Harris County Municipal Utility District No. 365 Harris County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2023

Harris County Municipal Utility District No. 365 August 31, 2023

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Independent Auditor's Report

Board of Directors Harris County Municipal Utility District No. 365 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. 365 (the District), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



Board of Directors Harris County Municipal Utility District No. 365 Page 2

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 schedules, 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.

Board of Directors Harris County Municipal Utility District No. 365 Page 3

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 February 16, 2024

Management's Discussion and Analysis August 31, 2023

Overview of the Financial Statements

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as 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.

Management's Discussion and Analysis (Continued) August 31, 2023

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Management's Discussion and Analysis (Continued) August 31, 2023

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2023			2022	
Current and other assets Capital assets	\$	6,101,444 8,771,074	\$	6,120,738 8,773,664	
Total assets		14,872,518		14,894,402	
Deferred outflows of resources		39,277		85,110	
Total assets and deferred outflows of resources	\$	14,911,795	\$	14,979,512	
Long-term liabilities Other liabilities	\$	1,377,094 790,770	\$	2,638,377 720,687	
Total liabilities		2,167,864		3,359,064	
Net position:					
Net investment in capital assets		7,433,257		6,220,397	
Restricted		762,010		695,793	
Unrestricted		4,548,664		4,704,258	
Total net position	\$	12,743,931	\$	11,620,448	

The total net position of the District increased by \$1,123,483, or about 10 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. 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.

Management's Discussion and Analysis (Continued) August 31, 2023

Summary of Changes in Net Position

	2023			2022	
Revenues:					
Property taxes	\$	2,496,028	\$	2,523,484	
City of Houston rebates		212,951		231,312	
Charges for services		3,387,711		3,547,778	
Other revenues		415,191		79,364	
Total revenues		6,511,881		6,381,938	
Expenses:					
Services		4,997,058		4,389,744	
Depreciation		292,874		305,817	
Debt service		98,466		121,362	
Total expenses		5,388,398		4,816,923	
Change in net position		1,123,483		1,565,015	
Net position, beginning of year		11,620,448		10,055,433	
Net position, end of year	\$	12,743,931	\$	11,620,448	

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2023, were \$5,276,887, a decrease of \$83,793 from the prior year.

The general fund's fund balance decreased by \$153,337. This decrease was primarily due to service operations and capital outlay expenditures exceeding property taxes, service and regional water fee revenues.

The water plant and wastewater treatment plant funds' fund balances remained the same as all expenditures were billed to the participants.

The debt service fund's fund balance increased by \$69,544 because property tax revenues generated were greater than bond principal and interest requirements.

Management's Discussion and Analysis (Continued) August 31, 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 property tax and regional water fee revenues, investment income and purchased services, professional fees and repairs and maintenance expenditures being higher than anticipated. In addition, City of Houston rebate revenues and capital outlay expenditures were lower than anticipated. The fund balance as of August 31, 2023, was expected to be \$4,433,272 and the actual end-of-year fund balance was \$4,526,952.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

		2023	2022
Land and improvements	\$	3,242,326	\$ 3,242,326
Construction in progress		280,118	285,492
Water facilities		1,948,201	1,752,712
Wastewater facilities		3,300,429	 3,493,134
Total capital assets	\$	8,771,074	\$ 8,773,664
During the current year, additions to capital assets were as follows:	ws:		
Construction in progress related to the water reuse system	projec	t	\$ 91,623
Water well No. 2 rehabilitation			98,943
300 horsepower well motor			46,237
Water plant coatings project			 53,481
Total additions to capital assets			\$ 290,284

<u>Debt</u>

The changes in the debt position of the District during the fiscal year ended August 31, 2023, are summarized below.

Management's Discussion and Analysis (Continued) August 31, 2023

Long-term debt payable, beginning of year	\$ 2,638,377
Decreases in long-term debt	(1,261,283)
Long-term debt payable, end of year	\$ 1,377,094

At August 31, 2023, the District had \$21,205,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A+" from Standard & Poor's. The Series 2019 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

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, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective April 9, 2007, the District entered into a Strategic Partnership Agreement (the 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 agreed it will not annex the District as a whole for full purposes for 30 years.

Statement of Net Position and Governmental Funds Balance Sheet August 31, 2023

Accepta	 General Fund	Water Plant	Tr	stewater eatment Plant	S	Debt Service Fund	Total	Ad	ljustments		atement of Net Position
Assets											
Cash	\$ 257,446	\$ 122,919	\$	64,992	\$	101,147	\$ 546,504	\$	-	\$	546,504
Certificates of deposit	225,337	-		-		-	225,337		-		225,337
Short-term investments	4,116,550	-		-		472,881	4,589,431		-		4,589,431
Receivables:											
Property taxes	4,753	-		-		6,479	11,232		-		11,232
Service accounts	224,821	-		-		-	224,821		-		224,821
Tax rebates	35,436	-		-		-	35,436		16,959		52,395
Accrued interest	6,140	-		-		-	6,140		-		6,140
Accrued penalty and interest	-	-		-		-	-		5,596		5,596
Interfund receivables	6,018	208,271		20,045		27,385	261,719		(261,719)		-
Due from participants	-	348,451		43,497		-	391,948		-		391,948
Due from others	18,620	-		-		-	18,620		-		18,620
Prepaid expenditures	29,420	-		-		-	29,420		-		29,420
Capital assets (net of accumulated											
depreciation):											
Land and improvements	-	-		-		-	-		3,242,326		3,242,326
Construction in progress	-	-		-		-	-		280,118		280,118
Infrastructure	 -	 -		-		-	 -		5,248,630		5,248,630
Total assets	4,924,541	679,641		128,534		607,892	 6,340,608		8,531,910	1	14,872,518
Deferred Outflows of Resources											
Deferred amount on debt refundings	0	0		0		0	 0		39,277		39,277
Total assets and deferred outflows of resources	\$ 4,924,541	\$ 679,641	\$	128,534	\$	607,892	\$ 6,340,608	\$	8,571,187	\$ 1	14,911,795

Statement of Net Position and Governmental Funds Balance Sheet (Continued) August 31, 2023

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable Customer deposits Operating deposits	\$ 118,022 3,605	\$ 391,615 - 144,013	\$ 39,014 - 44,760	\$ 34,233	\$ 582,884 3,605 188,773	\$ - - -	\$ 582,884 3,605 188,773
Due to others Interfund payables Long-term liabilities:	15,508 255,701	-	-	6,018	15,508 261,719	(261,719)	15,508
Due within one year Due after one year		-	<u>-</u>		-	860,000 517,094	860,000 517,094
Total liabilities	392,836	535,628	83,774	40,251	1,052,489	1,115,375	2,167,864
Deferred Inflows of Resources							
Deferred property tax revenues	4,753	0	0	6,479	11,232	(11,232)	0
Fund Balances/Net Position							
Fund balances:							
Nonspendable, prepaid expenditures Restricted, unlimited tax bonds Committed:	29,420	-	-	561,162	29,420 561,162	(29,420) (561,162)	-
Water production and distribution Wastewater collection and treatment Assigned, future expenditures	- - 882,133	144,013	44,760	-	144,013 44,760 882,133	(144,013) (44,760) (882,133)	- -
Unassigned	3,615,399		-		3,615,399	(3,615,399)	
Total fund balances	4,526,952	144,013	44,760	561,162	5,276,887	(5,276,887)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 4,924,541	\$ 679,641	\$ 128,534	\$ 607,892	\$ 6,340,608		
Net position: Net investment in capital assets						7,433,257	7,433,257
Restricted for plant operations Restricted for debt service Unrestricted						188,773 573,237 4,548,664	188,773 573,237 4,548,664
Total net position						\$ 12,743,931	\$ 12,743,931

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances Year Ended August 31, 2023

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 1,158,747	\$ -	\$ -	\$ 1,339,959	\$ 2,498,706	\$ (2,678)	\$ 2,496,028
City of Houston rebates	214,292	-	-	-	214,292	(1,341)	212,951
Water service	360,819	-	-	-	360,819	-	360,819
Sewer service	281,195	-	-	-	281,195	-	281,195
Regional water fee	1,056,296	-	-	-	1,056,296	-	1,056,296
Bulk water sales	-	3,119,281	-	-	3,119,281	(1,713,135)	1,406,146
Bulk sewer sales	-	-	560,379	-	560,379	(277,124)	283,255
Penalty and interest	15,648	-	-	7,528	23,176	(1,565)	21,611
Tap connection and inspection fees	2,250	-	-	-	2,250	-	2,250
Investment income	207,860	1,355	364	52,202	261,781	-	261,781
Other income	5,090	-			5,090	124,459	129,549
Total revenues	3,302,197	3,120,636	560,743	1,399,689	8,383,265	(1,871,384)	6,511,881
Expenditures/Expenses							
Service operations:							
Purchased services	1,834,168	-	-	-	1,834,168	(1,834,168)	-
Regional water fee	-	2,387,565	-	-	2,387,565	-	2,387,565
Professional fees	271,267	13,290	18,208	1,675	304,440	-	304,440
Contracted services	214,351	28,859	40,959	38,181	322,350	-	322,350
Utilities	3,161	171,083	139,854	-	314,098	-	314,098
Repairs and maintenance	436,885	264,588	346,120	-	1,047,593	457,253	1,504,846
Other expenditures	111,662	13,650	26,910	7,589	159,811	-	159,811
Tap connections	3,948	-	-	-	3,948	-	3,948
Capital outlay	548,876	354,752	-	-	903,628	(903,628)	-
Depreciation	-	-	-	-	-	292,874	292,874
Debt service:							
Principal retirement	-	-	-	1,210,000	1,210,000	(1,210,000)	-
Interest and fees	-	-	-	72,700	72,700	(5,450)	67,250
Debt issuance costs	31,216	-	· -		31,216		31,216
Total expenditures/expenses	3,455,534	3,233,787	572,051	1,330,145	8,591,517	(3,203,119)	5,388,398
Excess (Deficiency) of Revenues							
Over Expenditures	(153,337)	(113,151)	(11,308)	69,544	(208,252)	1,331,735	

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued) Year Ended August 31, 2023

		General Fund		Water Plant	Tre	stewater eatment Plant	;	Debt Service Fund		Total	Ad	justments	Statement of Activities
Other Financing Sources	•		•		•	11.200	•	^	•	124.450		(124.450)	
Proceeds from insurance	\$	0	\$	113,151	\$	11,308	\$	0	\$	124,459	\$	(124,459)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		(153,337)		-		-		69,544		(83,793)		83,793	
Change in Net Position												1,123,483	1,123,483
Fund Balances/Net Position Beginning of year		4,680,289		144,013		44,760		491,618		5,360,680		<u>-</u>	11,620,448
End of year	\$	4,526,952	\$	144,013	\$	44,760	\$	561,162	\$	5,276,887	\$	0	\$ 12,743,931

Notes to Financial Statements August 31, 2023

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

Harris County Municipal Utility District No. 365 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective June 26, 1996, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Notes to Financial Statements August 31, 2023

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

The District presents the following major governmental funds:

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

The District has two special revenue funds as follows:

Water Plant – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is bulk water sales.

Wastewater Treatment Plant – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is bulk sewer sales.

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

Fund Balances - Governmental Funds

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

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

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

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

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

Notes to Financial Statements August 31, 2023

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.

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.

Notes to Financial Statements August 31, 2023

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.

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

Notes to Financial Statements August 31, 2023

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.

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

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

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

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.

Notes to Financial Statements August 31, 2023

Debt Issuance Costs

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

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 8,771,074
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund	
financial statements.	11,232
Penalty and interest on delinquent taxes is not receivable in the current	
period and is not reported in the funds.	5,596

Notes to Financial Statements August 31, 2023

Receivable for tax rebates is not available in the current period and is not reported in the funds.	\$ 16,959
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	39,277
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(1,377,094)
Adjustment to fund balances to arrive at net position.	\$ 7,467,044

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.	\$ (83,793)
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 and noncapitalized costs exceeded capital outlay expenditures in the current year.	(2,590)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,210,000
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(5,584)
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.	 5,450
Change in net position of governmental activities.	\$ 1,123,483

Notes to Financial Statements August 31, 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 August 31, 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, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

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

Notes to Financial Statements August 31, 2023

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

	Maturities in Years										
Туре	Amortized Cost/ Fair Value	Less Than 1	1-5	6-10	More Than 10						
TexPool		\$ 2,913,142	\$ -	\$ -	\$ -						
Texas CLASS Totals	1,676,289 \$ 4,589,431	1,676,289 \$ 4,589,431	\$ <u> </u>	\$ 0	\$ <u> </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 August 31, 2023, the District's investments in TexPool and Texas CLASS 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 August 31, 2023, as follows:

Carrying value:	
Deposits	\$ 771,841
Investments	 4,589,431
Total	\$ 5,361,272
Included in the following statement of net position captions:	
Cash	\$ 546,504
Certificates of deposit	225,337
Short-term investments	 4,589,431
Total	\$ 5,361,272

Notes to Financial Statements August 31, 2023

Investment Income

Investment income of \$261,781 for the year ended August 31, 2023, consisted of interest income.

Fair Value Measurements

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

• Pooled investments of \$1,676,289 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

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

Governmental Activities	Balances, Beginning of Year			dditions	Reclassi- fications		alances, End of Year
Capital assets, non-depreciable:							
Land and improvements	\$	3,242,326	\$	_	\$	_	\$ 3,242,326
Construction in progress		285,492		91,623		(96,997)	 280,118
Total capital assets, non-depreciable		3,527,818		91,623		(96,997)	 3,522,444
Capital assets, depreciable:							
Water production and distribution facilities		4,851,303		198,661		96,997	5,146,961
Wastewater collection and treatment							
facilities		6,588,674		-			 6,588,674
Total capital assets, depreciable		11,439,977		198,661		96,997	 11,735,635
Less accumulated depreciation:							
Water production and distribution facilities		(3,098,591)		(100,169)		_	(3,198,760)
Wastewater collection and treatment							
facilities		(3,095,540)		(192,705)			(3,288,245)
Total accumulated depreciation		(6,194,131)		(292,874)		0	(6,487,005)
Total governmental activities, net	\$	8,773,664	\$	(2,590)	\$	0	\$ 8,771,074

Note 4: Long-term Liabilities

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

Notes to Financial Statements August 31, 2023

Governmental Activities	Balances, Beginning of Year		Beginning		Balances, End of Year		Amounts Due in One Year	
Bonds payable: General obligation bonds Add premiums on bonds	\$	2,525,000 113,377	\$	1,210,000 51,283	\$	1,315,000 62,094	\$	860,000
Total governmental activities long-term liabilities	\$	2,638,377	\$	1,261,283	\$	1,377,094	\$	860,000

General Obligation Bonds

	Refunding Series 2019
Amount outstanding, August 31, 2023	\$1,315,000
Interest rates	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2024/2025
Interest payment dates	March 1/ September 1
Callable date*	September 1, 2024

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

Annual Debt Service Requirements

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

Year	Р	Principal		terest	Total			
2024	\$	860,000	\$	34,900	\$	894,900		
2025		455,000		9,100		464,100		
Total	\$	1,315,000	\$	44,000	\$	1,359,000		

Notes to Financial Statements August 31, 2023

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

Bonds voted	\$ 41,200,000
Bonds sold	19,995,000
Refunding bonds voted	24,720,000
Refunding bond authorization used	1,093,364

Note 5: Significant Bond Resolution and Commission Requirements

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 August 31, 2023, the District levied an ad valorem debt service tax at the rate of \$0.2200 per \$100 of assessed valuation, which resulted in a tax levy of \$1,356,593 on the taxable valuation of \$616,633,425 for the 2022 tax year. The interest and principal requirements paid from the tax revenues and other available debt service fund resources were \$1,281,200.

Note 6: Maintenance Taxes

At an election held August 10, 1996, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.1900 per \$100 of assessed valuation, which resulted in a tax levy of \$1,171,604 on the taxable valuation of \$616,633,425 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Regional Water Authority

The District is within the boundaries of the North Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of August 31, 2023, the Authority was billing the District \$4.10 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases.

Notes to Financial Statements August 31, 2023

Note 8: Contracts With Other Districts

Effective October 8, 1998, the District and Harris County Municipal Utility District No. 364 (District No. 364) entered into an agreement whereby District No. 364 would purchase capacity in water production, wastewater treatment, and storm water control facilities owned and constructed by the District. This agreement was subsequently amended on April 1, 2000, April 26, 2001, February 21, 2002, and April 23, 2003. On July 1, 2004, the existing agreement and all amendments were replaced with the Coles Crossing Joint Facilities Agreement, as amended.

The agreement provides for the District to hold title to and operate the facilities. Operating costs of the facilities are shared by the districts on a pro rata share basis, based on water consumption.

Joint Wastewater Treatment Plant

Operations of the wastewater treatment plant are accounted for in the special revenue fund. Transactions for the current year are summarized as follows:

	 The District	District No. 364	Total		
Due from participants, beginning of year Current year billings to participants Current year collections	\$ 23,108 277,124 (280,187)	\$ 55,471 283,255 (295,229)	\$	78,579 560,379 (575,416)	
Due from participants, end of year	\$ 20,045	\$ 43,497	\$	63,542	

At August 31, 2023, the District owns 46.4 percent of the capacity in the wastewater treatment plant and District No. 364 owns 53.6 percent.

Joint Water Plant

Operations for the water plant are accounted for in the special revenue fund. Transactions for the current year are summarized as follows:

		The District	District No. 364	Total
Due from participants, beginning of year Current year billings to participants Current year collections	\$	190,599 1,557,044 (1,539,372)	\$ 371,926 1,562,237 (1,585,712)	\$ 562,525 3,119,281 (3,125,084)
Due from participants, end of year	\$	208,271	\$ 348,451	\$ 556,722

Notes to Financial Statements August 31, 2023

At August 31, 2023, the District owns 56 percent of the capacity in the water plant and District No. 364 owns 44 percent.

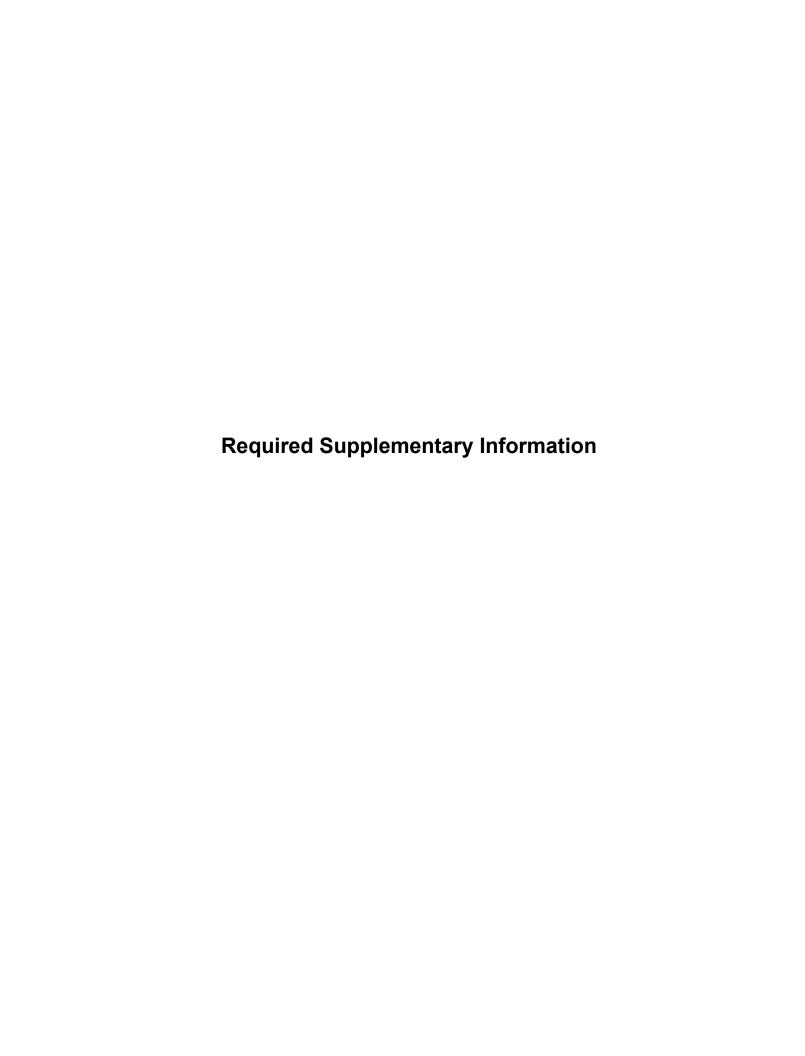
The districts have funded a \$377,546 operational reserve for both facilities.

Note 9: 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 10: Strategic Partnership Agreement

Effective April 9, 2007, the District and the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$212,951 in sales tax rebate revenue.



Budgetary Comparison Schedule – General Fund Year Ended August 31, 2023

	Original Budget		Final Amended Budget		Actual		Variance Favorable (Unfavorable)	
Revenues								
Property taxes	\$	1,100,000	\$	1,100,000	\$	1,158,747	\$	58,747
City of Houston rebates		275,000		275,000		214,292		(60,708)
Water service		325,500		325,500		360,819		35,319
Sewer service		280,000		280,000		281,195		1,195
Regional water fee		1,000,000		1,000,000		1,056,296		56,296
Penalty and interest		10,000		10,000		15,648		5,648
Tap connection and inspection fees		500		500		2,250		1,750
Investment income		6,000		6,000		207,860		201,860
Other income						5,090		5,090
Total revenues		2,997,000		2,997,000		3,302,197		305,197
Expenditures								
Service operations:								
Purchased services		1,770,122		1,770,122		1,834,168		(64,046)
Professional fees		208,000		208,000		271,267		(63,267)
Contracted services		232,750		232,750		214,351		18,399
Utilities		12,500		12,500		3,161		9,339
Repairs and maintenance		261,000		261,000		436,885		(175,885)
Other expenditures		101,145		101,145		111,662		(10,517)
Tap connections		-		-		3,948		(3,948)
Capital outlay		407,000		657,000		548,876		108,124
Debt service, debt issuance costs		1,500		1,500		31,216		(29,716)
Total expenditures		2,994,017		3,244,017		3,455,534		(211,517)
Excess (Deficiency) of								
Revenues Over Expenditures		2,983		(247,017)		(153,337)		93,680
Fund Balance, Beginning of Year		4,680,289		4,680,289		4,680,289		
Fund Balance, End of Year	\$	4,683,272	\$	4,433,272	\$	4,526,952	\$	93,680

Budgetary Comparison Schedule – Water Plant Year Ended August 31, 2023

	Original Budget	Actual	Fa	ariance vorable favorable)
Revenues				
Service fees:				
District No. 364	\$ 1,280,616	\$ 1,562,237	\$	281,621
The District	1,287,084	1,557,044		269,960
Investment income	 	 1,355		1,355
Total revenues	2,567,700	3,120,636		552,936
Expenditures				
Service operations:				
Regional water fee	2,000,000	2,387,565		(387,565)
Professional fees	16,500	13,290		3,210
Contracted services	30,200	28,859		1,341
Utilities	200,000	171,083		28,917
Repairs and maintenance	160,000	264,588		(104,588)
Other expenditures	21,000	13,650		7,350
Capital outlay	 140,000	 354,752		(214,752)
Total expenditures	 2,567,700	 3,233,787		(666,087)
Deficiency of Revenues Over Expenditures	-	(113,151)		(113,151)
Other Financing Sources				
Proceeds from insurance	 	 113,151		113,151
Excess of Revenues and Other Financing Sources Over Expenditures and Other				
Financing Uses	-	-		-
Fund Balance, Beginning of Year	 144,013	144,013		
Fund Balance, End of Year	\$ 144,013	\$ 144,013	\$	0_

Budgetary Comparison Schedule – Wastewater Treatment Plant Year Ended August 31, 2023

						ariance
	Original				Favorable	
_	B	udget		Actual	(Unt	avorable)
Revenues						
Service fees:						
District No. 364	\$	309,655	\$	283,255	\$	(26,400)
The District		322,295		277,124		(45,171)
Investment income				364		364
Total revenues		631,950		560,743		(71,207)
Expenditures						
Service operations:						
Professional fees		9,250		18,208		(8,958)
Contracted services		47,200		40,959		6,241
Utilities		175,000		139,854		35,146
Repairs and maintenance		356,500		346,120		10,380
Other expenditures		44,000		26,910		17,090
Total expenditures		631,950		572,051		59,899
Deficiency of Revenues Over Expenditures		-		(11,308)		(11,308)
Other Financing Sources						
Proceeds from insurance				11,308		11,308
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		_		_		_
I minering 0000		-		_		_
Fund Balance, Beginning of Year		44,760		44,760		
Fund Balance, End of Year	\$	44,760	\$	44,760	\$	0

Notes to Required Supplementary Information August 31, 2023

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general, water plant and wastewater treatment plant funds by the District's consultants. The budgets reflect resources expected to be received during the current year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2023 and the budgets of the water plant fund and wastewater treatment plant fund were not amended during fiscal 2023.

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



Other Schedules Included Within This Report August 31, 2023

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

[X]	Notes Required by the Water District Accounting Manual See "Notes to Financial Statements," Pages 14-27
[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

Schedule of Services and Rates Year Ended August 31, 2023

1.	Services provided by the Distric	et:								
	X Retail Water X Retail Wastewater X Parks/Recreation Solid Waste/Garbage X Participates in joint venture X Other Recycling	, regio	nal syster	Whole Fire Pr Flood	sale Wate sale Was otection Control wastewat	tewater	e (other	Ir X R	Orainage rigation ecurity coads cy interconnect)	
2.	Retail service providers									
	a. Retail rates for a 5/8" meter (o	r equi	valent):							
			imum arge		imum sage	Flat Rate Y/N	Gall	Per 1,000 ons Over nimum	Usage Le	evels
	Water:	\$	5.00	10	,000	N	\$ \$ \$ \$	1.00 1.75 2.50 3.50 5.00	10,001 to 15,001 to 25,001 to 35,001 to 60,001 to	15,000 25,000 35,000 60,000 No Limit
	Wastewater:	\$	14.00		1	<u>Y</u>				
	Regional water fee:	\$	4.10		1	N	\$	4.10	1 to	No Limit
	Does the District employ winter	avera	ging for w	astewate	er usage?				Yes	No X
	Total charges per 10,000 gallons	usag	e (includin	g fees):		Wa	iter \$	46.00	Wastewater	\$ 14.00
	b. Water and wastewater retail c	onnec	tions:					_	_	
	Meter Size				Tota Connec			Active nnections	ESFC Factor	Active ESFC*
	Unmetered ≤ 3/4"			-		705		704	x1.0 x1.0	- 704
	1"			-		424		422	x2.5	1,055
	1 1/2"					11		11	x5.0	55
	2"					40		40	x8.0	320
	3" 4"			-		<u>-</u>			x15.0	- 25
	6"			-		1		1	x25.0 x50.0	25 50
	8"			-		1		1	x80.0	80
	10"			-		<u> </u>			x115.0	
	Total water			-		1,183		1,180	A113.0	2,289
	Total wastewater					1,123		1,121	x1.0	1,121
3.	Total water consumption (in the		ls) during	the fisca	ıl year:					
	Gallons pumped into the system	1:								589,196
	Gallons billed to customers:									537,970
	Water accountability ratio (gallo	ns bil	led/gallon	s pumpe	d):					91.31%

*"ESFC" means equivalent single-family connections

³³

Schedule of General Fund Expenditures Year Ended August 31, 2023

Personnel (including benefits)		\$ -
Professional Fees Auditing Legal Engineering Financial advisor	\$ 21,900 186,410 62,957	271,267
Purchased Services for Resale Bulk water and wastewater service purchases		1,834,168
Regional Water Fee		-
Contracted Services Bookkeeping General manager Appraisal district Tax collector Security Other contracted services	24,400 - - - 74,388 54,342	153,130
Utilities		3,161
Repairs and Maintenance		436,885
Administrative Expenditures Directors' fees Office supplies Insurance Other administrative expenditures	31,768 22,714 10,659 46,521	111,662
Capital Outlay Capitalized assets Expenditures not capitalized	91,623 457,253	548,876
Tap Connection Expenditures		3,948
Solid Waste Disposal/Recycling		61,221
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		 31,216
Total expenditures		\$ 3,455,534

Schedule of Temporary Investments August 31, 2023

	Interest Rate	Maturity Date	Face Amount	Int	crued terest eivable
General Fund					
Certificate of deposit:					
No. 626876	3.25%	10/29/23	\$ 225,337	\$	6,140
TexPool	5.33%	Demand	1,389,657		-
TexPool	5.33%	Demand	1,050,604		-
Texas CLASS	5.49%	Demand	 1,676,289		
			4,341,887		6,140
Debt Service Fund					
TexPool	5.33%	Demand	 472,881		
Totals			\$ 4,814,768	\$	6,140

Analysis of Taxes Levied and Receivable Year Ended August 31, 2023

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year Additions and corrections to prior years' taxes	\$ 5,669 (13,773)	\$ 8,241 (18,396)
Adjusted receivable, beginning of year	(8,104)	(10,155)
2022 Original Tax Levy Additions and corrections	1,094,129 77,475	1,266,885 89,708
Adjusted tax levy	1,171,604	1,356,593
Total to be accounted for	1,163,500	1,346,438
Tax (collections) repayments: Current year Prior years	(1,170,531) 11,784	(1,355,351) 15,392
Receivable, end of year	\$ 4,753	\$ 6,479
Receivable, by Years		
2022	\$ 1,073	\$ 1,242
2021	897	1,163
2020	448	555
2019	933	1,374
2018	585	901
2017	616	869
2016	61	89
2015	50	82
2014	47	89
2013	39	102
2004	1	3
2003	3	10
Receivable, end of year	\$ 4,753	\$ 6,479

Analysis of Taxes Levied and Receivable (Continued) Year Ended August 31, 2023

	2022	2021	2020	2019
Property Valuations				
Land	\$ 129,043,156	\$ 125,823,982	\$ 104,957,234	\$ 103,300,025
Improvements	536,212,119	435,549,684	429,226,412	414,828,038
Personal property	23,014,033	20,445,358	21,759,115	24,070,905
Exemptions	(71,635,883)	(14,362,684)	(12,655,549)	(11,187,173)
Total property valuations	\$ 616,633,425	\$ 567,456,340	\$ 543,287,212	\$ 531,011,795
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.2200	\$ 0.2550	\$ 0.2600	\$ 0.2800
Maintenance tax rates*	0.1900	0.1950	0.2100	0.1900
Total tax rates per \$100 valuation	\$ 0.4100	\$ 0.4500	\$ 0.4700	\$ 0.4700
Tax Levy	\$ 2,528,197	\$ 2,553,554	\$ 2,553,450	\$ 2,495,755
Percent of Taxes Collected to Taxes Levied**	99%	99%	99%	99%

^{*}Maximum tax rate approved by voters: \$1.50 on August 10, 1996

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

Schedule of Long-term Debt Service Requirements by Years August 31, 2023

Refunding Series 2019 Due During Principal Interest Due Fiscal Years Due March 1, **Ending August 31** September 1 September 1 **Total** \$ \$ 2024 860,000 \$ 34,900 894,900 2025 455,000 9,100 464,100

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

1,315,000

44,000

1,359,000

Totals

Changes in Long-term Bonded Debt Year Ended August 31, 2023

_	Bond Issues					
_		unding es 2014		efunding ries 2019		Totals
Interest rates	3.	00%		.00% to 3.00%		
Dates interest payable		arch 1/ ember 1		March 1/ ptember 1		
Maturity dates			•	otember 1, 024/2025		
Bonds outstanding, beginning of current year	\$	335,000	\$	2,190,000	\$	2,525,000
Retirements, principal		335,000	,	875,000		1,210,000
Bonds outstanding, end of current year	\$	0	\$	1,315,000	\$	1,315,000
Interest paid during current year	\$	10,050	\$	61,150	\$	71,200

Paying agent's name and address:

Series 2014 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2019 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	<u> </u>	ax Bonds	Other Bonds	R	Refunding Bonds
Amount authorized by voters	\$	41,200,000	0	\$	24,720,000
Amount issued	\$	19,995,000	0	\$	1,093,364
Remaining to be issued	\$	21,205,000	0	\$	23,626,636
Debt service fund cash and temporary investmen	t balan	ces as of August	t 31, 2023:	\$	574,028
Average annual debt service payment (principal a	and inte	rest) for remaini	ing term of all debt:	\$	679,500

Comparative Schedule of Revenues and Expenditures – General Fund Five Years Ended August 31,

			Amounts		
	2023	2022	2021	2020	2019
General Fund	•				
Revenues					
Property taxes	\$ 1,158,747	\$ 1,094,680	\$ 1,136,247	\$ 1,009,474	\$ 936,546
City of Houston rebates	214,292	231,618	209,242	194,576	173,091
Water service	360,819	377,449	312,259	340,593	319,401
Sewer service	281,195	280,743	285,450	277,745	279,910
Regional water fee	1,056,296	1,197,729	1,000,697	979,937	817,432
Penalty and interest	15,648	11,683	3,607	5,909	10,725
Tap connection and inspection fees	2,250	1,360	1,650	625	1,925
Investment income	207,860	23,672	3,431	47,433	84,914
Other income	5,090	22,797	16,344	4,850	7,286
Total revenues	3,302,197	3,241,731	2,968,927	2,861,142	2,631,230
Expenditures					
Service operations:					
Purchased services	1,834,168	1,809,283	1,528,191	1,394,406	1,352,447
Professional fees	271,267	202,634	165,252	262,127	264,440
Contracted services	214,351	213,915	204,809	212,766	243,483
Utilities	3,161	5,843	16,008	10,195	10,241
Repairs and maintenance	436,885	385,530	228,578	266,492	118,626
Other expenditures	111,662	127,654	83,323	103,186	116,091
Tap connections	3,948	-	-	-	-
Capital outlay	548,876	80,177	522,447	868,792	205,124
Debt service, debt issuance costs	31,216	6,017			
Total expenditures	3,455,534	2,831,053	2,748,608	3,117,964	2,310,452
Excess (Deficiency) of Revenues Over					
Expenditures	(153,337)	410,678	220,319	(256,822)	320,778
Fund Balance, Beginning of Year	4,680,289	4,269,611	4,049,292	4,306,114	3,985,336
Fund Balance, End of Year	\$ 4,526,952	\$ 4,680,289	\$ 4,269,611	\$ 4,049,292	\$ 4,306,114
Total Active Retail Water Connections	1,180	1,181	1,179	1,180	1,178
Total Active Retail Wastewater Connections	1,121	1,122	1,120	1,121	1,120

Parcent	Λf	Fund	Total	Revenues

2023	2022	2021	2020	2019
35.1 %	33.8 %	38.3 %	35.3 %	35.6
6.5	7.1	7.0	6.8	6.6
10.9	11.6	10.5	11.9	12.1
8.5	8.7	9.6	9.7	10.6
32.0	36.9	33.7	34.2	31.1
0.5	0.4	0.1	0.2	0.4
0.1	0.0	0.1	0.0	0.1
6.3	0.7	0.1	1.7	3.3
0.1	0.8	0.6	0.2	0.2
100.0	100.0	100.0	100.0	100.0
55.5	55.8	51.5	48.7	51.4
8.2	6.2	5.6	9.2	10.5
6.5	6.6	6.9	7.4	9.3
0.1	0.2	0.5	0.4	0.4
13.2	11.9	7.7	9.3	4.5
3.4	3.9	2.8	3.6	4.4
0.1	-	-	-	-
16.6	2.5	17.6	30.4	7.3
1.0	0.2		<u> </u>	-
104.6	87.3	92.6	109.0	87.8

Comparative Schedule of Revenues and Expenditures – Debt Service Fund Five Years Ended August 31,

	Amounts					
	2023	2022	2021	2020	2019	
bt Service Fund						
Revenues						
Property taxes	\$ 1,339,959	\$ 1,432,717	\$ 1,406,122	\$ 1,487,736	\$ 1,444,327	
Penalty and interest	7,528	11,935	15,448	11,324	27,277	
Investment income	52,202	7,902	648	6,585	27,103	
Other income					61	
Total revenues	1,399,689	1,452,554	1,422,218	1,505,645	1,498,768	
Expenditures						
Current:						
Professional fees	1,675	6,006	1,008	2,758	1,767	
Contracted services	38,181	32,122	36,522	37,426	39,717	
Other expenditures	7,589	11,724	5,290	15,283	8,408	
Debt service:						
Principal retirement	1,210,000	1,295,000	1,275,000	1,275,000	1,165,000	
Interest and fees	72,700	111,550	148,775	168,576	260,339	
Debt issuance costs				140,030		
Total expenditures	1,330,145	1,456,402	1,466,595	1,639,073	1,475,231	
Excess (Deficiency) of Revenues Over						
Expenditures	69,544	(3,848)	(44,377)	(133,428)	23,537	
Other Financing Sources (Uses)						
Payments to escrow agent	-	-	-	(3,267,892)	-	
General obligation bonds issued	-	-	-	3,265,000	-	
Premium on debt issued				142,834		
Total other financing sources	0	0	0	139,942	0	
Excess (Deficiency) of Revenues and Other						
Financing Sources Over Expenditures						
and Other Financing Uses	69,544	(3,848)	(44,377)	6,514	23,537	
Fund Balance, Beginning of Year	491,618	495,466	539,843	533,329	509,792	

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
95.7 %	98.6 %	98.9 %	98.8 %	96.4
0.6	0.8	1.1	0.8	1.8
3.7	0.6	0.0	0.4	1.8
<u> </u>			<u> </u>	0.0
100.0	100.0	100.0	100.0	100.0
0.1	0.4	0.1	0.2	0.1
2.7	2.2	2.6	2.5	2.7
0.5	0.8	0.4	1.0	0.6
86.5	89.2	89.6	84.7	77.7
5.2	7.7	10.4	11.2	17.4
<u> </u>	<u> </u>	<u> </u>	9.3	
95.0	100.3	103.1	108.9	98.5
5.0 %	(0.3) %	(3.1) %	(8.9) %	1.5

Board Members, Key Personnel and Consultants Year Ended August 31, 2023

Complete District mailing address: Harris County Municipal Utility District No. 365

Term of

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): May 19, 2022

Limit on fees of office that a director may receive during a fiscal year:

Board Members	Office Elected & Expires	Fees*		Expense Reimbursements		Title at Year-end
	Elected					
	05/20-					
Joe Myers	05/24	\$	5,842	\$	2,416	President
	Elected					
	05/22-					Vice
Gregory Coleman	05/26		5,463		2,290	President
	Elected					
	05/22-					
Cathy Cropper	05/26		6,063		2,529	Secretary
	Elected					Assistant
	05/20-					Vice
Angela Small	05/24		7,200		2,589	President
	Appointed					
	03/22-					Assistant
Ann Nguyen Moor	05/24		7,200		3,220	Secretary

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

7,200

Board Members, Key Personnel and Consultants (Continued) Year Ended August 31, 2023

	Fees and				
Consultants	Date Hired	Expense Reimbursements	Title		
Allen Boone Humphries Robinson LLP	07/28/03	\$ 189,579	Attorney		
Bob Leared Interests	06/04/97	30,983	Tax Assessor/ Collector		
Burke Engineering LLC	05/11/20	234,209	Engineer		
FORVIS, LLP	07/16/98	26,900	Auditor		
Harris Central Appraisal District	Legislative Action	18,548	Appraiser		
Masterson Advisors LLC	05/17/18	0	Financial Advisor		
Myrtle Cruz, Inc.	03/19/19	47,344	Bookkeeper		
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/01/97	1,675	Tax Attorney		
Si Environmental, LLC	07/01/12	786,794	Operator		
Investment Officer					
Mary Jarmon	04/18/19	N/A	Bookkeeper		