

HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 157
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
DECEMBER 31, 2023

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April 16, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 157
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 157 as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 157's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 157, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 157, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 157's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I: 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 Harris County Municipal Utility District No. 157'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 157's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 information 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 157's basic financial statements. The supplementary information on Pages 25 to 44 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located in the lower right quadrant of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 157 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. 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. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as security service and garbage 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 and liabilities owned by 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 total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' 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. 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 period.

Although the statement of activities looks different from a commercial enterprise's income statement, 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 fund financial statements consist of a balance sheet and statement of revenues, expenditures and change 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 and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities 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 are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the 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.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. The financial objective for the Special Revenue Fund is to insure that the expenditures in the funds are billed to the participants in accordance with the contract. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 21,147,128	\$ 17,357,195	\$ 3,789,933
Capital assets	23,471,023	23,255,821	215,202
Total assets	<u>44,618,151</u>	<u>40,613,016</u>	<u>4,005,135</u>
Long-term liabilities	29,490,518	28,469,326	1,021,192
Other liabilities	4,420,848	4,577,949	(157,101)
Total liabilities	<u>33,911,366</u>	<u>33,047,275</u>	<u>864,091</u>
Total deferred inflows of resources	<u>5,800,987</u>	<u>5,595,254</u>	<u>205,733</u>
Net position:			
Invested in capital assets, net of related debt	(8,745,835)	(7,822,989)	(922,846)
Restricted	4,435,011	3,309,720	1,125,291
Unrestricted	9,216,622	6,483,756	2,732,866
Total net position	<u>\$ 4,905,798</u>	<u>\$ 1,970,487</u>	<u>\$ 2,935,311</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 5,618,059	\$ 5,051,973	\$ 566,086
Charges for services	6,472,469	5,231,033	1,241,436
Other revenues	925,112	364,503	560,609
Total revenues	<u>13,015,640</u>	<u>10,647,509</u>	<u>2,368,131</u>
Expenses:			
Service operations	8,828,396	7,450,477	1,377,919
Debt service	1,251,933	997,486	254,447
Total expenses	<u>10,080,329</u>	<u>8,447,963</u>	<u>1,632,366</u>
Change in net position	2,935,311	2,199,546	735,765
Net position, beginning of year	<u>1,970,487</u>	<u>(229,059)</u>	<u>2,199,546</u>
Net position, end of year	<u>\$ 4,905,798</u>	<u>\$ 1,970,487</u>	<u>\$ 2,935,311</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2023, were \$14,270,075, an increase of \$3,915,879 from the prior year.

The General Fund balance increased by \$2,725,342, as revenues and the reimbursement of \$1,059,372 from the Capital Projects Fund exceeded expenditures.

The Special Revenue Fund balance increased by \$52,714 due to the increase in the operating reserve.

The Debt Service Fund balance increased by \$161,512, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$976,311, as bond proceeds and interest earnings on deposits and investments exceeded authorized expenditures and the reimbursement of \$1,059,372 to the General Fund.

General Fund Budgetary Highlights

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated an increase in the fund balance during the year of \$619,933. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase in the fund balance during the year of \$791,336. The original budget was amended to reduce estimated garbage disposal expenditures.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of December 31, 2023, was expected to be \$7,250,550 and the actual end of year fund balance was \$9,184,555.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land and easements	\$ 852,156	\$ 593,876	\$ 258,280
Detention ponds	3,542,604	3,542,604	0
Construction in progress	174,240	97,043	77,197
Water facilities	9,717,857	9,569,602	148,255
Sewer facilities	9,184,166	9,452,696	(268,530)
Totals	<u>\$ 23,471,023</u>	<u>\$ 23,255,821</u>	<u>\$ 215,202</u>

Changes to capital assets during the fiscal year ended December 31, 2023, are summarized as follows:

Additions:		
Land acquisition		\$ 258,280
Water system improvements		767,232
Sewer system improvements		280,131
Total additions to capital assets		<u>1,305,643</u>
Decreases:		
Depreciation		<u>(1,090,441)</u>
Net change to capital assets		<u>\$ 215,202</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Bonded debt payable, beginning of year	\$ 30,305,000
Sale of bonds	3,825,000
Bonds paid	<u>(2,575,000)</u>
Bonded debt payable, end of year	<u>\$ 31,555,000</u>

At December 31, 2023, the District had \$19,765,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The Series 2015, 2015A, 2016, 2017, 2019 and 2023 bonds have an underlying rating of A1 from Moody's. The Series 2014 bonds do not have an underlying rating. The Series 2015, 2015A, 2016 and 2017 bonds are insured by Build America Mutual Assurance Company. The Series 2019 and 2023 bonds are insured by Assured Guaranty Municipal Corp. Because of the insurance, the Series 2015, 2015A, 2016, 2017, 2019 and 2023 bonds are rated AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended December 31, 2023.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$132,000,000 for the 2023 tax year (about 14%) due to the addition of new houses to the tax base and the increase in the average assessed valuations on existing property.

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 District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston, subject to the agreement described below. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 20, 2007. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City (the "Partial District") for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. No other City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The City pays the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within, the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. The Subsidence District has designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. The Authority's groundwater pumpage fee was equal to \$3.95 as of December 31, 2023, and is expected to increase in the future. The Authority's surface water usage fee was equal to \$4.35 as of December 31, 2023, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2023

	General	Special Revenue Fund	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS							
Cash, including interest-bearing accounts, Note 7	\$ 792,033	\$ 163,120	\$ 1,310,907	\$ 525	\$ 2,266,585	\$	\$ 2,266,585
Temporary investments, at cost, Note 7	8,267,864	144,591	2,570,393	2,875,068	13,857,916		13,857,916
Receivables:							
Property taxes	1,588,535		2,724,717		4,313,252		4,313,252
Accrued penalty and interest on property taxes					0	57,521	57,521
Service accounts	438,622				438,622		438,622
Sales and Use Taxes, Note 11	59,062				59,062		59,062
Due from other district		52,568			52,568		52,568
Other	6,768	14,370			21,138		21,138
Maintenance taxes collected not yet transferred from other fund	473,923				473,923	(473,923)	0
Due from other fund	621,826	66,093			687,919	(687,919)	0
Prepaid expenditures	80,464				80,464		80,464
Operating reserve at sewage treatment plant, Note 9	240,513				240,513	(240,513)	0
Capital assets, net of accumulated depreciation, Note 4:							
Capital assets not being depreciated					0	4,569,000	4,569,000
Depreciable capital assets					0	18,902,023	18,902,023
Total assets	<u>\$12,569,610</u>	<u>\$ 440,742</u>	<u>\$ 6,606,017</u>	<u>\$ 2,875,593</u>	<u>\$ 22,491,962</u>	<u>22,126,189</u>	<u>44,618,151</u>
LIABILITIES							
Accounts payable	\$ 424,959		\$ 9,887		\$ 434,846		434,846
Accrued interest payable					0	346,011	346,011
Customer and builder deposits	713,422				713,422		713,422
Maintenance taxes collected not yet transferred to other fund			473,923		473,923	(473,923)	0
Due to other fund	66,093			621,826	687,919	(687,919)	0
Other district equity in joint venture					0	200,229	200,229
Long-term liabilities, Note 5:							
Due within one year					0	2,726,340	2,726,340
Due in more than one year					0	29,490,518	29,490,518
Total liabilities	<u>1,204,474</u>	<u>0</u>	<u>483,810</u>	<u>621,826</u>	<u>2,310,110</u>	<u>31,601,256</u>	<u>33,911,366</u>
DEFERRED INFLOWS OF RESOURCES							
Property tax revenues	<u>2,180,581</u>	<u>0</u>	<u>3,731,196</u>	<u>0</u>	<u>5,911,777</u>	<u>(110,790)</u>	<u>5,800,987</u>
FUND BALANCES / NET POSITION							
Fund balances:							
Reserved for:							
Operating reserve at sewage treatment plant, Note 9	240,513				240,513	(240,513)	0
Assigned to:							
Debt service			2,391,011		2,391,011	(2,391,011)	0
Capital projects				2,253,767	2,253,767	(2,253,767)	0
Operating reserve at sewage treatment plant, Note 9		440,742			440,742	(440,742)	0
Unassigned	8,944,042				8,944,042	(8,944,042)	0
Total fund balances	<u>9,184,555</u>	<u>440,742</u>	<u>2,391,011</u>	<u>2,253,767</u>	<u>14,270,075</u>	<u>(14,270,075)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$12,569,610</u>	<u>\$ 440,742</u>	<u>\$ 6,606,017</u>	<u>\$ 2,875,593</u>	<u>\$ 22,491,962</u>		
Net position:							
Invested in capital assets, net of related debt, Note 4						(8,745,835)	(8,745,835)
Restricted for debt service						2,181,244	2,181,244
Restricted for capital projects						2,253,767	2,253,767
Unrestricted						9,216,622	9,216,622
Total net position						<u>\$ 4,905,798</u>	<u>\$ 4,905,798</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Regional WWTP Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES							
Property taxes	\$ 1,871,868		\$ 3,654,595		\$ 5,526,463	\$ 15,183	\$ 5,541,646
Water service	1,345,012				1,345,012		1,345,012
Sewer service	1,703,688				1,703,688		1,703,688
Surface water fees, Note 10	1,934,351				1,934,351		1,934,351
From participants in plant		1,567,092			1,567,092	(879,567)	687,525
Penalty and interest	142,839		70,463		213,302	5,950	219,252
Tap connection and inspection fees	550,951				550,951		550,951
Sales and Use Taxes, Note 11	226,623				226,623		226,623
Interest on deposits and investments	426,936	5,273	136,721	129,559	698,489		698,489
Other revenues	108,103				108,103		108,103
Total revenues	8,310,371	1,572,365	3,861,779	129,559	13,874,074	(858,434)	13,015,640
EXPENDITURES / EXPENSES							
Service operations:							
Purchased sewer services, Note 9	879,567				879,567	(879,567)	0
Professional fees	260,014	17,731	21,019		298,764		298,764
Contracted services	258,067	100,335	97,813		456,215		456,215
Utilities	136,615	150,614			287,229		287,229
Utilities, street lights	143,575				143,575		143,575
Groundwater pumpage fees, Note 10	1,871,213				1,871,213		1,871,213
Repairs and maintenance	1,000,436	500,755			1,501,191		1,501,191
Other operating expenditures	270,632	715,828			986,460		986,460
Security service	282,855	31,687			314,542		314,542
Garbage disposal	1,044,878				1,044,878		1,044,878
Administrative expenditures	188,360	55,415	13,290		257,065		257,065
Depreciation					0	1,090,441	1,090,441
Capital outlay / non-capital outlay	308,189			1,531,462	1,839,651	(1,305,643)	534,008
Debt service:							
Principal retirement			2,575,000		2,575,000	(2,575,000)	0
Bond issuance expenditures				264,400	264,400		264,400
Interest and fees			993,145	42,815	1,035,960	(5,612)	1,030,348
Total expenditures / expenses	6,644,401	1,572,365	3,700,267	1,838,677	13,755,710	(3,675,381)	10,080,329
Excess (deficiency) of revenues over expenditures	1,665,970	0	161,512	(1,709,118)	118,364	2,816,947	2,935,311
OTHER FINANCING SOURCES (USES)							
Bonds issued, Note 5			80,199	3,744,801	3,825,000	(3,825,000)	0
Bond issuance discount, Note 5			(80,199)		(80,199)	80,199	0
Reimbursement to (from) other fund, Note 7	1,059,372			(1,059,372)	0	0	0
Increase (decrease) in operating reserve		52,714			52,714	(52,714)	0
Total other financing sources (uses)	1,059,372	52,714	0	2,685,429	3,797,515	(3,797,515)	0
Net change in fund balances / net position	2,725,342	52,714	161,512	976,311	3,915,879	(980,568)	2,935,311
Beginning of year	6,459,213	388,028	2,229,499	1,277,456	10,354,196	(8,383,709)	1,970,487
End of year	<u>\$ 9,184,555</u>	<u>\$ 440,742</u>	<u>\$ 2,391,011</u>	<u>\$ 2,253,767</u>	<u>\$ 14,270,075</u>	<u>\$ (9,364,277)</u>	<u>\$ 4,905,798</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 157 (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective December 5, 1977, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on April 4, 1978, and the first bonds were sold on July 8, 1980. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District is the owner and manager of the Harris County Municipal Utility District No. 157 Regional Wastewater Treatment Plant (the "Plant"). Oversight of the Plant is exercised by the Board of Directors of the District and financial activity of the Plant has been included as a component unit in the financial statements of the District. The Plant's General Fund has been reported as the Special Revenue Fund of the District. Transactions with this joint venture are described in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Special Revenue Fund -- To account for all revenues and expenditures of the general operations of the Harris County Municipal Utility District No. 157 Regional Wastewater Treatment Plant.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 14,270,075
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net		23,471,023
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (31,555,000)	
Deferred charge on refunding (to be amortized as interest expense)	258,545	
Issuance premium, net of discount (to be amortized as interest expense)	<u>(920,403)</u>	(32,216,858)
The assets in the special revenue fund are owned by the District and other participants in the joint venture:		
The District's equity	(240,513)	
Other participants' equity	<u>(200,229)</u>	(440,742)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	57,521	
Uncollected property taxes	<u>110,790</u>	168,311
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(346,011)</u>
Net position, end of year		<u>\$ 4,905,798</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 3,915,879
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 1,305,643	
Depreciation	<u>(1,090,441)</u>	215,202
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Bonds issued	(3,825,000)	
Principal reduction	<u>2,575,000</u>	(1,250,000)
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(50,969)	
Issuance premium, net of discount	<u>162,921</u>	111,952
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	5,950	
Uncollected property taxes	<u>15,183</u>	21,133
<p>Changes in the in the special revenue fund reserve are due to contributions from the participants in the joint venture</p>		
		(52,714)
<p>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 the funds:</p>		
Accrued interest		<u>(26,141)</u>
Change in net position		<u>\$ 2,935,311</u>

NOTE 4: CAPITAL ASSETS

At December 31, 2023, “Invested in capital assets, net of related debt” was \$(8,745,835). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) 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 facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$10,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 593,876	\$ 258,280	\$	\$ 852,156
Detention ponds	3,542,604			3,542,604
Construction in progress	<u>97,043</u>	<u>77,197</u>		<u>174,240</u>
Total capital assets not being depreciated	<u>4,233,523</u>	<u>335,477</u>	<u>0</u>	<u>4,569,000</u>
Depreciable capital assets:				
Water system	18,526,729	767,232		19,293,961
Sewer system	<u>18,213,267</u>	<u>202,934</u>		<u>18,416,201</u>
Total depreciable capital assets	<u>36,739,996</u>	<u>970,166</u>	<u>0</u>	<u>37,710,162</u>
Less accumulated depreciation for:				
Water system	(8,957,127)	(618,977)		(9,576,104)
Sewer system	<u>(8,760,571)</u>	<u>(471,464)</u>		<u>(9,232,035)</u>
Total accumulated depreciation	<u>(17,717,698)</u>	<u>(1,090,441)</u>	<u>0</u>	<u>(18,808,139)</u>
Total depreciable capital assets, net	<u>19,022,298</u>	<u>(120,275)</u>	<u>0</u>	<u>18,902,023</u>
Total capital assets, net	<u>\$ 23,255,821</u>	<u>\$ 215,202</u>	<u>\$ 0</u>	<u>\$ 23,471,023</u>
Changes to capital assets:				
Capital outlay		\$ 1,305,643	\$	
Less depreciation expense for the fiscal year		<u>(1,090,441)</u>		
Net increases / decreases to capital assets		<u>\$ 215,202</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 30,305,000	\$ 3,825,000	\$ 2,575,000	\$ 31,555,000	\$ 2,655,000
Less deferred amounts:					
For issuance (discounts) premiums	1,083,324	(80,199)	82,722	920,403	117,843
For refunding	<u>(309,514)</u>		<u>(50,969)</u>	<u>(258,545)</u>	<u>(46,503)</u>
Total bonds payable	<u>31,078,810</u>	<u>3,744,801</u>	<u>2,606,753</u>	<u>32,216,858</u>	<u>2,726,340</u>
Total long-term liabilities	<u>\$ 31,078,810</u>	<u>\$ 3,744,801</u>	<u>\$ 2,606,753</u>	<u>\$ 32,216,858</u>	<u>\$ 2,726,340</u>

Developer Construction Commitments and Liabilities

At December 31, 2023, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2023, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,655,000	\$ 998,311	\$ 3,653,311
2025	2,715,000	917,851	3,632,851
2026	2,770,000	833,362	3,603,362
2027	2,805,000	750,332	3,555,332
2028	2,830,000	670,780	3,500,780
2029 - 2033	14,005,000	1,957,658	15,962,658
2034 - 2038	2,775,000	453,250	3,228,250
2039 - 2040	<u>1,000,000</u>	<u>40,000</u>	<u>1,040,000</u>
	<u>\$ 31,555,000</u>	<u>\$ 6,621,544</u>	<u>\$ 38,176,544</u>

Bonds voted	\$ 74,500,000
Bonds approved for sale and sold	54,735,000
Bonds voted and not issued	19,765,000
Refunding bonds voted	12,000,000
Refunding bonds approved for sale and sold	3,687,346
Refunding bonds voted and not issued	8,312,654

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

The bond issues payable at December 31, 2023, were as follows:

	<u>Refunding Series 2014</u>	<u>Series 2015</u>	<u>Refunding Series 2015A</u>
Amounts outstanding, December 31, 2023	\$1,535,000	\$3,520,000	\$5,180,000
Interest rates	2.93%	2.50% to 3.25%	3.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2024/2028	March 1, 2024/2033	March 1, 2024/2033
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2022*	March 1, 2023*	March 1, 2023*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Refunding Series 2016</u>	<u>Series 2017</u>	<u>Refunding Series 2019</u>
Amounts outstanding, December 31, 2023	\$5,035,000	\$4,450,000	\$8,010,000
Interest rates	4.00%	2.00% to 3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2024/2033	March 1, 2024/2034	March 1, 2024/2032
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	March 1, 2025*	March 1, 2024*	March 1, 2025*
	<u>Series 2023</u>		
Amounts outstanding, December 31, 2023	\$3,825,000		
Interest rates	4.00% to 4.50%		
Maturity dates, serially beginning/ending	March 1, 2024/2040		
Interest payment dates	March 1/September 1		
Callable dates	March 1, 2025*		

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held January 15, 1983, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 17, 2023, the District levied the following ad valorem taxes for the 2023 tax year and the 2024 fiscal year on the adjusted taxable valuation of \$1,074,256,698:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.3400	\$ 3,652,473
Maintenance	<u>0.2000</u>	<u>2,148,514</u>
	<u>\$ 0.5400</u>	<u>\$ 5,800,987</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2023 tax year total property tax levy	\$ 5,800,987
2023 tax year total property tax levy deferred to 2024 fiscal year	(5,800,987)
2022 tax year total property tax levy deferred to 2023 fiscal year	5,595,254
Appraisal district adjustments to prior year taxes	<u>(53,608)</u>
Statement of Activities property tax revenues	<u>\$ 5,541,646</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$2,266,585 and the bank balance was \$2,131,641. Of the bank balance, \$500,000 was covered by federal insurance, \$1,269,966 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas and \$361,675 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$13,857,916.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:

Cash	\$ 1,310,907
Temporary investments	<u>2,570,393</u>
	<u>\$ 3,881,300</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 525
Temporary investments	<u>2,875,068</u>
	<u>\$ 2,875,593</u>

During the year ended December 31, 2023, the District reimbursed the General Fund \$1,059,372 from the Capital Projects Fund in accordance with the rules of the Texas Commission on Environmental Quality.

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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At December 31, 2023, the District had physical damage and boiler and machinery coverage of \$34,405,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, automobile coverage of \$1,000,000, consultant’s crime coverage of \$100,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACT WITH OTHER DISTRICT

The District is the owner and manager of the Harris County Municipal Utility District No. 157 Regional Wastewater Treatment Plant (the "Plant"). On July 3, 2003, Harris County Municipal Utility District No. 157 and Harris County Municipal Utility District No. 165 entered into a Restated Permanent Waste Disposal Agreement (the "Restated Agreement") which replaced the prior agreement. The term of the Restated Agreement is 50 years. At December 31, 2023, ownership of each participating district's operating capacity in the Plant was as follows: Harris County Municipal Utility District No. 157 -- 54.57%; Harris County Municipal Utility District No. 165 -- 45.43%. Oversight of the Plant is exercised by the Board of Directors of the District and financial activity of the Plant has been included in the financial statements of the District. The Plant's General Fund has been reported as the Special Revenue Fund of the District. Construction costs of the Plant are funded by the contribution of funds from each participating district. Expansion costs of the Plant are to be based upon each participant’s share of the expansion. The Plant issues no debt.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Each participant is responsible only for its share of the operating costs of the Plant. Participants are billed a monthly amount which is based upon actual costs incurred during the prior month as allocated based upon capacity owned and the number of equivalent connections within each participating district. The District has contributed \$240,513 of the Plant's \$440,742 operating reserve. The District's share of operating costs was \$879,567 for the year ended December 31, 2023.

NOTE 10: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2003. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of December 31, 2023, the Authority had established a groundwater pumpage fee of \$3.95 per 1,000 gallons of water pumped from each regulated well. The pumpage fees payable by the District to the Authority for the fiscal year ended December 31, 2023, were \$1,871,213. The District billed its customers \$1,934,351 during the fiscal year to pay for the fees charged by the Authority.

NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT

Effective December 20, 2007, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The term of the Agreement is 30 years. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$226,623 from the City for the year ended December 31, 2023, of which \$59,062 was receivable at that date.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Property taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,871,868	\$ 171,868
Water service	990,000	990,000	1,345,012	355,012
Sewer service	1,536,000	1,536,000	1,703,688	167,688
Surface water fees	2,088,000	2,088,000	1,934,351	(153,649)
Penalty	96,000	96,000	142,839	46,839
Tap connection and inspection fees	0	0	550,951	550,951
Sales and Use Taxes	156,000	156,000	226,623	70,623
Interest on deposits and investments	48,000	48,000	426,936	378,936
Other revenues	38,400	38,400	108,103	69,703
TOTAL REVENUES	6,652,400	6,652,400	8,310,371	1,657,971
EXPENDITURES				
Service operations:				
Purchased sewer services	649,764	649,764	879,567	229,803
Professional fees	190,950	190,950	260,014	69,064
Contracted services	220,340	220,340	258,067	37,727
Utilities	150,000	150,000	136,615	(13,385)
Utilities, street lights	139,200	139,200	143,575	4,375
Groundwater pumpage fees	2,088,000	2,088,000	1,871,213	(216,787)
Repairs and maintenance	788,120	788,120	1,000,436	212,316
Other operating expenditures	176,230	176,230	270,632	94,402
Security service	279,372	279,372	282,855	3,483
Garbage disposal	1,096,360	924,956	1,044,878	119,922
Administrative expenditures	254,131	254,131	188,360	(65,771)
Capital outlay	0	0	308,189	308,189
TOTAL EXPENDITURES	6,032,467	5,861,063	6,644,401	783,338
EXCESS REVENUES (EXPENDITURES)	619,933	791,337	1,665,970	874,633
OTHER FINANCING SOURCES (USES)				
Reimbursement from other fund	0	0	1,059,372	1,059,372
TOTAL OTHER FINANCIAL SOURCES (USES)	0	0	1,059,372	1,059,372
EXCESS SOURCES (USES)	619,933	791,337	2,725,342	1,934,005
FUND BALANCE, BEGINNING OF YEAR	6,459,213	6,459,213	6,459,213	0
FUND BALANCE, END OF YEAR	\$ 7,079,146	\$ 7,250,550	\$ 9,184,555	\$ 1,934,005

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, REGIONAL WASTEWATER TREATMENT PLANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From participants in plant:				
Harris County Municipal Utility District No. 157	\$ 649,794	\$ 649,794	\$ 879,567	\$ 229,773
Harris County Municipal Utility District No. 165	512,131	512,131	687,525	175,394
Interest on deposits and investments	2,160	2,160	5,273	3,113
TOTAL REVENUES	<u>1,164,085</u>	<u>1,164,085</u>	<u>1,572,365</u>	<u>408,280</u>
EXPENDITURES				
Service operations:				
Professional fees	12,775	12,775	17,731	4,956
Contracted services	84,240	84,240	100,335	16,095
Utilities	154,800	154,800	150,614	(4,186)
Repairs and maintenance	312,080	312,080	500,755	188,675
Other operating expenditures	524,950	524,950	715,828	190,878
Security service	31,200	31,200	31,687	487
Administrative expenditures	44,040	44,040	55,415	11,375
Capital outlay	0	0	0	0
TOTAL EXPENDITURES	<u>1,164,085</u>	<u>1,164,085</u>	<u>1,572,365</u>	<u>408,280</u>
EXCESS REVENUES (EXPENDITURES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Increase (decrease) in operating reserve	0	0	52,714	52,714
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>	<u>52,714</u>	<u>52,714</u>
EXCESS SOURCES (USES)	<u>0</u>	<u>0</u>	<u>52,714</u>	<u>52,714</u>
FUND BALANCE, BEGINNING OF YEAR	<u>388,028</u>	<u>388,028</u>	<u>388,028</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 388,028</u>	<u>\$ 388,028</u>	<u>\$ 440,742</u>	<u>\$ 52,714</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DECEMBER 31, 2023

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2023

1. Services Provided by the District during the Fiscal Year:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input checked="" 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 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$14.00	5,000	N	\$1.50 2.00 3.00	5,001 to 10,000 10,001 to 20,000 Over 20,000
WASTEWATER:	\$34.30		Y		

SURCHARGE: \$4.57 per 1,000 gallons of water used. – WHCRWA surface water fees.

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$21.50 Wastewater: \$34.30 Surcharge: \$45.70

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF SERVICES AND RATES (Continued)

DECEMBER 31, 2023

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	4,028	3,995	1.0	3,995
1"	43	43	2.5	108
1-1/2"	15	15	5.0	75
2"	68	68	8.0	544
3"	1	1	15.0	15
4"	1	1	25.0	25
6"	4	4	50.0	200
8"	4	4	80.0	320
10"	0	0	115.0	0
Total Water	<u>4,164</u>	<u>4,131</u>		<u>5,282</u>
Total Wastewater	<u>4,066</u>	<u>4,033</u>	1.0	<u>4,033</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 479,341
 Gallons billed to customers (unaudited): 429,920

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 90%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, date of the most recent Commission Order: _____

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT					
Purchased sewer services	\$ 879,567	\$ 0	\$ 0	\$ 0	\$ 879,567
Professional fees:					
Auditing	10,950	2,275			13,225
Legal	139,936	4,500	21,019		165,455
Engineering	109,128	10,956			120,084
	<u>260,014</u>	<u>17,731</u>	<u>21,019</u>	<u>0</u>	<u>298,764</u>
Contracted services:					
Bookkeeping	35,501	11,970			47,471
Operation and billing	218,961	88,365			307,326
Sales tax consultant	3,605				3,605
Tax assessor-collector			54,408		54,408
Central appraisal district			43,405		43,405
	<u>258,067</u>	<u>100,335</u>	<u>97,813</u>	<u>0</u>	<u>456,215</u>
Utilities	<u>136,615</u>	<u>150,614</u>	<u>0</u>	<u>0</u>	<u>287,229</u>
Utilities, street lights	<u>143,575</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>143,575</u>
Groundwater pumpage fees	<u>1,871,213</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,871,213</u>
Repairs and maintenance	<u>1,000,436</u>	<u>500,755</u>	<u>0</u>	<u>0</u>	<u>1,501,191</u>
Other operating expenditures:					
Sludge hauling		376,753			376,753
Chemicals	73,311	290,825			364,136
Laboratory costs	50,872	26,642			77,514
Inspection costs	62,276				62,276
Reconnection and transfer costs	23,930				23,930
TCEQ assessment	14,893				14,893
Other	45,350	21,608			66,958
	<u>270,632</u>	<u>715,828</u>	<u>0</u>	<u>0</u>	<u>986,460</u>
Security service	<u>282,855</u>	<u>31,687</u>	<u>0</u>	<u>0</u>	<u>314,542</u>
Garbage disposal	<u>1,044,878</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,044,878</u>
Administrative expenditures:					
Director's fees	23,208				23,208
Office supplies and postage	96,952	5,052			102,004
Insurance	34,777	34,761	250		69,788
Permit fees	10,484	15,602			26,086
Other	22,939		13,040		35,979
	<u>188,360</u>	<u>55,415</u>	<u>13,290</u>	<u>0</u>	<u>257,065</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

EXPENDITURES (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY					
Authorized expenditures	\$ 113,758	\$	\$	\$ 1,531,462	\$ 1,645,220
Tap connection costs	194,431				194,431
	<u>308,189</u>	<u>0</u>	<u>0</u>	<u>1,531,462</u>	<u>1,839,651</u>
DEBT SERVICE					
Principal retirement	<u>0</u>	<u>0</u>	<u>2,575,000</u>	<u>0</u>	<u>2,575,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>264,400</u>	<u>264,400</u>
Interest and fees:					
Interest			989,395	42,815	1,032,210
Paying agent fees			3,750		3,750
	<u>0</u>	<u>0</u>	<u>993,145</u>	<u>42,815</u>	<u>1,035,960</u>
TOTAL EXPENDITURES	<u>\$ 6,644,401</u>	<u>\$ 1,572,365</u>	<u>\$ 3,700,267</u>	<u>\$ 1,838,677</u>	<u>\$13,755,710</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash receipts from revenues excluding maintenance taxes	\$ 5,653,434	\$ 1,619,621	\$ 2,340,174	\$ 129,559	\$ 9,742,788
Maintenance tax collections			1,167,461		1,167,461
Maintenance tax transfers	1,884,435				1,884,435
Reimbursement from other fund	1,059,372				1,059,372
Proceeds from sale of bonds				3,744,801	3,744,801
Increase in reserve at joint venture		52,714			52,714
Overpayments from taxpayers			76,732		76,732
	<u>8,597,241</u>	<u>1,672,335</u>	<u>3,584,367</u>	<u>3,874,360</u>	<u>17,728,303</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED					
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS					
Cash disbursements for:					
Current expenditures	5,906,983	1,572,365	130,468		7,609,816
Capital outlay	308,189			952,451	1,260,640
Debt service			3,568,145	264,400	3,832,545
Other fund	621,826				621,826
Decrease in customer and builder deposits	43,896				43,896
Increase in reserve at joint venture	28,766				28,766
Reimbursement to other fund				1,059,372	1,059,372
Maintenance tax transfers			1,884,435		1,884,435
Refund of taxpayer overpayments			75,332		75,332
	<u>6,909,660</u>	<u>1,572,365</u>	<u>5,658,380</u>	<u>2,276,223</u>	<u>16,416,628</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED					
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	1,687,581	99,970	(2,074,013)	1,598,137	1,311,675
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>7,372,316</u>	<u>207,741</u>	<u>5,955,313</u>	<u>1,277,456</u>	<u>14,812,826</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 9,059,897</u>	<u>\$ 307,711</u>	<u>\$ 3,881,300</u>	<u>\$ 2,875,593</u>	<u>\$ 16,124,501</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

SCHEDULE OF TEMPORARY INVESTMENTS

DECEMBER 31, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 790600002	Market	On demand	\$ <u>8,267,864</u>	\$ <u>0</u>
SPECIAL REVENUE FUND				
TexPool				
No. 790600003	Market	On demand	\$ <u>144,591</u>	\$ <u>0</u>
DEBT SERVICE FUND				
TexPool				
No. 790600001	Market	On demand	\$ <u>2,570,393</u>	\$ <u>0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 790600004	Market	On demand	\$ <u>2,875,068</u>	\$ <u>0</u>
Total – All Funds			\$ <u>13,857,916</u>	\$ <u>0</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 624,785	\$ 1,241,538
Additions and corrections to prior year taxes	<u>(17,303)</u>	<u>(36,305)</u>
Adjusted receivable, beginning of year	607,482	1,205,233
2023 ADJUSTED TAX ROLL	<u>2,148,514</u>	<u>3,652,473</u>
Total to be accounted for	2,755,996	4,857,706
Tax collections: Current tax year	(592,046)	(1,006,479)
Prior tax years	<u>(575,415)</u>	<u>(1,126,510)</u>
RECEIVABLE, END OF YEAR	<u>\$ 1,588,535</u>	<u>\$ 2,724,717</u>
RECEIVABLE, BY TAX YEAR		
2013 and prior	\$ 259	\$ 3,017
2014	130	908
2015	143	904
2016	316	1,926
2017	437	2,038
2018	1,287	5,632
2019	3,007	9,021
2020	3,418	9,154
2021	5,183	11,243
2022	17,887	34,880
2023	<u>1,556,468</u>	<u>2,645,994</u>
RECEIVABLE, END OF YEAR	<u>\$ 1,588,535</u>	<u>\$ 2,724,717</u>

Fiscal year 2023 General Fund property tax revenue of \$1,871,868 under the modified accrual basis of accounting is comprised of prior tax year collections of \$575,415 during fiscal year 2023 and 2022 tax year collections of \$1,296,453 during fiscal year 2022.

Fiscal year 2023 Debt Service Fund property tax revenue of \$3,654,595 under the modified accrual basis of accounting is comprised of prior tax year collections of \$1,126,510 during fiscal year 2023 and 2022 tax year collections of \$2,528,085 during fiscal year 2022.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 286,238,824	\$ 214,405,972	\$ 215,174,392	\$ 189,603,539
Improvements	1,036,807,077	919,422,305	684,937,262	655,732,328
Personal property	25,805,669	25,688,331	20,069,226	18,891,130
Less exemptions	<u>(274,594,872)</u>	<u>(217,182,338)</u>	<u>(85,602,871)</u>	<u>(80,777,716)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$1,074,256,698</u>	 <u>\$ 942,334,270</u>	 <u>\$ 834,578,009</u>	 <u>\$ 783,449,281</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.34000	\$ 0.39000	\$ 0.41000	\$ 0.45000
Maintenance tax rates*	<u>0.20000</u>	<u>0.20000</u>	<u>0.18900</u>	<u>0.16800</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.54000</u>	 <u>\$ 0.59000</u>	 <u>\$ 0.59900</u>	 <u>\$ 0.61800</u>
TAX ROLLS	<u>\$ 5,800,987</u>	<u>\$ 5,559,772</u>	<u>\$ 4,999,122</u>	<u>\$ 4,841,717</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>27.6%**</u>	<u>99.1 %</u>	<u>99.7 %</u>	<u>99.7 %</u>

*Maximum tax rate approved by voters on January 15, 1983: \$0.25

**The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
DECEMBER 31, 2023

<u>Series 2014</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 155,000	\$ 42,705	\$ 197,705
2025	350,000	35,307	385,307
2026	345,000	25,125	370,125
2027	345,000	15,016	360,016
2028	340,000	4,981	344,981
TOTALS	<u>\$ 1,535,000</u>	<u>\$ 123,134</u>	<u>\$ 1,658,134</u>

<u>Series 2015</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 200,000	\$ 104,662	\$ 304,662
2025	175,000	99,975	274,975
2026	225,000	94,412	319,412
2027	250,000	87,288	337,288
2028	275,000	79,412	354,412
2029	325,000	70,413	395,413
2030	420,000	59,238	479,238
2031	550,000	44,344	594,344
2032	550,000	26,812	576,812
2033	550,000	8,938	558,938
TOTALS	<u>\$ 3,520,000</u>	<u>\$ 675,494</u>	<u>\$ 4,195,494</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2023

Series 2015A			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 220,000	\$ 199,450	\$ 419,450
2025	225,000	192,775	417,775
2026	240,000	184,600	424,600
2027	245,000	174,900	419,900
2028	260,000	164,800	424,800
2029	620,000	147,200	767,200
2030	780,000	119,200	899,200
2031	795,000	87,700	882,700
2032	805,000	55,700	860,700
2033	990,000	19,800	1,009,800
TOTALS	\$ 5,180,000	\$ 1,346,125	\$ 6,526,125

Series 2016			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 390,000	\$ 193,600	\$ 583,600
2025	415,000	177,500	592,500
2026	430,000	160,600	590,600
2027	460,000	142,800	602,800
2028	485,000	123,900	608,900
2029	510,000	104,000	614,000
2030	540,000	83,000	623,000
2031	570,000	60,800	630,800
2032	600,000	37,400	637,400
2033	635,000	12,700	647,700
TOTALS	\$ 5,035,000	\$ 1,096,300	\$ 6,131,300

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	Series 2017		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 375,000	\$ 112,344	\$ 487,344
2025	375,000	104,844	479,844
2026	375,000	96,875	471,875
2027	375,000	88,203	463,203
2028	375,000	79,062	454,062
2029	375,000	69,688	444,688
2030	400,000	59,500	459,500
2031	450,000	47,250	497,250
2032	450,000	33,750	483,750
2033	450,000	20,250	470,250
2034	<u>450,000</u>	<u>6,750</u>	<u>456,750</u>
TOTALS	<u>\$ 4,450,000</u>	<u>\$ 718,516</u>	<u>\$ 5,168,516</u>

<u>Due During Fiscal Years Ending December 31</u>	Series 2019		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 1,265,000	\$ 192,425	\$ 1,457,425
2025	1,125,000	156,575	1,281,575
2026	1,105,000	123,125	1,228,125
2027	1,080,000	95,750	1,175,750
2028	1,045,000	74,500	1,119,500
2029	1,020,000	52,575	1,072,575
2030	770,000	29,550	799,550
2031	305,000	13,425	318,425
2032	<u>295,000</u>	<u>4,425</u>	<u>299,425</u>
TOTALS	<u>\$ 8,010,000</u>	<u>\$ 742,350</u>	<u>\$ 8,752,350</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2023</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 50,000	\$ 153,125	\$ 203,125
2025	50,000	150,875	200,875
2026	50,000	148,625	198,625
2027	50,000	146,375	196,375
2028	50,000	144,125	194,125
2029	50,000	142,000	192,000
2030	50,000	140,000	190,000
2031	50,000	138,000	188,000
2032	50,000	136,000	186,000
2033	50,000	134,000	184,000
2034	325,000	126,500	451,500
2035	500,000	110,000	610,000
2036	500,000	90,000	590,000
2037	500,000	70,000	570,000
2038	500,000	50,000	550,000
2039	500,000	30,000	530,000
2040	500,000	10,000	510,000
TOTALS	<u>\$ 3,825,000</u>	<u>\$ 1,919,625</u>	<u>\$ 5,744,625</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2024	\$ 2,655,000	\$ 998,311	\$ 3,653,311
2025	2,715,000	917,851	3,632,851
2026	2,770,000	833,362	3,603,362
2027	2,805,000	750,332	3,555,332
2028	2,830,000	670,780	3,500,780
2029	2,900,000	585,876	3,485,876
2030	2,960,000	490,488	3,450,488
2031	2,720,000	391,519	3,111,519
2032	2,750,000	294,087	3,044,087
2033	2,675,000	195,688	2,870,688
2034	775,000	133,250	908,250
2035	500,000	110,000	610,000
2036	500,000	90,000	590,000
2037	500,000	70,000	570,000
2038	500,000	50,000	550,000
2039	500,000	30,000	530,000
2040	500,000	10,000	510,000
	<u>\$ 31,555,000</u>	<u>\$ 6,621,544</u>	<u>\$ 38,176,544</u>
TOTALS	<u>\$ 31,555,000</u>	<u>\$ 6,621,544</u>	<u>\$ 38,176,544</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2014	2015	2015A	2016
Interest Rate:	2.93%	2.50% to 3.25%	3.00% to 4.00%	4.00%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	March 1, 2024/2028	March 1, 2024/2033	March 1, 2024/2033	March 1, 2024/2033
Bonds Outstanding at Beginning of Current Year	\$ 1,690,000	\$ 3,695,000	\$ 5,395,000	\$ 5,410,000
Less Retirements	<u>(155,000)</u>	<u>(175,000)</u>	<u>(215,000)</u>	<u>(375,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,535,000</u>	<u>\$ 3,520,000</u>	<u>\$ 5,180,000</u>	<u>\$ 5,035,000</u>
Current Year Interest Paid	<u>\$ 47,247</u>	<u>\$ 109,131</u>	<u>\$ 205,975</u>	<u>\$ 207,025</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 157 Unlimited Tax Refunding Bonds, Series 2014 (\$2,850,000)
- (2) Harris County Municipal Utility District No. 157 Unlimited Tax Bonds, Series 2015 (\$4,745,000)
- (3) Harris County Municipal Utility District No. 157 Unlimited Tax Refunding Bonds, Series 2015A (\$6,455,000)
- (4) Harris County Municipal Utility District No. 157 Unlimited Tax Refunding Bonds, Series 2016 (\$7,070,000)

Paying Agent/Registrar

- (1) Branch Banking & Trust Company, Charlotte, North Carolina
- (2) (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 74,500,000	\$ 0	12,000,000
Amount Issued:	54,735,000		3,687,346
Remaining to be Issued:	19,765,000		8,312,654

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>Totals</u>
Bond Series:	2017	2019	2023	
Interest Rate:	2.00% to 3.00%	2.00% to 3.00%	4.00% to 4.50%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	March 1, 2024/2034	March 1, 2024/2032	March 1, 2024/2040	
Bonds Outstanding at Beginning of Current Year	\$ 4,825,000	\$ 9,290,000	\$	\$ 30,305,000
Add Bonds Sold			3,825,000	3,825,000
Less Retirements	<u>(375,000)</u>	<u>(1,280,000)</u>	<u> </u>	<u>(2,575,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,450,000</u>	<u>\$ 8,010,000</u>	<u>\$ 3,825,000</u>	<u>\$ 31,555,000</u>
Current Year Interest Paid	<u>\$ 121,718</u>	<u>\$ 230,600</u>	<u>\$ 67,699</u>	<u>\$ 989,395</u>

Bond Descriptions and Original Amount of Issue

- (5) Harris County Municipal Utility District No. 157 Unlimited Tax Bonds, Series 2017 (\$6,695,000)
- (6) Harris County Municipal Utility District No. 157 Unlimited Tax Refunding Bonds, Series 2019 (\$9,485,000)
- (7) Harris County Municipal Utility District No. 157 Unlimited Tax Bonds, Series 2023 (\$3,825,000)

Paying Agent/Registrar

- (5) (6) (7) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Net Debt Service Fund deposits and investments balances as of December 31, 2023: \$2,391,011
Average annual debt service payment for remaining term of all debt: 2,245,679

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$ 1,871,868	\$ 1,572,097	\$ 1,316,617	\$ 1,169,509	\$ 807,912	22.5 %	23.9 %	24.0 %	20.9 %	15.7 %
Water service	1,345,012	1,105,008	973,821	1,043,428	1,040,534	16.2	16.8	17.8	18.7	20.2
Sewer service	1,703,688	1,563,085	1,538,873	1,536,084	1,534,385	20.5	23.8	28.2	27.4	29.9
Surface water fees	1,934,351	1,737,506	1,300,222	1,309,672	1,214,631	23.4	26.5	23.7	23.4	23.6
Penalty	142,839	117,732	79,036	76,330	125,498	1.7	1.8	1.4	1.4	2.4
Tap connection and inspection fees	550,951	75,175	51,450	249,695	122,273	6.6	1.1	0.9	4.5	2.4
Sales and Use Taxes	226,623	193,363	148,037	120,138	100,123	2.7	2.9	2.7	2.1	1.9
Interest on deposits and investments	426,936	111,570	2,039	31,891	137,063	5.1	1.7	0.0	0.6	2.7
Other revenues	108,103	98,953	71,675	55,753	61,169	1.3	1.5	1.3	1.0	1.2
TOTAL REVENUES	8,310,371	6,574,489	5,481,770	5,592,500	5,143,588	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchased sewer services	879,567	675,436	551,401	811,401	583,264	10.6	10.3	10.1	14.5	11.3
Professional fees	260,014	234,517	210,241	235,588	205,071	3.1	3.6	3.8	4.2	4.0
Contracted services	258,067	240,075	234,198	214,343	208,281	3.1	3.7	4.3	3.8	4.0
Utilities	136,615	148,048	150,614	165,105	168,965	1.6	2.3	2.7	3.0	3.3
Utilities, street lights	143,575	135,655	131,773	145,542	176,917	1.7	2.1	2.4	2.6	3.4
Groundwater pumpage fees	1,871,213	1,750,237	1,607,489	1,448,950	1,280,810	22.6	26.5	29.2	26.0	24.9
Repairs and maintenance	1,000,436	865,210	738,617	1,052,615	457,339	12.0	13.2	13.5	18.8	8.9
Other operating expenditures	270,632	248,861	185,626	216,188	102,039	3.3	3.8	3.4	3.9	2.0
Security service	282,855	270,628	266,635	259,156	248,994	3.4	4.1	4.9	4.6	4.8
Garbage disposal	1,044,878	941,894	880,725	773,705	770,728	12.6	14.3	16.1	13.8	15.0
Administrative expenditures	188,360	209,660	159,198	175,336	183,230	2.3	3.2	2.9	3.1	3.6
Capital outlay	308,189	1,230,337	662,502	374,389	65,277	3.7	18.6	12.1	6.7	1.3
TOTAL EXPENDITURES	6,644,401	6,950,558	5,779,019	5,872,318	4,450,915	80.0	105.7	105.4	105.0	86.5
EXCESS REVENUES (EXPENDITURES)	\$ 1,665,970	\$ (376,069)	\$ (297,249)	\$ (279,818)	\$ 692,673	20.0 %	(5.7) %	(5.4) %	(5.0) %	13.5 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	4,131	4,120	4,087	4,088	4,058					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	4,033	4,027	3,996	4,000	3,973					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED DECEMBER 31

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES										
Property taxes	\$ 3,654,595	\$ 3,413,774	\$ 3,534,414	\$ 3,511,906	\$ 3,534,972	94.7 %	97.6 %	98.3 %	98.3 %	97.0 %
Penalty and interest	70,463	43,904	60,572	44,396	31,108	1.8	1.3	1.7	1.2	0.9
Accrued interest on bonds received at date of sale	0	0	0	0	2,130	0.0	0.0	0.0	0.0	0.1
Interest on deposits and investments	136,721	37,200	898	18,029	71,870	3.5	1.1	0.0	0.5	2.0
TOTAL REVENUES	<u>3,861,779</u>	<u>3,494,878</u>	<u>3,595,884</u>	<u>3,574,331</u>	<u>3,640,080</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	21,019	10,217	20,407	14,589	8,405	0.5	0.3	0.6	0.4	0.2
Contracted services	97,813	90,183	88,877	87,171	82,815	2.5	2.6	2.5	2.4	2.3
Other expenditures	13,290	12,864	8,387	7,773	9,326	0.3	0.4	0.2	0.2	0.3
Debt service:										
Principal retirement	2,575,000	2,540,000	2,510,000	2,535,000	2,405,000	66.8	72.6	69.8	70.9	66.0
Interest and fees	993,145	1,002,982	1,083,890	1,095,716	1,308,979	25.7	28.7	30.1	30.7	36.0
TOTAL EXPENDITURES	<u>3,700,267</u>	<u>3,656,246</u>	<u>3,711,561</u>	<u>3,740,249</u>	<u>3,814,525</u>	<u>95.8</u>	<u>104.6</u>	<u>103.2</u>	<u>104.6</u>	<u>104.8</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 161,512</u>	<u>\$ (161,368)</u>	<u>\$ (115,677)</u>	<u>\$ (165,918)</u>	<u>\$ (174,445)</u>	<u>4.2 %</u>	<u>(4.6) %</u>	<u>(3.2) %</u>	<u>(4.6) %</u>	<u>(4.8) %</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSDECEMBER 31, 2023

Complete District Mailing Address: Harris County Municipal Utility District No. 157
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, Texas 77019

District Business Telephone No.: 713-652-6500

Submission date of the most recent District Registration Form: May 17, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Leonard Spearman, Jr. c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Appointed 5/02/20- 5/04/24	\$ 6,299	\$ 2,342	President
Perla I. Flores c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/07/22- 5/02/26	7,041	3,260	Vice President
Betty Niblett c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/02/20- 5/04/24	7,200	3,381	Secretary
Jason Valenzuela c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	Elected 5/07/22- 5/02/26	2,668	1,315	Director

Four directors at December 31, 2023.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 157

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

DECEMBER 31, 2023

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	3/18/96	\$ 144,436 102,080 Bonds	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	4/23/96	21,019	Delinquent Tax Attorney
McLennan & Associates, L.P. 1717 St. James Place, Suite 500 Houston, Texas 77056	3/23/04	55,068 2,900 Bonds	Bookkeeper
Jorge Diaz 1717 St. James Place, Suite 500 Houston, Texas 77056	1/17/17	0	Investment Officer
Municipal District Services, L.L.C. 406 W. Grand Parkway S., #260 Katy, Texas 77494	5/1/12	2,709,803	Operator
BGE, Inc. 10777 Westheimer, Suite 400 Houston, Texas 77042	4/4/78	202,076 40,619 Bonds	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	4/18/79	70,057 2,500 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	43,405	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	5/15/18	79,039 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1/1/93	13,225 2,950 Bonds	Independent Auditor

See accompanying independent auditor's report.