	40,600	3,689	36,911
Repairs and maintenance	312,000	337,568	(25,568)
Other expenditures	78,830	76,203	2,627
Capital outlay	-	127,114	(127,114)
Total expenditures	<u>1,709,318</u>	<u>2,084,117</u>	<u>(374,799)</u>
Excess of Revenues Over Expenditures	135,192	61,384	(73,808)
Other Financing Sources			
Interfund transfers in	360,000	-	(360,000)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	495,192	61,384	(433,808)
Fund Balance, Beginning of Year	<u>3,026,167</u>	<u>3,026,167</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,521,359</u>	<u>\$ 3,087,551</u>	<u>\$ (433,808)</u>

Harris County Municipal Utility District No. 183
Notes to Required Supplementary Information
June 30, 2023

Budgets and Budgetary Accounting

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

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

Supplementary Information

Harris County Municipal Utility District No. 183
Other Schedules Included Within This Report
June 30, 2023

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26
- [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. 183

Schedule of Services and Rates

Year Ended June 30, 2023

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" 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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 7.00	1	N	\$ 3.00	3,001 to 7,000
				\$ 4.00	7,001 to 12,000
				\$ 5.00	12,001 to 20,000
				\$ 6.00	20,001 to No Limit
Wastewater:	\$ 12.00	1	Y		0 to 3,000
	\$ 17.00	3,001	Y		3,001 to 7,000
	\$ 22.00	7,001	Y		7,001 to 12,000
	\$ 27.00	12,001	Y		12,001 to 20,000
	\$ 32.00	20,001	Y		20,001 to No Limit
Regional water fee:	\$ 4.84	1,000	N	\$ 4.84	1,001 to No Limit

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

Total charges per 10,000 gallons usage (including fees): Water \$ 79.40 Wastewater \$ 22.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,313	1,306	x1.0	1,306
1"	10	10	x2.5	25
1 1/2"	3	3	x5.0	15
2"	16	16	x8.0	128
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	1	1	x50.0	50
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,344	1,337		1,539
Total wastewater	1,327	1,320	x1.0	1,320

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

Gallons pumped into the system:	110,416
Gallons billed to customers:	100,751
Water accountability ratio (gallons billed/gallons pumped):	91.25%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 183
Schedule of General Fund Expenditures
Year Ended June 30, 2023

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	22,718	
Legal		112,807	
Engineering		204,829	
Financial advisor		-	340,354
		<hr/>	
Purchased Services for Resale			
Bulk water		359,138	
Wastewater service		404,260	763,398
		<hr/>	
Regional Water Fee			95,890
Contracted Services			
Bookkeeping		55,473	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		176,181	
Other contracted services		108,247	339,901
		<hr/>	
Utilities			3,689
Repairs and Maintenance			337,568
Administrative Expenditures			
Directors' fees		17,850	
Office supplies		-	
Insurance		17,771	
Other administrative expenditures		40,582	76,203
		<hr/>	
Capital Outlay			
Capitalized assets		127,114	
Expenditures not capitalized		-	127,114
		<hr/>	
Tap Connection Expenditures			-
Solid Waste Disposal			-
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
			<hr/>
Total expenditures		\$	<u>2,084,117</u>

Harris County Municipal Utility District No. 183
Schedule of Temporary Investments
June 30, 2023

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 6002400485	3.80%	01/28/24	\$ 240,765	\$ 3,835
No. 13075	5.00%	05/30/24	240,000	986
Texas CLASS	5.30%	Demand	<u>2,825,271</u>	<u>-</u>
			<u>3,306,036</u>	<u>4,821</u>
Debt Service Fund				
Texas CLASS	5.30%	Demand	<u>673,693</u>	<u>0</u>
Capital Projects Fund				
Texas CLASS	5.30%	Demand	65,122	-
Texas CLASS	5.30%	Demand	1,319,918	-
Texas CLASS	5.30%	Demand	<u>7,365,705</u>	<u>-</u>
			<u>8,750,745</u>	<u>0</u>
Totals			<u>\$ 12,730,474</u>	<u>\$ 4,821</u>

Harris County Municipal Utility District No. 183
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2023

	Maintenance Taxes	Debt Service Taxes
	<u> </u>	<u> </u>
Receivable, Beginning of Year	\$ 15,401	\$ 11,148
Additions and corrections to prior years' taxes	<u>(7,880)</u>	<u>(5,273)</u>
Adjusted receivable, beginning of year	<u>7,521</u>	<u>5,875</u>
 2022 Original Tax Levy	 684,838	 587,004
Additions and corrections	<u>92,155</u>	<u>78,990</u>
Adjusted tax levy	<u>776,993</u>	<u>665,994</u>
Total to be accounted for	784,514	671,869
Tax collections: Current year	(764,867)	(655,601)
Prior years	<u>(2,464)</u>	<u>(2,009)</u>
Receivable, end of year	<u>\$ 17,183</u>	<u>\$ 14,259</u>
 Receivable, by Years		
2022	\$ 12,126	\$ 10,393
2021	1,035	833
2020	1,175	625
2019	1,150	622
2018	344	197
2017	13	6
2016	14	6
2015	12	5
2014	58	65
2013	57	67
2012	289	335
2011	250	337
2010	342	397
2009	<u>318</u>	<u>371</u>
Receivable, end of year	<u>\$ 17,183</u>	<u>\$ 14,259</u>

Harris County Municipal Utility District No. 183
Analysis of Taxes Levied and Receivable (Continued)
Year Ended June 30, 2023

	2022	2021	2020	2019
Property Valuations				
Land	\$ 68,602,419	\$ 67,489,194	\$ 59,373,733	\$ 49,450,559
Improvements	284,578,003	209,730,759	197,375,496	189,874,505
Personal property	10,940,302	8,833,408	10,125,029	9,909,988
Exemptions	<u>(46,980,751)</u>	<u>(9,602,519)</u>	<u>(9,992,885)</u>	<u>(10,099,327)</u>
Total property valuations	<u>\$ 317,139,973</u>	<u>\$ 276,450,842</u>	<u>\$ 256,881,373</u>	<u>\$ 239,135,725</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.21000	\$ 0.21000	\$ 0.16500	\$ 0.16500
Maintenance tax rates*	<u>0.24500</u>	<u>0.26085</u>	<u>0.31000</u>	<u>0.30500</u>
Total tax rates per \$100 valuation	<u>\$ 0.45500</u>	<u>\$ 0.47085</u>	<u>\$ 0.47500</u>	<u>\$ 0.47000</u>
Tax Levy	<u>\$ 1,442,987</u>	<u>\$ 1,301,669</u>	<u>\$ 1,220,187</u>	<u>\$ 1,123,938</u>
Percent of Taxes Collected to Taxes Levied**	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on November 4, 2014

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

Harris County Municipal Utility District No. 183
Schedule of Long-term Debt Service Requirements by Years
June 30, 2023

Due During Fiscal Years Ending June 30	Series 2018		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ 275,000	\$ 59,169	\$ 334,169
2025	275,000	52,981	327,981
2026	275,000	46,450	321,450
2027	275,000	39,575	314,575
2028	275,000	32,013	307,013
2029	275,000	24,450	299,450
2030	270,000	16,200	286,200
2031	270,000	8,100	278,100
Totals	\$ 2,190,000	\$ 278,938	\$ 2,468,938

Harris County Municipal Utility District No. 183
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2023

Due During Fiscal Years Ending June 30	Series 2023		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ -	\$ 343,928	\$ 343,928
2025	-	342,975	342,975
2026	-	342,975	342,975
2027	-	342,975	342,975
2028	-	342,975	342,975
2029	-	342,975	342,975
2030	-	342,975	342,975
2031	-	342,975	342,975
2032	300,000	342,975	642,975
2033	315,000	332,475	647,475
2034	335,000	321,450	656,450
2035	355,000	308,888	663,888
2036	375,000	294,687	669,687
2037	400,000	279,688	679,688
2038	425,000	263,687	688,687
2039	450,000	246,688	696,688
2040	475,000	228,687	703,687
2041	505,000	209,688	714,688
2042	535,000	189,487	724,487
2043	570,000	168,088	738,088
2044	600,000	143,862	743,862
2045	635,000	118,363	753,363
2046	675,000	91,375	766,375
2047	715,000	62,687	777,687
2048	760,000	32,300	792,300
Totals	<u>\$ 8,425,000</u>	<u>\$ 6,379,828</u>	<u>\$ 14,804,828</u>

Harris County Municipal Utility District No. 183
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2023

Due During Fiscal Years Ending June 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 275,000	\$ 403,097	\$ 678,097
2025	275,000	395,956	670,956
2026	275,000	389,425	664,425
2027	275,000	382,550	657,550
2028	275,000	374,988	649,988
2029	275,000	367,425	642,425
2030	270,000	359,175	629,175
2031	270,000	351,075	621,075
2032	300,000	342,975	642,975
2033	315,000	332,475	647,475
2034	335,000	321,450	656,450
2035	355,000	308,888	663,888
2036	375,000	294,687	669,687
2037	400,000	279,688	679,688
2038	425,000	263,687	688,687
2039	450,000	246,688	696,688
2040	475,000	228,687	703,687
2041	505,000	209,688	714,688
2042	535,000	189,487	724,487
2043	570,000	168,088	738,088
2044	600,000	143,862	743,862
2045	635,000	118,363	753,363
2046	675,000	91,375	766,375
2047	715,000	62,687	777,687
2048	760,000	32,300	792,300
Totals	<u>\$ 10,615,000</u>	<u>\$ 6,658,766</u>	<u>\$ 17,273,766</u>

Harris County Municipal Utility District No. 183
Changes in Long-term Bonded Debt
Year Ended June 30, 2023

	Bond Issues		
	Series 2018	Series 2023	Totals
Interest rates	2.00% to 3.00%	3.50% to 4.25%	
Dates interest payable	October 1/ April 1	October 1/ April 1	
Maturity dates	April 1, 2024/2031	April 1, 2032/2048	
Bonds outstanding, beginning of current year	\$ 2,465,000	\$ -	\$ 2,465,000
Bonds sold during current year	-	8,425,000	8,425,000
Retirements, principal	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Bonds outstanding, end of current year	<u>\$ 2,190,000</u>	<u>\$ 8,425,000</u>	<u>\$ 10,615,000</u>
Interest paid during current year	<u>\$ 64,669</u>	<u>\$ 0</u>	<u>\$ 64,669</u>

Paying agent's name and address:

Series 2018 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2023 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	Tax Bonds	Other Bonds	Refunding Bonds
	Amount authorized by voters	<u>\$ 41,625,000</u>	<u>0</u>
Amount issued	<u>\$ 24,290,000</u>	<u>0</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 17,335,000</u>	<u>0</u>	<u>\$ 28,500,000</u>
Debt service fund cash and temporary investment balances as of June 30, 2023:			<u>\$ 704,522</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 690,951</u>

Harris County Municipal Utility District No. 183
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended June 30,

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 767,331	\$ 725,420	\$ 790,246	\$ 728,761	\$ 692,998
Sales tax rebates	129,999	87,183	76,546	68,195	74,506
Water service	334,945	305,213	288,119	237,363	221,728
Sewer service	296,926	284,493	226,082	219,694	223,648
Regional water fee	471,947	437,489	417,781	373,721	331,209
Penalty and interest	35,423	32,162	22,880	28,891	46,862
Tap connection and inspection fees	15,465	125,466	73,171	53,629	23,940
Investment income	93,465	9,675	19,610	52,255	46,025
Total revenues	<u>2,145,501</u>	<u>2,007,101</u>	<u>1,914,435</u>	<u>1,762,509</u>	<u>1,660,916</u>
Expenditures					
Service operations:					
Purchased services, sewer	404,260	180,502	219,772	203,025	146,978
Purchased services, water	359,138	358,838	405,603	325,854	315,620
Regional water fee	95,890	74,582	58,796	55,925	31,793
Professional fees	340,354	279,053	272,634	275,042	212,223
Contracted services	339,901	357,909	333,716	306,150	301,635
Utilities	3,689	41,397	34,461	31,767	29,434
Repairs and maintenance	337,568	296,037	207,469	199,745	191,803
Other expenditures	76,203	80,799	66,735	104,866	73,890
Tap connections	-	3,108	28,731	15,018	5,500
Capital outlay	127,114	-	16,650	64,107	-
Debt service, debt issuance costs	-	39,546	15,800	-	-
Total expenditures	<u>2,084,117</u>	<u>1,711,771</u>	<u>1,660,367</u>	<u>1,581,499</u>	<u>1,308,876</u>
Excess of Revenues Over Expenditures	61,384	295,330	254,068	181,010	352,040
Fund Balance, Beginning of Year	<u>3,026,167</u>	<u>2,730,837</u>	<u>2,476,769</u>	<u>2,295,759</u>	<u>1,943,719</u>
Fund Balance, End of Year	<u>\$ 3,087,551</u>	<u>\$ 3,026,167</u>	<u>\$ 2,730,837</u>	<u>\$ 2,476,769</u>	<u>\$ 2,295,759</u>
Total Active Retail Water Connections	<u>1,337</u>	<u>1,324</u>	<u>1,334</u>	<u>1,331</u>	<u>1,321</u>
Total Active Retail Wastewater Connections	<u>1,320</u>	<u>1,308</u>	<u>1,318</u>	<u>1,316</u>	<u>1,306</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
35.8 %	36.1 %	41.3 %	41.3 %	41.7 %
6.1	4.3	4.0	3.9	4.5
15.6	15.2	15.1	13.5	13.4
13.8	14.2	11.8	12.5	13.5
22.0	21.8	21.8	21.2	19.9
1.6	1.6	1.2	1.6	2.8
0.7	6.3	3.8	3.0	1.4
4.4	0.5	1.0	3.0	2.8
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
18.8	9.0	11.5	11.5	8.8
16.7	17.9	21.2	18.4	19.0
4.5	3.7	3.1	3.2	1.9
15.9	13.9	14.2	15.6	12.8
15.8	17.8	17.4	17.4	18.2
0.2	2.1	1.8	1.8	1.8
15.7	14.7	10.8	11.3	11.5
3.6	4.0	3.5	6.0	4.5
-	0.2	1.5	0.9	0.3
5.9	-	0.9	3.6	-
-	2.0	0.8	-	-
<u>97.1</u>	<u>85.3</u>	<u>86.7</u>	<u>89.7</u>	<u>78.8</u>
<u>2.9 %</u>	<u>14.7 %</u>	<u>13.3 %</u>	<u>10.3 %</u>	<u>21.2 %</u>

Harris County Municipal Utility District No. 183
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended June 30,

	Amounts				
	2023	2022	2021	2020	2019
Debt Service Fund					
Revenues					
Property taxes	\$ 657,610	\$ 580,606	\$ 420,664	\$ 394,456	\$ 396,972
Penalty and interest	15,386	18,112	9,753	11,471	12,296
Investment income	22,262	949	396	5,547	7,774
Total revenues	<u>695,258</u>	<u>599,667</u>	<u>430,813</u>	<u>411,474</u>	<u>417,042</u>
Expenditures					
Current:					
Professional fees	3,287	3,697	2,102	4,787	2,466
Contracted services	25,871	24,855	24,185	23,157	20,051
Other expenditures	11,740	13,669	8,556	6,705	5,347
Debt service:					
Principal retirement	275,000	275,000	370,000	355,000	335,000
Interest and fees	64,669	70,999	83,694	94,350	98,704
Total expenditures	<u>380,567</u>	<u>388,220</u>	<u>488,537</u>	<u>483,999</u>	<u>461,568</u>
Excess (Deficiency) of Revenues Over Expenditures	314,691	211,447	(57,724)	(72,525)	(44,526)
Fund Balance, Beginning of Year	<u>388,141</u>	<u>176,694</u>	<u>234,418</u>	<u>306,943</u>	<u>351,469</u>
Fund Balance, End of Year	<u>\$ 702,832</u>	<u>\$ 388,141</u>	<u>\$ 176,694</u>	<u>\$ 234,418</u>	<u>\$ 306,943</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
94.6 %	96.8 %	97.6 %	95.9 %	95.2 %
2.2	3.0	2.3	2.8	2.9
3.2	0.2	0.1	1.3	1.9
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.5	0.6	0.5	1.2	0.6
3.7	4.1	5.6	5.6	4.8
1.7	2.3	2.0	1.6	1.3
39.5	45.9	85.9	86.3	80.3
9.3	11.8	19.4	22.9	23.7
<u>54.7</u>	<u>64.7</u>	<u>113.4</u>	<u>117.6</u>	<u>110.7</u>
<u>45.3 %</u>	<u>35.3 %</u>	<u>(13.4) %</u>	<u>(17.6) %</u>	<u>(10.7) %</u>

Harris County Municipal Utility District No. 183
Board Members, Key Personnel and Consultants
Year Ended June 30, 2023

Complete District mailing address:	Harris County Municipal Utility District No. 183 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>February 22, 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
Rudy Alvarado	Elected 05/22- 05/26	\$ 5,400	\$ 1,326	President
Anthony J. Langley	Elected 05/22- 05/26	4,200	1,297	Vice President
Chad Vowell	Elected 05/22- 05/26	2,100	0	Secretary
Dan Mushen	Appointed 02/22- 05/24	3,150	2,070	Assistant Secretary
Robert Pollard	Elected 05/20- 05/24	3,000	1,996	Assistant Secretary

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

Harris County Municipal Utility District No. 183
Board Members, Key Personnel and Consultants (Continued)
Year Ended June 30, 2023

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	03/17/80	\$ 29,894	Tax Assessor/ Collector
FORVIS, LLP	06/20/85	22,718	Auditor
Harris Central Appraisal District	Legislative Action	10,217	Appraiser
Masterson Advisors LLC	05/22/18	175,505	Financial Advisor
McLennan & Associates	08/29/22	48,561	Bookkeeper
Municipal Accounts & Consulting, L.P.	02/22/05	16,114	Former Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/25/96	3,287	Delinquent Tax Attorney
Quiddity Engineering, LLC	08/30/79	307,049	Engineer
Schwartz, Page & Harding, L.L.P.	09/16/82	116,671 221,423	General Counsel Bond Counsel
Si Environmental LLC	05/26/15	424,640	Operator
<hr/> Investment Officer <hr/>			
Jorge Diaz	08/29/22	N/A	Bookkeeper

FORVIS Internal Control Communication

Harris County Municipal Utility District No. 183

Communication Regarding Internal Control Related Matters Identified in an Audit

Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Harris County Municipal Utility District No. 183 as of and for the year ended June 30, 2023, 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).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements.

However, this consideration was **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 paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Categorizing Deficiencies by Severity

Deficiency

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 on a timely basis.



Significant Deficiency

A significant deficiency is a deficiency, or 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 Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented or detected and corrected on a timely basis.



The Board's Management Role and Responsibility for Controls

The District's management consists of an elected Board of Directors (Board). Day-to-day operations are performed by private entities (Consultants) under contract with the District. The Board supervises the performance of the Consultants; however, although Consultants can be part of the District's system of internal control, the Consultants are not members of management. Per auditing standards, management is responsible for design and implementation of the District's system of internal controls.

Identified Deficiencies

We identified certain deficiencies in internal control that we consider to be material weaknesses.



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Material Weaknesses

- Per auditing standards, one of the primary controls within the system of internal controls is related to the preparation of the financial statements. Management of the District is responsible for either preparing the financial statements or having the knowledge to determine whether the financial statements have been properly prepared and are free from potential misstatement. The absence of this expertise within management, or a Consultant of the District hired to perform this service, is considered by auditing standards to be a material weakness in internal control over financial reporting.
- During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to correct and present the financial statements on the government-wide basis of accounting. Additionally, we noted adjustments to various accounts, such as cash, service accounts and accrued interest receivables, interfund receivables, payables and transfers, prepaid expenditures, operating reserve, accounts payable, property tax revenues, investment and other income, and purchased sewer service and other expenditures, which were necessary in order for the fund financial statements to be in conformity with generally accepted accounting principles. The inability of management, or a Consultant of the District hired to perform this service, to detect these necessary adjustments is considered by auditing standards to be a material weakness in internal control over financial reporting.
- Finally, management, or a Consultant of the District, does not prepare the capital asset and depreciation register or post adjustments related to the presentation of the capital assets in the government-wide financial statements. As management is not preparing or reviewing and does not have the expertise to prevent, detect, and correct related significant potential misstatements, this is considered by auditing standards to be a material weakness in internal control over financial reporting.
- The material weaknesses noted above, if not corrected, could result in a material misstatement or omission of a required disclosure in the financial statements.


Management's Response

- The District responds that the auditor's Management Letter, and the material weaknesses identified therein, are prepared in response to Statement on Auditing Standards No. 115 (SAS 115) and are not prompted by any other circumstances identified during the course of the audit and disclosed to the District's Board.

As you know, the Board has, since the inception of the District, engaged the auditor to perform the District's audit and to prepare the financial statements and capital asset and depreciation schedules upon which the audit is based. It is our understanding that this is the usual and customary practice for smaller special districts in Texas, as it is more cost effective to engage Consultants to perform such services than to employ persons (who would constitute district management) to perform same. It is also the Board's understanding that, under the requirements of SAS 115, the engagement of the auditor to perform these services resulted in the Management Letter because (1) the Board members are not able to prevent, detect, and correct a misstatement in the preparation of the District's financial statements or its capital asset and depreciation schedules or to make adjustments to same, and (2) the Board has not implemented controls to prevent, detect, and correct a misstatement in the preparation of the District's financial statements or capital asset and depreciation schedules, such as the hiring of an employee or the engagement of another Consultant to prepare the District's financial statements or capital asset and depreciation schedules.

With respect to items (1) and (2) identified above, the Board responds that its members are appointed or elected in accordance with the requirements set forth in the Texas Water Code, and that such members do not necessarily have the ability to prevent, detect, and correct a misstatement in the preparation of the District's financial statements or its capital asset and depreciation schedules or to make adjustments to same.

Further, the Board responds that it is a small government unit and that it engages the auditor based upon the auditor's professional qualifications, and in light of such qualifications, does not feel that the addition at this time of an employee or the engagement of a Consultant to prepare the District's financial statements and capital asset and depreciation schedules (as a form of control) would be cost effective. Additionally, the Board adds that the District does not have any employees, but rather engages Consultants who possess industry knowledge and expertise to provide financial services, including its bookkeeper, auditor, and financial advisor, as well as Consultants that



provide legal, engineering, and operation and maintenance services. In particular, the District's bookkeeper presents periodic financial information (unaudited) to the Board for review, which information generally reflects income, disbursements, adjustments, and the status of investments relative to the District's various accounts.

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.

Distribution Restriction

This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:

- The Board of Directors
- Texas Commission on Environmental Quality

FORVIS Report to the Board of Directors

Harris County Municipal Utility District No. 183

Results of the 2023 Financial Statement Audit, Including Required Communications

Required Communications Regarding Our Audit Strategy and Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

Overview and Responsibilities

Matter	Discussion
Scope of Our Audit	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none">• As of and for the year ended June 30, 2023• Conducted in accordance with our contract dated June 27, 2023
Our Responsibilities	<p>FORVIS is responsible for forming and expressing opinions about whether the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
Audit Scope and Inherent Limitations to Reasonable Assurance	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.</p>
Extent of Our Communication	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
Independence	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>
Your Responsibilities	<p>Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.</p>
Distribution Restriction	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none">• The Board of Directors



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Qualitative Aspects of Significant Accounting Policies and Practices

The following matters are detailed in the following pages and included in our assessment:

Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements. We call your attention to the following topics:

- The fund financial statements are reported using the current financial resources focus and the modified accrual basis of accounting
- The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting

Unusual Policies or Methods

- No matters are reportable

Alternative Accounting Treatments

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Accrued penalty and interest

Financial Statement Disclosures

The following area involves particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Contingent liability for developer construction

Our Judgment About the Quality of the District's Accounting Principles

- No matters are reportable

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed and Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Cash and service accounts receivable
- Accrued interest receivable and investment income
- Interfund receivables, payables and transfers
- Prepaid expenditures



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- Operating reserve
- Accounts payable
- Property tax revenues
- Other income and expenditures
- Purchased sewer service expenditures
- Contracted services and utilities expenditures
- Accrued revenues
- Capital assets and depreciation expense
- Accrued liabilities
- Long-term liabilities

Uncorrected Misstatements

- No uncorrected misstatements

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter
- Communication Regarding Internal Control Related Matters Identified in an Audit