



Harris County Municipal Utility District No. 165 Harris County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2023



Harris County Municipal Utility District No. 165
September 30, 2023

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 165
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. 165 (the District), as of and for the year ended September 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 September 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the beginning net position in the government-wide financial statements has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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
March 5, 2024

Harris County Municipal Utility District No. 165

Management's Discussion and Analysis

September 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. 165
Management's Discussion and Analysis (Continued)
September 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 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.

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Management's Discussion and Analysis (Continued)
September 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	Restated 2022
Current and other assets	\$ 59,383,733	\$ 58,737,714
Capital assets	<u>202,305,411</u>	<u>165,034,887</u>
Total assets	<u>261,689,144</u>	<u>223,772,601</u>
Deferred outflows of resources	<u>2,893,095</u>	<u>3,140,832</u>
Total assets and deferred outflows of resources	<u>\$ 264,582,239</u>	<u>\$ 226,913,433</u>
Long-term liabilities	\$ 332,142,614	\$ 234,431,313
Other liabilities	<u>7,263,083</u>	<u>7,998,228</u>
Total liabilities	<u>339,405,697</u>	<u>242,429,541</u>
Net position:		
Net investment in capital assets	(14,703,187)	(13,133,029)
Restricted	19,372,348	17,079,955
Unrestricted	<u>(79,492,619)</u>	<u>(19,463,034)</u>
Total net position	<u>\$ (74,823,458)</u>	<u>\$ (15,516,108)</u>

The total net position of the District decreased by \$59,307,350. The majority of the decrease in net position is related to conveyance of capital assets to another governmental entity for maintenance. 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.

At September 30, 2023, the net investment in capital assets was \$(14,703,187). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer and road and paving facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Harris County Municipal Utility District No. 165
Management's Discussion and Analysis (Continued)
September 30, 2023

Summary of Changes in Net Position

	2023	Restated 2022
Revenues:		
Property taxes	\$ 23,721,031	\$ 19,195,186
City of Houston rebates	156,438	146,118
Charges for services	13,104,893	10,990,393
Other revenues	6,519,173	2,534,363
Total revenues	43,501,535	32,866,060
Expenses:		
Services	19,375,057	14,805,557
Conveyance of capital assets	68,198,988	20,119,691
Depreciation	3,849,612	2,927,007
Debt service	11,385,228	8,995,307
Total expenses	102,808,885	46,847,562
Change in net position	(59,307,350)	(13,981,502)
Net position, beginning of year	(15,516,108)	(1,534,606)
Net position, end of year	\$ (74,823,458)	\$ (15,516,108)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2023, were \$52,488,475, an increase of \$1,589,292 from the prior year.

The general fund's fund balance increased by \$5,191,337, primarily due to property taxes and service revenues in excess of service operation and capital outlay expenditures as well as tap connection and inspection fees revenues exceeding related tap connection expenditures.

The debt service fund's fund balance increased by \$3,088,647, primarily due to property tax revenues, investment income and proceeds received from the sale of bonds to fund capitalized interest being greater than bond principal and interest requirements.

The capital projects fund's fund balance decreased by \$6,690,692. This net decrease was primarily related to capital outlay expenditures, repayment of the Series 2022 bond anticipation note with interest and debt issuance costs exceeding proceeds received from the sales of bonds and a bond anticipation note and investment income.

Harris County Municipal Utility District No. 165
Management's Discussion and Analysis (Continued)
September 30, 2023

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 sewer service and regional water fee revenues, tap connection and inspection fee revenues and related expenditures, investment income and purchased water services, contracted services and repairs and maintenance expenditures being higher than anticipated. In addition, water service revenues and regional water fee and capital outlay expenditures were lower than anticipated and a transfer received from the capital projects fund was not included in the current year budget. The fund balance as of September 30, 2023, was expected to be \$20,834,198 and the actual end-of-year fund balance was \$28,381,035.

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	Restated 2022
Land and improvements	\$ 71,021,979	\$ 53,638,890
Construction in progress	33,701,301	42,713,714
Water facilities	42,068,964	27,907,191
Wastewater facilities	53,674,487	39,261,445
Parks and recreation facilities	1,838,680	1,513,647
Total capital assets	\$ 202,305,411	\$ 165,034,887

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

Land and land improvements, including Avalon at Cypress West drainage channel, Longenbaugh Road detention pond and reserves, West Road at Grand Parkway ultimate drainage channel, sites to serve Marvida Sections 13, 14 and 18 reserves, Marvida drainage North and South, Phase 2, and Longenbaugh detention, Marvida drainage facilities and excavation, Yaupon clearing and grubbing and Yaupon Ranch detention pond	\$ 12,036,935
Construction in progress related to wastewater treatment plant No. 2, Phase 1, wastewater treatment plant No. 1 expansion, water plant No. 6, generators at lift stations Nos. 7, 11, 12 and 16, West Road interconnect force main, wastewater treatment plant No. 2, Phase 2, West Road segment 1 water and sewer facilities, Lancaster waterline replacement project, Marvida South Cypress Fairbanks Station, Windhaven drainage modifications, Langham Creek wetlands planting, Amhurst waterline replacement project, water plant No. 2 additional ground storage tank and modifications and wastewater treatment plant No. 1 fence replacement	9,686,725

Harris County Municipal Utility District No. 165
Management's Discussion and Analysis (Continued)
September 30, 2023

Water and sewer facilities to serve Bridge Creek, Sections 5-9, Avalon at Cypress, Sections 1-7, Avalon at Cypress River Road, Section 1, Marvida, Sections 1-15, 17-28, Avalon Landing Lane street dedication, Section 1, West Road street dedication, Section 2 and Morrison Grove Drive and Caspian Run street dedication, Section 1, Westgreen Boulevard, Sections 6 and 7, Marvida Terrace Drive street dedication, Section 1, Bridge Creek Terrace Drive street dedication, Section 2 and 3 and Bridge Creek Westgreen	\$	19,804,348
Longenbaugh Road street dedication		443,188
Water plant no. 5		16,803
Marvida South 8-inch water line interconnect		159,603
Pumping assembly at water well No. 2		239,472
Marvida lift station No. 1		940,945
Force main facilities to serve Marvida Terrace Drive		506,353
Amhurst Section 2 sanitary sewer rehab		654,279
Lift station SCADA system		154,972
Generators at lift stations Nos. 6, 8 and 9		1,512
Avalon at Cypress Channel Crossing		278,862
Lift Station No. 16		1,015,168
Marvida West Road and Marvida Section 12 landscape improvements		542,742
		542,742
Total additions to capital assets	\$	46,481,907

Developers within the District have constructed water, sewer, drainage, roads and park facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities with the proceeds of future bond issues, subject to the approval of the Commission, if required. At September 30, 2023, a liability for developer-constructed capital assets totaling \$61,709,976 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2023, were as follows:

Long-term debt payable, beginning of year	\$	234,431,313
Increases in long-term debt		142,066,902
Decreases in long-term debt		(44,355,601)
		(44,355,601)
Long-term debt payable, end of year	\$	332,142,614

At September 30, 2023, the District had \$352,164,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems and \$16,000,000 for financing and constructing recreational facilities. In addition, the District had \$281,255,000 for water, sewer and drainage facilities, \$43,995,000 for recreational facilities and \$135,060,000 for road facilities in unlimited tax bonds authorized, but unissued, for Defined Area No. 1. The District also had \$277,673,000 for water, sewer and drainage facilities, \$36,431,000 for recreational facilities and \$139,636,000 for road facilities in unlimited tax bonds authorized, but unissued, for Defined Area No. 2.

Harris County Municipal Utility District No. 165

Management's Discussion and Analysis (Continued)

September 30, 2023

The District's bonds carry an underlying rating of "A2" from Moody's Investors Service (Moody's). The Series 2015, 2019, 2020 and 2020 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance by Assured Guaranty Municipal Corp. The Series 2015 refunding, 2018, 2021 refunding, 2022, 2023, Defined Area No. 1 Series 2022 road and 2022A road and Defined Area No. 2 Series 2022A and 2023 road bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance by Build America Mutual Assurance Company. The Series 2017 bonds carry a "Baa2" rating from Moody's by virtue of bond insurance issued by National Public Finance Guarantee Corporation.

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 as follows.

Strategic Partnership Agreement

Effective December 12, 2008, 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

Developers of the District are constructing water, sewer and drainage and road facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, with the proceeds of future bond sales. These amounts are to be reimbursed from bond proceeds to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$41,240,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Events

On November 29, 2023, the District issued a \$22,349,000 Bond Anticipation Note, Series 2023, at an interest rate of 5.33%. Proceeds of the note were used to reimburse developers for construction projects within the District.

On December 7, 2023, the District issued \$12,850,000 in Defined Area No. 1 unlimited tax road bonds, Series 2023, at a net effective interest rate of approximately 5.15%. The bonds were sold to finance road construction projects within Defined Area No. 1 of the District and to reimburse the District's developers.

Harris County Municipal Utility District No. 165
Management's Discussion and Analysis (Continued)
September 30, 2023

On December 7, 2023, the District issued \$12,665,000 in Defined Area No. 2 unlimited tax road bonds, Series 2023A, at a net effective interest rate of approximately 5.16%. The bonds were sold to finance road construction projects within Defined Area No. 2 of the District and to reimburse the District's developers.

On December 14, 2023, the District issued a \$6,020,000 Park Bond Anticipation Note, Series 2023, at an interest rate of 5.63%. Proceeds of the note were used to reimburse developers for recreational facilities construction projects within the District.

Harris County Municipal Utility District No. 165
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 3,192,093	\$ 268,001	\$ 106,598	\$ 3,566,692	\$ -	\$ 3,566,692
Certificates of deposit	700,000	-	-	700,000	-	700,000
Short-term investments	24,642,767	15,866,445	10,768,252	51,277,464	-	51,277,464
Receivables:						
Property taxes	82,370	275,483	-	357,853	-	357,853
Service accounts	2,861,530	-	-	2,861,530	-	2,861,530
Accrued interest	15,212	-	-	15,212	-	15,212
Sales tax rebates	40,856	-	-	40,856	-	40,856
Accrued penalty and interest	-	-	-	-	175,318	175,318
Due from others	21,455	-	-	21,455	-	21,455
Interfund receivables	9,078	-	6,366	15,444	(15,444)	-
Prepaid expenditures	191,429	-	-	191,429	-	191,429
Operating deposit	175,924	-	-	175,924	-	175,924
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	71,021,979	71,021,979
Construction in progress	-	-	-	-	33,701,301	33,701,301
Infrastructure	-	-	-	-	95,743,451	95,743,451
Parks and recreation	-	-	-	-	1,838,680	1,838,680
Total assets	31,932,714	16,409,929	10,881,216	59,223,859	202,465,285	261,689,144
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	2,893,095	2,893,095
Total assets and deferred outflows of resources	\$ 31,932,714	\$ 16,409,929	\$ 10,881,216	\$ 59,223,859	\$ 205,358,380	\$ 264,582,239

Harris County Municipal Utility District No. 165
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
September 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 1,872,046	\$ 114,299	\$ 1,203,606	\$ 3,189,951	\$ -	\$ 3,189,951
Retainage payable	26,382	-	1,206,394	1,232,776	-	1,232,776
Accrued interest payable	-	-	-	-	900,996	900,996
Customer deposits	1,537,362	-	-	1,537,362	-	1,537,362
Due to others	27,153	-	374,845	401,998	-	401,998
Interfund payables	6,366	9,078	-	15,444	(15,444)	-
Long-term liabilities:						
Due within one year	-	-	-	-	9,135,000	9,135,000
Due after one year	-	-	-	-	323,007,614	323,007,614
Total liabilities	<u>3,469,309</u>	<u>123,377</u>	<u>2,784,845</u>	<u>6,377,531</u>	<u>333,028,166</u>	<u>339,405,697</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>82,370</u>	<u>275,483</u>	<u>0</u>	<u>357,853</u>	<u>(357,853)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	191,429	-	-	191,429	(191,429)	-
Restricted:						
Unlimited tax bonds	-	16,011,069	-	16,011,069	(16,011,069)	-
Water, sewer and drainage	-	-	8,096,371	8,096,371	(8,096,371)	-
Assigned:						
Future expenditures	10,744,952	-	-	10,744,952	(10,744,952)	-
Operating deposit	175,924	-	-	175,924	(175,924)	-
Unreserved	<u>17,268,730</u>	<u>-</u>	<u>-</u>	<u>17,268,730</u>	<u>(17,268,730)</u>	<u>-</u>
Total fund balances	<u>28,381,035</u>	<u>16,011,069</u>	<u>8,096,371</u>	<u>52,488,475</u>	<u>(52,488,475)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,932,714</u>	<u>\$ 16,409,929</u>	<u>\$ 10,881,216</u>	<u>\$ 59,223,859</u>		
Net position:						
Net investment in capital assets					(14,703,187)	(14,703,187)
Restricted for debt service					15,352,830	15,352,830
Restricted for capital projects					4,019,518	4,019,518
Unrestricted					<u>(79,492,619)</u>	<u>(79,492,619)</u>
Total net position					<u>\$ (74,823,458)</u>	<u>\$ (74,823,458)</u>

Harris County Municipal Utility District No. 165
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended September 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 6,148,037	\$ 17,519,241	\$ -	\$ 23,667,278	\$ 53,753	\$ 23,721,031
Sales tax rebates	156,438	-	-	156,438	-	156,438
Water service	4,071,788	-	-	4,071,788	-	4,071,788
Sewer service	3,895,113	-	-	3,895,113	-	3,895,113
Regional water fee	5,137,992	-	-	5,137,992	-	5,137,992
Penalty and interest	407,344	209,500	-	616,844	26,396	643,240
Tap connection and inspection fees	3,029,342	-	-	3,029,342	-	3,029,342
Investment income	1,101,065	785,588	748,859	2,635,512	-	2,635,512
Other income	168,588	-	42,491	211,079	-	211,079
Total revenues	24,115,707	18,514,329	791,350	43,421,386	80,149	43,501,535
Expenditures/Expenses						
Service operations:						
Purchased services - sewer	630,031	-	-	630,031	-	630,031
Purchased services - water	2,258,555	-	-	2,258,555	-	2,258,555
Regional water fee	3,018,721	-	-	3,018,721	-	3,018,721
Professional fees	1,081,354	44,596	-	1,125,950	749,099	1,875,049
Contracted services	4,898,338	326,758	-	5,225,096	6,500	5,231,596
Utilities	563,023	-	-	563,023	-	563,023
Recreational facilities	261,450	-	-	261,450	-	261,450
Repairs and maintenance	3,340,058	-	-	3,340,058	89,791	3,429,849
Other expenditures	566,085	24,409	395	590,889	224,336	815,225
Tap connections	1,291,558	-	-	1,291,558	-	1,291,558
Capital outlay	1,310,450	-	63,053,961	64,364,411	(64,364,411)	-
Conveyance of capital assets	-	-	-	-	68,198,988	68,198,988
Depreciation	-	-	-	-	3,849,612	3,849,612
Debt service:						
Principal retirement	-	8,300,000	27,508,000	35,808,000	(35,808,000)	-
Interest and fees	-	7,270,301	911,608	8,181,909	511,618	8,693,527
Debt issuance costs	47,500	-	2,644,201	2,691,701	-	2,691,701
Total expenditures/expenses	19,267,123	15,966,064	94,118,165	129,351,352	(26,542,467)	102,808,885
Excess (Deficiency) of Revenues Over Expenditures	4,848,584	2,548,265	(93,326,815)	(85,929,966)	26,622,616	

Harris County Municipal Utility District No. 165
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended September 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	\$ 342,753	\$ -	\$ (342,753)	\$ -	\$ -	
General obligation bonds issued	-	540,382	61,259,618	61,800,000	(61,800,000)	
Discount on debt issued	-	-	(1,540,451)	(1,540,451)	1,540,451	
Bond anticipation note issued	-	-	27,508,000	27,508,000	(27,508,000)	
Repayment of developer advances	-	-	(248,291)	(248,291)	248,291	
	<u>342,753</u>	<u>540,382</u>	<u>86,636,123</u>	<u>87,519,258</u>	<u>(87,519,258)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	5,191,337	3,088,647	(6,690,692)	1,589,292	(1,589,292)	
Change in Net Position					(59,307,350)	\$ (59,307,350)
Fund Balances/Net Position						
Beginning of year, as previously reported	<u>23,189,698</u>	<u>12,922,422</u>	<u>14,787,063</u>	<u>50,899,183</u>	-	(4,785,551)
Adjustment applicable to prior years (Note 12)						<u>(10,730,557)</u>
Beginning of year, as restated						<u>(15,516,108)</u>
End of year	<u>\$ 28,381,035</u>	<u>\$ 16,011,069</u>	<u>\$ 8,096,371</u>	<u>\$ 52,488,475</u>	<u>\$ 0</u>	<u>\$ (74,823,458)</u>

Harris County Municipal Utility District No. 165

Notes to Financial Statements

September 30, 2023

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

Harris County Municipal Utility District No. 165 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective July 6, 1978, in accordance with the Texas Water Code, Chapter 54 and Article XVI, Section 59, of the Texas Constitution. 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 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. 165

Notes to Financial Statements

September 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. 165
Notes to Financial Statements
September 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. 165
Notes to Financial Statements
September 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. 165
Notes to Financial Statements
September 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 September 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 September 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
Parks and recreation facilities	10-20

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

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.

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

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.

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.

The components of unrestricted net position at September 30, 2023, are as follows:

General fund, unrestricted fund balance, including deferred taxes	\$ 28,489,787
Long-term debt in excess of conveyed capital assets	(107,982,406)
Total	<u><u>\$ (79,492,619)</u></u>

The District has financed drainage and road facilities, which have been conveyed to Harris County, which has caused long-term debt to be in excess of capital assets.

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.	\$ 202,305,411
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	357,853
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	175,318

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	\$ 2,893,095
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(900,996)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(332,142,614)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (127,311,933)</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:

Change in fund balances.	\$ 1,589,292
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 depreciation expense, conveyance of capital assets and noncapitalized costs exceeded capital outlay expenditures in the current period.	(8,753,915)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developers.	248,291
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.	1,540,451
Governmental funds report proceeds from the sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(53,500,000)
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.	80,149
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>(511,618)</u>
Change in net position of governmental activities.	<u><u>\$ (59,307,350)</u></u>

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

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 September 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 TexPool and TexSTAR, external investment pools that are not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool, while a Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

At September 30, 2023, the District had the following investments and maturities.

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 15,543,742	\$ 15,543,742	\$ -	\$ -	\$ -
TexSTAR	<u>35,733,722</u>	<u>35,733,722</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,277,464</u>	<u>\$ 51,277,464</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 pools are presented as investments with a maturity of less than one year because they are 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 September 30, 2023, the District's investments in TexPool and TexSTAR were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

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

Carrying value:	
Deposits	\$ 4,266,692
Investments	<u>51,277,464</u>
Total	<u>\$ 55,544,156</u>

Included in the following statement of net position captions:

Carrying value:	
Cash	\$ 3,566,692
Certificates of deposit	700,000
Short-term investments	<u>51,277,464</u>
Total	<u>\$ 55,544,156</u>

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

Investment Income

Investment income of \$2,635,512 for the year ended September 30, 2023, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2023, is presented as follows:

Governmental Activities	Balances, Beginning of Year, Restated	Additions	Retirements/ Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 53,638,890	\$ 12,036,935	\$ 5,346,154	\$ 71,021,979
Construction in progress	42,713,714	9,686,725	(18,699,138)	33,701,301
Total capital assets, non-depreciable	<u>96,352,604</u>	<u>21,723,660</u>	<u>(13,352,984)</u>	<u>104,723,280</u>
Capital assets, depreciable:				
Water production and distribution facilities	39,499,063	8,292,814	7,519,425	55,311,302
Wastewater collection and treatment facilities	54,161,955	15,922,691	471,788	70,556,434
Parks and recreation	2,858,566	542,742	-	3,401,308
Total capital assets, depreciable	<u>96,519,584</u>	<u>24,758,247</u>	<u>7,991,213</u>	<u>129,269,044</u>
Less accumulated depreciation:				
Water production and distribution facilities	(11,591,872)	(1,650,466)	-	(13,242,338)
Wastewater collection and treatment facilities	(14,900,510)	(1,981,437)	-	(16,881,947)
Parks and recreation	(1,344,919)	(217,709)	-	(1,562,628)
Total accumulated depreciation	<u>(27,837,301)</u>	<u>(3,849,612)</u>	<u>0</u>	<u>(31,686,913)</u>
Total governmental activities, net	<u>\$ 165,034,887</u>	<u>\$ 42,632,295</u>	<u>\$ (5,361,771)</u>	<u>\$ 202,305,411</u>

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 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	\$ 219,650,000	\$ 61,800,000	\$ 8,300,000	\$ 273,150,000	\$ 9,135,000
Less discounts on bonds	3,201,620	1,540,451	135,554	4,606,517	-
Add premiums on bonds	2,049,105	-	159,950	1,889,155	-
	218,497,485	60,259,549	8,324,396	270,432,638	9,135,000
Bond anticipation note	-	27,508,000	27,508,000	-	-
Due to developers:					
Construction	10,287,202	54,299,353	5,642,997	58,943,558	-
Advances	5,646,626	-	2,880,208	2,766,418	-
Total governmental activities long-term liabilities	<u>\$ 234,431,313</u>	<u>\$ 142,066,902</u>	<u>\$ 44,355,601</u>	<u>\$ 332,142,614</u>	<u>\$ 9,135,000</u>

General Obligation

	Refunding Series 2015	Series 2015
Amounts outstanding, September 30, 2023	\$34,645,000	\$19,990,000
Interest rates	2.00% to 5.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2024/2034	March 1, 2024/2039
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2025	March 1, 2024

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

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

	Series 2017	Series 2018
Amounts outstanding, September 30, 2023	\$26,175,000	\$3,045,000
Interest rates	2.25% to 4.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2024/2042	March 1, 2024/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2025	March 1, 2023
	Series 2019	Series 2020
Amounts outstanding, September 30, 2023	\$11,235,000	\$41,715,000
Interest rates	2.00% to 4.00%	1.00% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2024/2044	March 1, 2024/2045
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2024	March 1, 2025
	Refunding Series 2020	Refunding Series 2021
Amounts outstanding, September 30, 2023	\$2,460,000	\$10,155,000
Interest rates	2.00% to 3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2024/2030	March 1, 2024/2038
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2025	March 1, 2027

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

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

	Defined Area No. 1 Road Series 2022	Defined Area No. 2 Road Series 2022
Amounts outstanding, September 30, 2023	\$8,130,000	\$4,910,000
Interest rates	2.50% to 5.00%	2.00% to 3.35%
Maturity dates, serially beginning/ending	March 1, 2024/2048	March 1, 2024/2048
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2027	March 1, 2027
	Series 2022	Defined Area No. 1 Road Series 2022A
Amounts outstanding, September 30, 2023	\$48,890,000	\$6,250,000
Interest rates	3.00% to 4.00%	5.00% to 7.50%
Maturity dates, serially beginning/ending	March 1, 2024/2046	March 1, 2024/2049
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2028	March 1, 2028
	Defined Area No. 2 Road Series 2022A	Defined Area No. 2 Road Series 2023
Amounts outstanding, September 30, 2023	\$4,200,000	\$7,090,000
Interest rates	5.00% to 7.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	March 1, 2024/2049	March 1, 2025/2050
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2028	June 1, 2029

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

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

	Series 2023
Amount outstanding, September 30, 2023	\$44,260,000
Interest rates	4.00% to 4.25%
Maturity dates, serially beginning/ending	March 1, 2025/2047
Interest payment dates	March 1/September 1
Callable date*	August 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 general obligation bonds outstanding at September 30, 2023:

Year	Principal	Interest	Total
2024	\$ 9,135,000	\$ 9,174,819	\$ 18,309,819
2025	10,460,000	8,833,279	19,293,279
2026	10,815,000	8,467,921	19,282,921
2027	11,150,000	8,143,108	19,293,108
2028	11,475,000	7,808,757	19,283,757
2029-2033	63,485,000	32,958,913	96,443,913
2034-2038	58,700,000	22,286,421	80,986,421
2039-2043	56,435,000	13,036,182	69,471,182
2044-2048	39,865,000	3,135,487	43,000,487
2049-2050	1,630,000	76,738	1,706,738
Total	\$ 273,150,000	\$ 113,921,625	\$ 387,071,625

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.

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

Bonds voted:

Water, sewer and drainage facilities	\$ 665,684,000
Recreational facilities	16,000,000
Bonds sold – water, sewer and drainage facilities	313,520,000
Refunding bonds voted	8,000,000
Refunding bond authorization used	3,222,266

In addition to the above-described bonds, the following bonds were voted to serve Defined Area Nos. 1 and 2 (the Defined Area) and are payable from the proceeds of an ad valorem tax levied upon all property within each Defined Area subject to taxation, without limitation as to rate or amount:

Defined Area No. 1 Bonds voted:

Water/sewer/drainage facilities and related refunding	\$ 281,255,000
Park/recreational facilities and related refunding	43,995,000
Road facilities and related refunding	149,440,000
Bonds sold – road facilities	14,380,000

Defined Area No. 2 Bonds voted:

Water/sewer/drainage facilities	\$ 277,673,000
Park/recreational facilities	36,431,000
Road facilities	155,836,000
Refunding bonds voted	87,954,406
Bonds sold – road facilities	16,200,000

Due to Developers

Developers of the District have constructed underground utilities, road and park facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission, if required, from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects and advances received for construction are \$61,709,976. These amounts have been recorded in the financial statements as long-term liabilities.

Bond Anticipation Note

On December 8, 2022, the District issued its Series 2022 Bond Anticipation Note (the note) in the amount of \$27,508,000. The note bears interest at the rate of 4.80% and is a special limited obligation of the District payable solely from proceeds from the sale of bonds. The District redeemed the note in August 2023 with proceeds from the sale of its Series 2023 bonds.

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

Note 5: Significant Bond Resolution and Commission Requirements

- A. The Bond Resolutions 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 September 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.6800 per \$100 of assessed valuation, which resulted in a tax levy of \$16,253,340 on the taxable valuation of \$2,390,196,948 for the 2022 tax year. The interest and principal requirements paid from the tax revenues were \$14,713,509.
- B. During the year ended September 30, 2023, the District levied a Defined Area No. 1 ad valorem debt service tax at the rate of \$0.5700 per \$100 of assessed valuation, which resulted in a tax levy of \$624,523 on the taxable valuation of \$109,565,377 for the 2022 tax year. The interest requirements paid from the tax revenues were \$525,782.

During the year ended September 30, 2023, the District levied a Defined Area No. 2 ad valorem debt service tax at the rate of \$0.5700 per \$100 of assessed valuation, which resulted in a tax levy of \$401,889 on the taxable valuation of \$70,506,857 for the 2022 tax year. The interest requirements paid from the tax revenues were \$326,210.

- C. During the current year, the District transferred \$342,753 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.
- D. In accordance with Defined Area Nos. 1 and 2 Series 2022 Road and Series 2022A Road and Defined Area No. 2 Series 2023 Road Bonds Resolutions, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$	255,572
Addition--Interest appropriated from bond proceeds:		
Defined Area No. 1 Series 2022A Road	\$	164,063
Defined Area No. 2 Series 2022A Road		220,500
Defined Area No. 2 Series 2023 Road		155,819
		540,382
Deductions--Appropriation from bond interest paid:		
Defined Area No. 1 Road Series 2022		163,443
Defined Area No. 2 Road Series 2022		92,129
Defined Area No. 1 Series 2022A Road		164,063
Defined Area No. 2 Series 2022A Road		168,275
		587,910
Bond interest reserve, end of year	\$	208,044

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

Note 6: Maintenance Taxes

At an election held May 2, 1998, voters authorized a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.2500 per \$100 of assessed valuation, which resulted in a tax levy of \$5,975,492 on the taxable valuation of \$2,390,196,948 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 4, 2019, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within Defined Area No. 1 subject to taxation. During the year ended September 30, 2023, the District did not levy a Defined Area No. 1 ad valorem maintenance tax. The maintenance tax will be used by the general fund to pay expenditures of operating Defined Area No. 1. In addition, at the May 4, 2019, election, voters authorized a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation on all property within Defined Area No. 1 subject to taxation. During the year ended September 30, 2023, the District did not levy a Defined Area No. 1 road maintenance tax. The road maintenance tax will be used by the general fund to pay expenditures for maintenance of certain roads within Defined Area No. 1.

At an election held November 3, 2020, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within Defined Area No. 2 subject to taxation. During the year ended September 30, 2023, the District did not levy a Defined Area No. 2 ad valorem maintenance tax. The maintenance tax will be used by the general fund to pay expenditures of operating Defined Area No. 2. Voters also authorized a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation on all property within Defined Area No. 2 subject to taxation. During the year ended September 30, 2023, the District did not levy a Defined Area No. 2 road maintenance tax. The road maintenance tax will be used by the general fund to pay expenditures for maintenance of certain roads within Defined Area No. 2.

Note 7: Contracts With Other Districts

On July 3, 2003, the District entered into a Restated Permanent Waste Disposal Agreement (the Agreement) with Harris County Municipal Utility District No. 157 (District No. 157), which restates an agreement with District No. 157 and Harris County Municipal Utility District No. 225 dated September 20, 1979, as subsequently amended. The Agreement is for the term of 50 years.

Under the terms of the Agreement, District No. 157 has oversight responsibility for operations and holds title to the facility for the benefit of the participants. The facility has a current rated capacity of 1,200,000 gallons per day (gpd), of which the District is entitled to utilize 45.43%.

The District is billed the actual expenditures for the preceding month's operation of the facility. These expenditures are allocated to either fixed costs, which are based on capacity owned, or variable costs, which are shared based on active connections. For the year ended September 30, 2023, the

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

District has incurred costs of \$630,031 for operations. An operating reserve of approximately four months' expenses was established in a prior year and at the balance sheet date, was \$175,924. The following table represents condensed audited financial information of the facilities, which were audited by another certified public accountant, as of and for the year ended December 31, 2022.

	General Fund	District's Proportionate Share
Total assets	\$ 388,028	\$ 176,281
Total liabilities	\$ -	\$ -
Total fund balance	388,028	176,281
Total liabilities and fund balance	\$ 388,028	\$ 176,281
Total revenues	\$ 1,212,126	\$ 550,669
Total expenditures	1,212,126	550,669
Excess revenues	\$ 0	\$ 0

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 12, 2008, 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 City 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 \$156,438 in revenues related to the Agreement.

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

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 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 September 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 from the Authority. These amounts are subject to future increases.

Note 11: Contingencies

Developers of the District are constructing water, sewer and drainage and road facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, with the proceeds of future bond sales. These amounts are to be reimbursed from bond proceeds to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately \$41,240,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 12: Restatement of Prior Year Financial Statements

Beginning net position in the government-wide financial statements has been restated for the correction of an error of \$10,730,557, due to road facilities having been incorrectly included in the District's capital assets, when these facilities were conveyed to another governmental entity for maintenance. This restatement reduced previously reported ending net position in the September 30, 2023, financial statements by \$10,730,557 and reduced previously reported change in net position in the September 30, 2023, financial statements by \$9,380,243.

Note 13: Subsequent Events

On November 29, 2023, the District issued a \$22,349,000 Bond Anticipation Note, Series 2023, at an interest rate of 5.33%. Proceeds of the note were used to reimburse developers for construction projects within the District.

On December 7, 2023, the District issued \$12,850,000 in Defined Area No. 1 unlimited tax road bonds, Series 2023, at a net effective interest rate of approximately 5.15%. The bonds were sold to finance road construction projects within Defined Area No. 1 of the District and to reimburse the District's developers.

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2023

On December 7, 2023, the District issued \$12,665,000 in Defined Area No. 2 unlimited tax road bonds, Series 2023A, at a net effective interest rate of approximately 5.16%. The bonds were sold to finance road construction projects within Defined Area No. 2 of the District and to reimburse the District's developers.

On December 14, 2023, the District issued a \$6,020,000 Park Bond Anticipation Note, Series 2023, at an interest rate of 5.63%. Proceeds of the note were used to reimburse developers for recreational facilities construction projects within the District.

Required Supplementary Information

Harris County Municipal Utility District No. 165
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 5,864,000	\$ 6,148,037	\$ 284,037
Sales tax rebates	145,000	156,438	11,438
Water service	4,700,000	4,071,788	(628,212)
Sewer service	3,500,000	3,895,113	395,113
Regional water fee	3,500,000	5,137,992	1,637,992
Penalty and interest	300,000	407,344	107,344
Tap connection and inspection fees	1,500,000	3,029,342	1,529,342
Investment income	150,000	1,101,065	951,065
Other income	5,000	168,588	163,588
	<u>19,664,000</u>	<u>24,115,707</u>	<u>4,451,707</u>
Expenditures			
Service operations:			
Purchased services - sewer	652,000	630,031	21,969
Purchased services - water	32,000	2,258,555	(2,226,555)
Regional water fee	3,500,000	3,018,721	481,279
Professional fees	772,000	1,081,354	(309,354)
Contracted services	4,530,000	4,898,338	(368,338)
Utilities	375,000	563,023	(188,023)
Recreational facilities	220,000	261,450	(41,450)
Repairs and maintenance	2,290,000	3,340,058	(1,050,058)
Other expenditures	593,500	566,085	27,415
Tap connections	475,000	1,291,558	(816,558)
Capital outlay	8,580,000	1,310,450	7,269,550
Debt service, debt issuance costs	-	47,500	(47,500)
	<u>22,019,500</u>	<u>19,267,123</u>	<u>2,752,377</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,355,500)	4,848,584	7,204,084
Other Financing Sources			
Interfund transfers in	-	342,753	342,753
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,355,500)	5,191,337	7,546,837
Fund Balance, Beginning of Year	23,189,698	23,189,698	-
Fund Balance, End of Year	<u>\$ 20,834,198</u>	<u>\$ 28,381,035</u>	<u>\$ 7,546,837</u>

Harris County Municipal Utility District No. 165
Notes to Required Supplementary Information
September 30, 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. 165
Other Schedules Included Within This Report
September 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 16-35
- [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. 165

Schedule of Services and Rates

Year Ended September 30, 2023

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" 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:	\$ 22.20	0	N	\$ 0.72	1 to 10,000
				\$ 1.50	10,001 to 15,000
				\$ 2.00	15,001 to No Limit
Wastewater:	\$ 35.50	0	Y		
Regional water fee:	\$ 4.35	1	N	\$ 4.35	1 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 72.90	Wastewater \$ 35.50

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"	8,252	8,038	x1.0	8,038
1"	1,599	1,599	x2.5	3,998
1 1/2"	30	30	x5.0	150
2"	179	179	x8.0	1,432
3"	5	5	x15.0	75
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	6	6	x80.0	480
10"	-	-	x115.0	-
Total water	10,072	9,858		14,198
Total wastewater	9,812	9,598	x1.0	9,598

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

Gallons pumped into the system:	1,274,183
Gallons billed to customers:	1,206,989
Water accountability ratio (gallons billed/gallons pumped):	94.73%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 165
Schedule of General Fund Expenditures
Year Ended September 30, 2023

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	40,200	
Legal		248,736	
Engineering		792,418	
Financial advisor		-	1,081,354
		<hr/>	
Purchased Services for Resale			
Purchased sewer			630,031
Purchased water			2,258,555
Regional Water Fee			3,018,721
Contracted Services			
Bookkeeping		61,350	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		1,435,962	
Other contracted services		929,978	2,427,290
		<hr/>	
Utilities			563,023
Repairs and Maintenance			3,340,058
Administrative Expenditures			
Directors' fees		20,912	
Office supplies		288,057	
Insurance		139,928	
Other administrative expenditures		117,188	566,085
		<hr/>	
Capital Outlay			
Capitalized assets		1,215,719	
Expenditures not capitalized		94,731	1,310,450
		<hr/>	
Tap Connection Expenditures			1,291,558
Solid Waste Disposal			2,471,048
Fire Fighting			-
Parks and Recreation			261,450
Other Expenditures - Debt Issuance Costs			47,500
			<hr/>
Total expenditures		\$	<u>19,267,123</u>

Harris County Municipal Utility District No. 165
Schedule of Temporary Investments
September 30, 2023

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 95900012025839	4.00%	12/26/23	\$ 240,000	\$ 7,391
No. 70344355	5.10%	05/31/24	230,000	3,921
No. 6002400719	5.29%	06/05/24	230,000	3,900
TexPool	5.35%	Demand	12,818,074	-
TexSTAR	5.33%	Demand	11,382,314	-
TexSTAR	5.33%	Demand	177,320	-
TexSTAR	5.33%	Demand	265,059	-
			<u>25,342,767</u>	<u>15,212</u>
Debt Service Fund				
TexPool	5.35%	Demand	2,725,668	-
TexSTAR	5.33%	Demand	777,687	-
TexSTAR	5.33%	Demand	11,803,740	-
TexSTAR	5.33%	Demand	559,350	-
			<u>15,866,445</u>	<u>0</u>
Capital Projects Fund				
TexSTAR	5.33%	Demand	9,770,416	-
TexSTAR	5.33%	Demand	638,966	-
TexSTAR	5.33%	Demand	358,870	-
			<u>10,768,252</u>	<u>0</u>
Totals			<u><u>\$ 51,977,464</u></u>	<u><u>\$ 15,212</u></u>

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable
Year Ended September 30, 2023

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 66,695	\$ 232,633
Additions and corrections to prior years' taxes	59,149	216,578
Adjusted receivable, beginning of year	125,844	449,211
 2022 Original Tax Levy	 5,913,029	 16,083,440
Additions and corrections	62,463	169,900
Adjusted tax levy	5,975,492	16,253,340
Total to be accounted for	6,101,336	16,702,551
Tax collections: Current year	(5,934,454)	(16,141,715)
Prior years	(84,514)	(297,304)
Receivable, end of year	\$ 82,368	\$ 263,532
 Receivable, by Years		
2022	\$ 41,038	\$ 111,625
2021	11,540	34,139
2020	5,602	21,007
2019	3,866	20,616
2018	4,627	14,807
2017	2,950	10,031
2016	2,984	10,741
2015	2,527	9,603
2014	1,782	7,628
2013	1,528	6,540
2012	1,515	6,482
2011	1,112	4,757
2010	458	1,959
2009	478	2,048
2008	168	721
2007	142	607
2006	51	221
Receivable, end of year	\$ 82,368	\$ 263,532

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations				
Land	\$ 610,287,501	\$ 561,760,404	\$ 454,581,655	\$ 353,704,108
Improvements	2,244,959,702	1,642,312,584	1,517,417,028	1,409,175,090
Personal property	51,207,142	35,387,304	34,433,427	29,246,281
Exemptions	<u>(516,257,397)</u>	<u>(256,883,952)</u>	<u>(237,845,051)</u>	<u>(203,223,912)</u>
 Total property valuations	 <u>\$ 2,390,196,948</u>	 <u>\$ 1,982,576,340</u>	 <u>\$ 1,768,587,059</u>	 <u>\$ 1,588,901,567</u>
 Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.6800	\$ 0.7100	\$ 0.7500	\$ 0.8000
Maintenance tax rates*	<u>0.2500</u>	<u>0.2400</u>	<u>0.2000</u>	<u>0.1500</u>
 Total tax rates per \$100 valuation	 <u>\$ 0.9300</u>	 <u>\$ 0.9500</u>	 <u>\$ 0.9500</u>	 <u>\$ 0.9500</u>
 Tax Levy	 <u>\$ 22,228,832</u>	 <u>\$ 18,834,479</u>	 <u>\$ 16,801,579</u>	 <u>\$ 15,094,567</u>
 Percent of Taxes Collected to Taxes Levied**	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>	 <u>99%</u>

*Maximum tax rate approved by voters: \$0.25 on May 2, 1998

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

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2023

	Defined Area No. 1 Maintenance Taxes	Defined Area No. 1 Debt Service Taxes
Receivable, Beginning of Year	\$ -	\$ 4,694
Additions and corrections to prior years' taxes	94,863	61,067
Adjusted receivable, beginning of year	94,863	65,761
 2022 Original Tax Levy	 -	 608,154
Additions and corrections	-	16,369
Adjusted tax levy	0	624,523
Total to be accounted for	94,863	690,284
Tax collections: Current year	-	(620,655)
Prior years	(94,863)	(65,752)
Receivable, end of year	\$ 0	\$ 3,877
 Receivable, by Years		
2022	\$ -	\$ 3,868
2021	-	9
Receivable, end of year	\$ 0	\$ 3,877

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations - Defined Area No. 1				
Land	\$ 60,642,256	\$ 52,245,671	\$ 41,945,763	\$ 25,561,910
Improvements	57,210,542	8,713,297	166,800	-
Personal property	73,100	25,033	-	-
Exemptions	<u>(8,360,521)</u>	<u>(16,565,547)</u>	<u>(19,874,485)</u>	<u>(16,216,425)</u>
Total property valuations	<u>\$ 109,565,377</u>	<u>\$ 44,418,454</u>	<u>\$ 22,238,078</u>	<u>\$ 9,345,485</u>
Tax Rates per \$100 Valuation				
Debt service tax	\$ 0.5700	\$ 0.5500	\$ -	\$ -
Road facilities maintenance tax rate*	-	-	-	-
Maintenance tax rate**	<u>-</u>	<u>-</u>	<u>0.5500</u>	<u>0.5500</u>
Total tax rates per \$100 valuation	<u>\$ 0.5700</u>	<u>\$ 0.5500</u>	<u>\$ 0.5500</u>	<u>\$ 0.5500</u>
Tax Levy	<u>\$ 624,523</u>	<u>\$ 244,303</u>	<u>\$ 122,309</u>	<u>\$ 51,400</u>
Percent of Taxes Collected to Taxes Levied***	<u>99%</u>	<u>99%</u>	<u>100%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$0.25 on May 4, 2019

**Maximum tax rate approved by voters: \$1.50 on May 4, 2019

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

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2023

	Defined Area No. 2 Maintenance Taxes	Defined Area No. 2 Debt Service Taxes
Receivable, Beginning of Year	\$ 78	\$ -
Additions and corrections to prior years' taxes	34,130	-
Adjusted receivable, beginning of year	34,208	0
 2022 Original Tax Levy	 -	 131,186
Additions and corrections	-	270,703
Adjusted tax levy	0	401,889
Total to be accounted for	34,208	401,889
Current year tax collections	(34,206)	(393,815)
Receivable, end of year	\$ 2	\$ 8,074
 Receivable, by Years		
2022	\$ -	\$ 8,074
2021	2	-
Receivable, end of year	\$ 2	\$ 8,074

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2023

	2022	2021
Property Valuations - Defined Area No. 2		
Land	\$ 59,358,181	\$ 24,899,308
Improvements	12,145,146	4,231,224
Personal property	39,500	-
Exemptions	(1,035,970)	(50,409)
Total property valuations	\$ 70,506,857	\$ 29,080,123
 Tax Rates per \$100 Valuation		
Debt service tax	\$ 0.5700	\$ -
Road facilities maintenance tax rate*	-	-
Maintenance tax rate**	-	0.5500
Total tax rates per \$100 valuation	\$ 0.5700	\$ 0.5500
 Tax Levy	 \$ 401,889	 \$ 159,940
 Percent of Taxes Collected to Taxes Levied***	 98%	 99%

*Maximum tax rate approved by voters: \$0.25 on November 3, 2020

**Maximum tax rate approved by voters: \$1.50 on November 3, 2020

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

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years
September 30, 2023

Due During Fiscal Years Ending September 30	Refunding Series 2015		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 2,260,000	\$ 1,290,600	\$ 3,550,600
2025	2,880,000	1,162,100	4,042,100
2026	3,035,000	1,044,575	4,079,575
2027	3,135,000	952,025	4,087,025
2028	3,235,000	856,475	4,091,475
2029	3,340,000	753,675	4,093,675
2030	3,465,000	612,775	4,077,775
2031	4,055,000	424,775	4,479,775
2032	-	323,400	323,400
2033	4,525,000	244,213	4,769,213
2034	4,715,000	82,513	4,797,513
Totals	\$ 34,645,000	\$ 7,747,126	\$ 42,392,126

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Series 2015		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 870,000	\$ 689,538	\$ 1,559,538
2025	915,000	662,762	1,577,762
2026	955,000	634,713	1,589,713
2027	1,000,000	605,387	1,605,387
2028	1,045,000	574,060	1,619,060
2029	1,090,000	540,019	1,630,019
2030	1,145,000	502,984	1,647,984
2031	1,195,000	462,750	1,657,750
2032	1,250,000	419,963	1,669,963
2033	1,310,000	375,163	1,685,163
2034	1,370,000	327,407	1,697,407
2035	1,430,000	275,763	1,705,763
2036	1,495,000	220,919	1,715,919
2037	1,565,000	163,544	1,728,544
2038	1,640,000	101,400	1,741,400
2039	1,715,000	34,300	1,749,300
Totals	\$ 19,990,000	\$ 6,590,672	\$ 26,580,672

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Series 2017		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 965,000	\$ 824,256	\$ 1,789,256
2025	1,000,000	784,956	1,784,956
2026	1,040,000	753,256	1,793,256
2027	1,075,000	728,119	1,803,119
2028	1,120,000	699,981	1,819,981
2029	1,160,000	667,881	1,827,881
2030	1,205,000	632,406	1,837,406
2031	1,250,000	595,581	1,845,581
2032	1,300,000	557,331	1,857,331
2033	1,350,000	516,738	1,866,738
2034	1,400,000	472,894	1,872,894
2035	1,455,000	426,500	1,881,500
2036	1,510,000	378,319	1,888,319
2037	1,565,000	327,372	1,892,372
2038	1,625,000	273,541	1,898,541
2039	1,690,000	217,600	1,907,600
2040	1,755,000	159,466	1,914,466
2041	1,820,000	98,000	1,918,000
2042	1,890,000	33,075	1,923,075
Totals	<u>\$ 26,175,000</u>	<u>\$ 9,147,272</u>	<u>\$ 35,322,272</u>

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Series 2018		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 105,000	\$ 109,588	\$ 214,588
2025	110,000	106,363	216,363
2026	115,000	102,843	217,843
2027	115,000	99,105	214,105
2028	120,000	95,288	215,288
2029	125,000	91,305	216,305
2030	130,000	87,000	217,000
2031	135,000	82,363	217,363
2032	140,000	77,200	217,200
2033	145,000	71,500	216,500
2034	150,000	65,600	215,600
2035	155,000	59,500	214,500
2036	165,000	53,100	218,100
2037	170,000	46,400	216,400
2038	175,000	40,375	215,375
2039	185,000	34,975	219,975
2040	190,000	28,400	218,400
2041	195,000	20,700	215,700
2042	205,000	12,700	217,700
2043	215,000	4,300	219,300
Totals	\$ 3,045,000	\$ 1,288,605	\$ 4,333,605

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Series 2019		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 370,000	\$ 266,900	\$ 636,900
2025	380,000	251,900	631,900
2026	395,000	240,350	635,350
2027	410,000	232,300	642,300
2028	425,000	223,950	648,950
2029	440,000	215,300	655,300
2030	455,000	206,350	661,350
2031	470,000	197,100	667,100
2032	490,000	187,500	677,500
2033	505,000	177,234	682,234
2034	525,000	165,963	690,963
2035	540,000	153,981	693,981
2036	560,000	141,256	701,256
2037	580,000	127,719	707,719
2038	600,000	113,706	713,706
2039	625,000	98,769	723,769
2040	645,000	82,491	727,491
2041	670,000	65,231	735,231
2042	690,000	47,381	737,381
2043	715,000	28,941	743,941
2044	745,000	9,778	754,778
Totals	\$ 11,235,000	\$ 3,234,100	\$ 14,469,100

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Series 2020		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 1,400,000	\$ 796,400	\$ 2,196,400
2025	1,440,000	753,800	2,193,800
2026	1,480,000	724,800	2,204,800
2027	1,520,000	709,800	2,229,800
2028	1,560,000	692,450	2,252,450
2029	1,605,000	672,669	2,277,669
2030	1,650,000	650,263	2,300,263
2031	1,695,000	625,175	2,320,175
2032	1,745,000	597,194	2,342,194
2033	1,790,000	564,025	2,354,025
2034	1,840,000	527,725	2,367,725
2035	1,895,000	490,375	2,385,375
2036	1,945,000	451,975	2,396,975
2037	2,000,000	412,525	2,412,525
2038	2,055,000	371,975	2,426,975
2039	2,115,000	330,275	2,445,275
2040	2,170,000	287,425	2,457,425
2041	2,235,000	240,581	2,475,581
2042	2,295,000	189,619	2,484,619
2043	2,360,000	137,250	2,497,250
2044	2,425,000	83,419	2,508,419
2045	2,495,000	28,069	2,523,069
Totals	\$ 41,715,000	\$ 10,337,789	\$ 52,052,789

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Refunding Series 2020		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 320,000	\$ 50,950	\$ 370,950
2025	335,000	41,125	376,125
2026	340,000	32,700	372,700
2027	350,000	25,800	375,800
2028	360,000	18,700	378,700
2029	375,000	11,350	386,350
2030	380,000	3,800	383,800
Totals	\$ 2,460,000	\$ 184,425	\$ 2,644,425

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Refunding Series 2021		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 690,000	\$ 264,200	\$ 954,200
2025	720,000	243,050	963,050
2026	750,000	221,000	971,000
2027	775,000	198,125	973,125
2028	800,000	178,500	978,500
2029	835,000	162,150	997,150
2030	855,000	145,250	1,000,250
2031	520,000	131,500	651,500
2032	535,000	118,275	653,275
2033	560,000	101,850	661,850
2034	580,000	84,750	664,750
2035	600,000	67,050	667,050
2036	625,000	48,675	673,675
2037	640,000	29,700	669,700
2038	670,000	10,050	680,050
Totals	\$ 10,155,000	\$ 2,004,125	\$ 12,159,125

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Defined Area No. 1 Road Series 2022			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 205,000	\$ 275,062	\$ 480,062
2025	215,000	264,563	479,563
2026	220,000	253,687	473,687
2027	230,000	242,438	472,438
2028	240,000	231,287	471,287
2029	245,000	220,375	465,375
2030	255,000	209,763	464,763
2031	265,000	199,362	464,362
2032	275,000	188,563	463,563
2033	285,000	177,362	462,362
2034	295,000	166,500	461,500
2035	305,000	156,000	461,000
2036	315,000	145,150	460,150
2037	325,000	133,950	458,950
2038	340,000	123,163	463,163
2039	350,000	112,812	462,812
2040	360,000	102,163	462,163
2041	375,000	91,137	466,137
2042	390,000	79,663	469,663
2043	405,000	67,484	472,484
2044	415,000	54,672	469,672
2045	430,000	41,469	471,469
2046	445,000	29,187	474,187
2047	465,000	17,813	482,813
2048	480,000	6,000	486,000
Totals	<u>\$ 8,130,000</u>	<u>\$ 3,589,625</u>	<u>\$ 11,719,625</u>

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Defined Area No. 2 Road Series 2022			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 125,000	\$ 156,060	\$ 281,060
2025	130,000	152,235	282,235
2026	135,000	148,260	283,260
2027	140,000	144,135	284,135
2028	145,000	139,860	284,860
2029	150,000	135,435	285,435
2030	155,000	130,860	285,860
2031	160,000	126,135	286,135
2032	165,000	121,178	286,178
2033	170,000	115,985	285,985
2034	175,000	110,637	285,637
2035	185,000	104,965	289,965
2036	190,000	98,965	288,965
2037	195,000	92,805	287,805
2038	205,000	86,302	291,302
2039	210,000	79,455	289,455
2040	220,000	72,360	292,360
2041	225,000	65,018	290,018
2042	235,000	57,369	292,369
2043	245,000	49,329	294,329
2044	250,000	41,037	291,037
2045	260,000	32,495	292,495
2046	270,000	23,617	293,617
2047	280,000	14,405	294,405
2048	290,000	4,858	294,858
Totals	<u>\$ 4,910,000</u>	<u>\$ 2,303,760</u>	<u>\$ 7,213,760</u>

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Series 2022		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 1,625,000	\$ 1,833,425	\$ 3,458,425
2025	1,170,000	1,791,500	2,961,500
2026	1,135,000	1,751,250	2,886,250
2027	1,115,000	1,706,250	2,821,250
2028	1,085,000	1,662,250	2,747,250
2029	1,045,000	1,619,650	2,664,650
2030	1,045,000	1,577,850	2,622,850
2031	1,380,000	1,529,350	2,909,350
2032	5,620,000	1,389,350	7,009,350
2033	1,265,000	1,251,650	2,516,650
2034	1,240,000	1,201,550	2,441,550
2035	2,065,000	1,135,450	3,200,450
2036	2,150,000	1,051,150	3,201,150
2037	2,235,000	974,625	3,209,625
2038	2,330,000	906,150	3,236,150
2039	2,420,000	834,900	3,254,900
2040	2,520,000	748,200	3,268,200
2041	2,625,000	645,300	3,270,300
2042	2,730,000	538,200	3,268,200
2043	2,845,000	426,700	3,271,700
2044	2,960,000	310,600	3,270,600
2045	3,080,000	189,800	3,269,800
2046	3,205,000	64,100	3,269,100
Totals	<u>\$ 48,890,000</u>	<u>\$ 25,139,250</u>	<u>\$ 74,029,250</u>

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Defined Area No. 1 Road Series 2022A			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 120,000	\$ 329,138	\$ 449,138
2025	125,000	319,950	444,950
2026	130,000	310,387	440,387
2027	140,000	300,612	440,612
2028	145,000	290,637	435,637
2029	155,000	280,719	435,719
2030	160,000	270,875	430,875
2031	170,000	260,563	430,563
2032	180,000	250,750	430,750
2033	185,000	241,625	426,625
2034	195,000	232,125	427,125
2035	205,000	222,125	427,125
2036	220,000	211,500	431,500
2037	230,000	200,250	430,250
2038	240,000	188,500	428,500
2039	255,000	176,125	431,125
2040	265,000	163,125	428,125
2041	280,000	149,500	429,500
2042	295,000	135,125	430,125
2043	310,000	120,000	430,000
2044	330,000	104,000	434,000
2045	345,000	87,125	432,125
2046	365,000	69,375	434,375
2047	380,000	50,750	430,750
2048	400,000	31,250	431,250
2049	425,000	10,625	435,625
Totals	<u>\$ 6,250,000</u>	<u>\$ 5,006,756</u>	<u>\$ 11,256,756</u>

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Defined Area No. 2 Road Series 2022A			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 80,000	\$ 225,600	\$ 305,600
2025	85,000	219,413	304,413
2026	85,000	213,037	298,037
2027	90,000	206,475	296,475
2028	95,000	199,656	294,656
2029	100,000	192,838	292,838
2030	105,000	185,919	290,919
2031	110,000	178,662	288,662
2032	120,000	171,350	291,350
2033	125,000	164,000	289,000
2034	130,000	157,000	287,000
2035	140,000	150,250	290,250
2036	145,000	143,125	288,125
2037	155,000	135,625	290,625
2038	160,000	127,750	287,750
2039	170,000	119,500	289,500
2040	180,000	110,750	290,750
2041	190,000	101,500	291,500
2042	200,000	91,750	291,750
2043	210,000	81,500	291,500
2044	220,000	70,750	290,750
2045	235,000	59,375	294,375
2046	245,000	47,375	292,375
2047	260,000	34,750	294,750
2048	275,000	21,375	296,375
2049	290,000	7,250	297,250
Totals	<u>\$ 4,200,000</u>	<u>\$ 3,416,575</u>	<u>\$ 7,616,575</u>

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Defined Area No. 2 Road Series 2023			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ -	\$ 209,490	\$ 209,490
2025	140,000	311,637	451,637
2026	145,000	302,538	447,538
2027	155,000	293,112	448,112
2028	160,000	283,038	443,038
2029	170,000	272,637	442,637
2030	175,000	261,588	436,588
2031	185,000	251,962	436,962
2032	195,000	244,563	439,563
2033	205,000	236,762	441,762
2034	215,000	228,563	443,563
2035	225,000	219,962	444,962
2036	235,000	210,963	445,963
2037	250,000	201,562	451,562
2038	260,000	191,562	451,562
2039	275,000	181,163	456,163
2040	290,000	170,162	460,162
2041	305,000	158,563	463,563
2042	320,000	146,362	466,362
2043	335,000	133,563	468,563
2044	350,000	119,744	469,744
2045	370,000	105,306	475,306
2046	385,000	90,044	475,044
2047	405,000	74,162	479,162
2048	425,000	56,950	481,950
2049	445,000	38,888	483,888
2050	470,000	19,975	489,975
Totals	<u>\$ 7,090,000</u>	<u>\$ 5,014,821</u>	<u>\$ 12,104,821</u>

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Series 2023		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ -	\$ 1,853,612	\$ 1,853,612
2025	815,000	1,767,925	2,582,925
2026	855,000	1,734,525	2,589,525
2027	900,000	1,699,425	2,599,425
2028	940,000	1,662,625	2,602,625
2029	990,000	1,624,025	2,614,025
2030	1,035,000	1,583,525	2,618,525
2031	1,085,000	1,541,125	2,626,125
2032	1,140,000	1,496,625	2,636,625
2033	1,195,000	1,449,925	2,644,925
2034	1,255,000	1,400,925	2,655,925
2035	1,315,000	1,349,525	2,664,525
2036	1,375,000	1,295,725	2,670,725
2037	1,445,000	1,239,325	2,684,325
2038	1,515,000	1,180,125	2,695,125
2039	480,000	1,140,225	1,620,225
2040	2,260,000	1,085,425	3,345,425
2041	2,340,000	993,425	3,333,425
2042	2,440,000	897,825	3,337,825
2043	4,500,000	759,025	5,259,025
2044	4,925,000	570,525	5,495,525
2045	5,925,000	353,525	6,278,525
2046	2,700,000	177,650	2,877,650
2047	2,830,000	60,137	2,890,137
Totals	<u>\$ 44,260,000</u>	<u>\$ 28,916,724</u>	<u>\$ 73,176,724</u>

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 9,135,000	\$ 9,174,819	\$ 18,309,819
2025	10,460,000	8,833,279	19,293,279
2026	10,815,000	8,467,921	19,282,921
2027	11,150,000	8,143,108	19,293,108
2028	11,475,000	7,808,757	19,283,757
2029	11,825,000	7,460,028	19,285,028
2030	12,215,000	7,061,208	19,276,208
2031	12,675,000	6,606,403	19,281,403
2032	13,155,000	6,143,242	19,298,242
2033	13,615,000	5,688,032	19,303,032
2034	14,085,000	5,224,152	19,309,152
2035	10,515,000	4,811,446	15,326,446
2036	10,930,000	4,450,822	15,380,822
2037	11,355,000	4,085,402	15,440,402
2038	11,815,000	3,714,599	15,529,599
2039	10,490,000	3,360,099	13,850,099
2040	10,855,000	3,009,967	13,864,967
2041	11,260,000	2,628,955	13,888,955
2042	11,690,000	2,229,069	13,919,069
2043	12,140,000	1,808,092	13,948,092
2044	12,620,000	1,364,525	13,984,525
2045	13,140,000	897,164	14,037,164
2046	7,615,000	501,348	8,116,348
2047	4,620,000	252,017	4,872,017
2048	1,870,000	120,433	1,990,433
2049	1,160,000	56,763	1,216,763
2050	470,000	19,975	489,975
Totals	<u>\$ 273,150,000</u>	<u>\$ 113,921,625</u>	<u>\$ 387,071,625</u>

Harris County Municipal Utility District No. 165

Changes in Long-term Bonded Debt

Year Ended September 30, 2023

Bond

	Series 2013	Refunding Series 2014	Series 2014A	Series 2014B
Interest rates	2.90%	3.50%	3.00%	3.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates				
Bonds outstanding, beginning of current year	\$ 295,000	\$ 255,000	\$ 235,000	\$ 135,000
Bonds sold during current year	-	-	-	-
Retirements, principal	295,000	255,000	235,000	135,000
Bonds outstanding, end of current year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Interest paid during current year	<u>\$ 4,278</u>	<u>\$ 4,462</u>	<u>\$ 3,525</u>	<u>\$ 2,025</u>

Paying agent's name and address:

Series 2013	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014R	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014A	- Amegy Bank, N.A., Houston, Texas
Series 2014B	- Amegy Bank, N.A., Houston, Texas
Series 2015R	- Amegy Bank, N.A., Houston, Texas
Series 2015	- Amegy Bank, N.A., Houston, Texas
Series 2017	- Amegy Bank, N.A., Houston, Texas
Series 2018	- Zions Bancorporation, National Association, Houston, Texas
Series 2019	- Zions Bancorporation, National Association, Houston, Texas
Series 2020	- Zions Bancorporation, National Association, Houston, Texas

Bond authority:

	Tax Bonds	Recreational Bonds	Refunding Bonds
Amount authorized by voters	\$ 665,684,000	\$ 16,000,000	\$ 8,000,000
Amount issued	\$ 313,520,000	\$ -	\$ 3,222,266
Remaining to be issued	<u>\$ 352,164,000</u>	<u>\$ 16,000,000</u>	<u>\$ 4,777,734</u>

Debt service fund cash and temporary investment balances as of September 30, 2023:

\$ 16,134,446

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 14,335,986

Bond authority Defined Area No. 1:

	Tax and Refunding Bonds	Recreational and Refunding Bonds	Road and Refunding Bonds
Amount authorized by voters	\$ 281,255,000	\$ 43,995,000	\$ 149,440,000
Amount issued	\$ -	\$ -	\$ 14,380,000
Remaining to be issued	<u>\$ 281,255,000</u>	<u>\$ 43,995,000</u>	<u>\$ 135,060,000</u>

Bond authority Defined Area No. 2:

	Tax Bonds	Recreational Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	\$ 277,673,000	\$ 36,431,000	\$ 155,836,000	\$ 87,954,406
Amount issued	\$ -	\$ -	\$ 16,200,000	\$ -
Remaining to be issued	<u>\$ 277,673,000</u>	<u>\$ 36,431,000</u>	<u>\$ 139,636,000</u>	<u>\$ 87,954,406</u>

Issues

Refunding Series 2015	Series 2015	Series 2017	Series 2018	Series 2019	Series 2020
2.00% to 5.00%	2.00% to 4.00%	2.25% to 4.00%	3.00% to 4.00%	2.00% to 4.00%	1.00% to 3.00%
March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
March 1, 2024/2034	March 1, 2024/2039	March 1, 2024/2042	March 1, 2024/2043	March 1, 2024/2044	March 1, 2024/2045
\$ 36,840,000	\$ 20,825,000	\$ 27,100,000	\$ 3,145,000	\$ 11,590,000	\$ 43,075,000
-	-	-	-	-	-
2,195,000	835,000	925,000	100,000	355,000	1,360,000
<u>\$ 34,645,000</u>	<u>\$ 19,990,000</u>	<u>\$ 26,175,000</u>	<u>\$ 3,045,000</u>	<u>\$ 11,235,000</u>	<u>\$ 41,715,000</u>
<u>\$ 1,380,025</u>	<u>\$ 713,025</u>	<u>\$ 862,056</u>	<u>\$ 112,663</u>	<u>\$ 281,400</u>	<u>\$ 837,800</u>

Harris County Municipal Utility District No. 165
Changes in Long-term Bonded Debt (Continued)
Year Ended September 30, 2023

Bond

	Refunding Series 2020	Refunding Series 2021	Defined Area No. 1 Road Series 2022	Defined Area No. 2 Road Series 2022
Interest rates	2.00% to 3.00%	2.00% to 3.00%	2.50% to 5.00%	2.00% to 3.35%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	March 1, 2024/2030	March 1, 2024/2038	March 1, 2024/2048	March 1, 2024/2048
Bonds outstanding, beginning of current year	\$ 2,475,000	\$ 10,190,000	\$ 8,130,000	\$ 4,910,000
Bonds sold during current year	-	-	-	-
Retirements, principal	15,000	35,000	-	-
Bonds outstanding, end of current year	<u>\$ 2,460,000</u>	<u>\$ 10,155,000</u>	<u>\$ 8,130,000</u>	<u>\$ 4,910,000</u>
Interest paid during current year	<u>\$ 55,975</u>	<u>\$ 275,075</u>	<u>\$ 280,188</u>	<u>\$ 157,935</u>

Paying agent's name and address:

Series 2020R	<u>Zions Bancorporation, National Association, Houston, Texas</u>
Series 2021R	- <u>Zions Bancorporation, National Association, Houston, Texas</u>
DA1 Series 2022	- <u>Zions Bancorporation, National Association, Houston, Texas</u>
DA2 Series 2022	- <u>Zions Bancorporation, National Association, Houston, Texas</u>
Series 2022	- <u>Zions Bancorporation, National Association, Houston, Texas</u>
DA1 Series 2022A	- <u>Zions Bancorporation, National Association, Houston, Texas</u>
DA2 Series 2022A	- <u>Zions Bancorporation, National Association, Houston, Texas</u>
DA2 Series 2023	- <u>Zions Bancorporation, National Association, Houston, Texas</u>
Series 2023	- <u>Zions Bancorporation, National Association, Houston, Texas</u>

Issues

Series 2022	Defined Area No. 1 Road Series 2022A	Defined Area No. 2 Road Series 2022A	Defined Area No. 2 Road Series 2023	Series 2023	Totals
3.00% to 4.00%	5.00% to 7.50%	5.00% to 7.50%	4.00% to 6.50%	4.00% to 4.25%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	
March 1, 2024/2046	March 1, 2024/2049	March 1, 2024/2049	March 1, 2025/2050	March 1, 2025/2047	
\$ 50,450,000	\$ -	\$ -	\$ -	\$ -	\$ 219,650,000
-	6,250,000	4,200,000	7,090,000	44,260,000	61,800,000
1,560,000	-	-	-	-	8,300,000
<u>\$ 48,890,000</u>	<u>\$ 6,250,000</u>	<u>\$ 4,200,000</u>	<u>\$ 7,090,000</u>	<u>\$ 44,260,000</u>	<u>\$ 273,150,000</u>
<u>\$ 1,881,200</u>	<u>\$ 245,594</u>	<u>\$ 168,275</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,265,501</u>

Harris County Municipal Utility District No. 165
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 6,148,037	\$ 4,904,202	\$ 3,648,401	\$ 2,430,958	\$ 3,551,578
Sales tax rebates	156,438	146,118	135,303	117,701	94,141
Water service	4,071,788	3,837,761	3,172,370	3,046,377	2,906,978
Sewer service	3,895,113	3,490,730	3,164,353	2,932,047	2,799,869
Regional water fee	5,137,992	3,661,902	3,034,065	2,927,238	2,409,145
Penalty and interest	407,344	221,235	4,695	98,300	291,294
Tap connection and inspection fees	3,029,342	1,524,498	589,658	494,202	493,520
Investment income	1,101,065	139,429	15,402	161,945	363,760
Other income	168,588	962	-	128,149	1,767
Total revenues	<u>24,115,707</u>	<u>17,926,837</u>	<u>13,764,247</u>	<u>12,336,917</u>	<u>12,912,052</u>
Expenditures					
Service operations:					
Purchased services - sewer	630,031	541,828	-	773,589	634,476
Purchased services - water	2,258,555	2,169,618	19,902	22,490	28,385
Regional water fee	3,018,721	1,663,478	3,042,132	2,866,622	2,487,743
Professional fees	1,081,354	992,087	1,083,950	791,631	892,189
Contracted services	4,898,338	4,174,396	3,682,159	3,334,640	3,243,109
Utilities	563,023	438,695	345,355	372,762	338,458
Recreational facilities	261,450	193,004	150,725	181,376	177,530
Repairs and maintenance	3,340,058	2,547,431	2,215,086	1,964,925	1,729,012
Other expenditures	566,085	467,365	447,465	411,009	409,053
Tap connections	1,291,558	778,525	295,175	185,600	258,935
Capital outlay	1,310,450	1,003,751	958,631	2,727,352	3,776,434
Debt service, debt issuance costs	47,500	45,000	106,256	108,880	12,500
Total expenditures	<u>19,267,123</u>	<u>15,015,178</u>	<u>12,346,836</u>	<u>13,740,876</u>	<u>13,987,824</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,848,584</u>	<u>2,911,659</u>	<u>1,417,411</u>	<u>(1,403,959)</u>	<u>(1,075,772)</u>
Other Financing Sources					
Interfund transfers in	342,753	187,955	234,352	364,597	3,341,128
Reimbursement from governmental entity	-	29,573	459,230	2,860,418	32,974
Total other financing sources	<u>342,753</u>	<u>217,528</u>	<u>693,582</u>	<u>3,225,015</u>	<u>3,374,102</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	5,191,337	3,129,187	2,110,993	1,821,056	2,298,330
Fund Balance, Beginning of Year	<u>23,189,698</u>	<u>20,060,511</u>	<u>17,949,518</u>	<u>16,128,462</u>	<u>13,830,132</u>
Fund Balance, End of Year	<u>\$ 28,381,035</u>	<u>\$ 23,189,698</u>	<u>\$ 20,060,511</u>	<u>\$ 17,949,518</u>	<u>\$ 16,128,462</u>
Total Active Retail Water Connections	<u>9,858</u>	<u>9,085</u>	<u>8,311</u>	<u>8,022</u>	<u>7,764</u>
Total Active Retail Wastewater Connections	<u>9,598</u>	<u>8,854</u>	<u>8,112</u>	<u>7,828</u>	<u>7,582</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
25.5 %	27.4 %	26.5 %	19.7 %	27.5 %
0.6	0.8	1.0	1.0	0.7
16.9	21.4	23.1	24.7	22.5
16.1	19.5	23.0	23.8	21.7
21.3	20.4	22.1	23.7	18.7
1.7	1.2	0.0	0.8	2.3
12.6	8.5	4.2	4.0	3.8
4.6	0.8	0.1	1.3	2.8
0.7	0.0	-	1.0	0.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
2.6	3.0	-	6.3	4.9
9.4	12.1	0.1	0.2	0.2
12.5	9.3	22.1	23.3	19.2
4.5	5.5	7.9	6.4	6.9
20.3	23.3	26.8	27.0	25.0
2.3	2.4	2.5	3.0	2.6
1.1	1.1	1.1	1.5	1.4
13.9	14.2	16.1	15.9	13.4
2.3	2.6	3.3	3.3	3.2
5.4	4.3	2.1	1.5	2.0
5.4	5.6	7.0	22.1	29.2
0.2	0.3	0.8	0.9	0.1
<u>79.9</u>	<u>83.7</u>	<u>89.8</u>	<u>111.4</u>	<u>108.1</u>
<u><u>20.1 %</u></u>	<u><u>16.3 %</u></u>	<u><u>10.2 %</u></u>	<u><u>(11.4) %</u></u>	<u><u>(8.1) %</u></u>

Harris County Municipal Utility District No. 165
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2023	2022	2021	2020	2019
Debt Service Fund					
Revenues					
Property taxes	\$ 17,519,241	\$ 14,296,760	\$ 13,235,135	\$ 12,650,597	\$ 11,376,858
Penalty and interest	209,500	192,086	206,559	144,592	169,620
Investment income	785,588	96,674	8,713	88,663	217,241
Total revenues	<u>18,514,329</u>	<u>14,585,520</u>	<u>13,450,407</u>	<u>12,883,852</u>	<u>11,763,719</u>
Expenditures					
Current:					
Professional fees	44,596	90,241	55,142	40,649	43,809
Contracted services	326,758	265,374	241,771	223,248	231,808
Other expenditures	24,409	20,935	12,481	10,703	14,513
Debt service:					
Principal retirement	8,300,000	6,590,000	4,980,000	4,785,000	4,170,000
Interest and fees	7,270,301	5,347,493	4,838,781	5,042,274	4,421,956
Debt issuance costs	-	376,814	133,254	-	-
Debt defeasance	-	-	-	4,290,000	3,835,000
Total expenditures	<u>15,966,064</u>	<u>12,690,857</u>	<u>10,261,429</u>	<u>14,391,874</u>	<u>12,717,086</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,548,265</u>	<u>1,894,663</u>	<u>3,188,978</u>	<u>(1,508,022)</u>	<u>(953,367)</u>
Other Financing Sources (Uses)					
General obligation bonds issued	540,382	10,743,122	2,515,000	-	-
Payments to escrow agent	-	(10,415,712)	(2,478,352)	-	-
Premium on debt issued	-	482,850	93,266	-	-
Total other financing sources	<u>540,382</u>	<u>810,260</u>	<u>129,914</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>3,088,647</u>	<u>2,704,923</u>	<u>3,318,892</u>	<u>(1,508,022)</u>	<u>(953,367)</u>
Fund Balance, Beginning of Year	<u>12,922,422</u>	<u>10,217,499</u>	<u>6,898,607</u>	<u>8,406,629</u>	<u>9,359,996</u>
Fund Balance, End of Year	<u>\$ 16,011,069</u>	<u>\$ 12,922,422</u>	<u>\$ 10,217,499</u>	<u>\$ 6,898,607</u>	<u>\$ 8,406,629</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
94.6 %	98.0 %	98.4 %	98.2 %	96.7 %
1.1	1.3	1.5	1.1	1.4
4.3	0.7	0.1	0.7	1.9
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.6	0.4	0.3	0.4
1.8	1.8	1.8	1.8	2.0
0.1	0.1	0.1	0.1	0.1
44.8	45.2	37.0	37.1	35.4
39.3	36.7	36.0	39.1	37.6
-	2.6	1.0	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>33.3</u>	<u>32.6</u>
<u>86.2</u>	<u>87.0</u>	<u>76.3</u>	<u>111.7</u>	<u>108.1</u>
<u>13.8 %</u>	<u>13.0 %</u>	<u>23.7 %</u>	<u>(11.7) %</u>	<u>(8.1) %</u>

Harris County Municipal Utility District No. 165
Board Members, Key Personnel and Consultants
Year Ended September 30, 2023

Complete District mailing address:	Harris County Municipal Utility District No. 165 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 2, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Alan Bentson	Elected 11/20-** 05/24	\$ 4,997	\$ 1,351	President
David Molina	Elected 05/22- 05/26	6,600	3,830	Vice President
Wayne Green	Elected 05/22- 05/26	4,768	1,280	Secretary
Scott Barr	Elected 05/22- 05/26	2,163	517	Assistant Vice President
Scott Nilsson	Appointed 05/21- 05/24	2,384	67	Assistant Secretary

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

**May 2020 director election was deferred until November 2020.

Harris County Municipal Utility District No. 165
Board Members, Key Personnel and Consultants (Continued)
Year Ended September 30, 2023

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/28/03	\$ 1,783,639	Attorney
Bob Leared Interests	01/04/79	162,871	Tax Assessor/ Collector
DAC Services, Inc.	06/02/11	2,079,045	Engineer
FORVIS, LLP	06/27/85	129,200	Auditor
H2O Consulting, Inc.	06/01/12	4,469,928	Operator
Harris Central Appraisal District	Legislative Action	169,661	Appraiser
Myrtle Cruz, Inc.	03/01/04	99,571	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/25/85	44,596	Delinquent Tax Attorney
Robert W. Baird & Co.	02/05/15	1,361,963	Financial Advisor
Investment Officer			
Alan Bentson	06/03/10	N/A	Director