

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 162
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 162 (the "District") as of and for the year ended July 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the District'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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

Board of Directors
Harris County Municipal Utility District No. 162

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 12, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JULY 31, 2024

Management's discussion and analysis of the financial performance of Harris County Municipal Utility District No. 162 (the "District") provides an overview of the District's financial activities for the year ended July 31, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, property tax revenues, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2024

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the current period. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$6,210,259 as of July 31, 2024. A portion of the District's net position reflects its net investment in capital assets which includes land, water facilities, and wastewater facilities less any debt used to acquire those assets that is still outstanding.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a comparative analysis of the Statement of Net Position as of July 31, 2024, and July 31, 2023:

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 4,194,453	\$ 4,147,988	\$ 46,465
Capital Assets (Net of Accumulated Depreciation)	2,728,062	2,485,799	242,263
Total Assets	\$ 6,922,515	\$ 6,633,787	\$ 288,728
Bonds Payable	\$ 450,000	\$ 565,000	\$ 115,000
Other Liabilities	262,256	258,672	(3,584)
Total Liabilities	\$ 712,256	\$ 823,672	\$ 111,416
Net Position:			
Net Investment in Capital Assets	\$ 2,278,062	\$ 1,920,799	\$ 357,263
Restricted	194,047	180,292	13,755
Unrestricted	3,738,150	3,709,024	29,126
Total Net Position	\$ 6,210,259	\$ 5,810,115	\$ 400,144

The following table provides a summary of the District's operations for the years ending July 31, 2024, and July 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,078,217	\$ 1,002,334	\$ 75,883
Charges for Services	978,692	941,644	37,048
Other Revenues	251,856	189,975	61,881
Total Revenues	\$ 2,308,765	\$ 2,133,953	\$ 174,812
Expenses for Services	1,908,621	1,625,654	(282,967)
Change in Net Position	\$ 400,144	\$ 508,299	\$ (108,155)
Net Position, Beginning of Year	5,810,115	5,301,816	508,299
Net Position, End of Year	\$ 6,210,259	\$ 5,810,115	\$ 400,144

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2024, were \$3,636,584, an increase of \$66,006 from the prior year.

The General Fund fund balance increased by \$59,003, primarily due to property tax revenues, sales tax revenues, and service revenues exceeding operating and capital expenditures during the current fiscal year.

The Debt Service Fund fund balance increased by \$7,003, primarily due to the structure of the District's outstanding long-term debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District adopted a budget for the General Fund for the current fiscal year. Actual revenues were \$16,234 more than budgeted revenues and actual expenditures were \$436,953 less than budgeted expenditures which resulted in a positive variance of \$453,187. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of July 31, 2024, total \$2,728,062 and include land, water facilities and wastewater facilities. See Note 6 for more details.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 20,273	\$ 20,273	\$
Construction in Progress	204,162	114,652	89,510
Capital Assets Subject to Depreciation:			
Water System	3,571,304	3,290,956	280,348
Wastewater System	1,888,828	1,865,905	22,923
Less Accumulated Depreciation	(2,956,505)	(2,805,987)	(150,518)
Total Net Capital Assets	<u>\$ 2,728,062</u>	<u>\$ 2,485,799</u>	<u>\$ 242,263</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2024**

LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of \$450,000. The changes in the debt position of the District during the fiscal year ended July 31, 2024, are summarized as follows:

Bond Debt Payable, August 1, 2023	\$ 565,000
Less: Bond Principal Paid	<u>(115,000)</u>
Bond Debt Payable, July 31, 2024	<u>\$ 450,000</u>

The District carries an underlying rating of “A” from Standard and Poor’s and has an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes in the ratings of the insurers.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 162, c/o Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, Texas 77010-3095.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 252,857	\$ 31,413
Investments	3,294,427	151,997
Receivables:		
Property Taxes	35,519	9,254
Penalty and Interest on Delinquent Taxes		
Service Accounts	119,012	
Accrued Interest	24,504	
Other	84	
Water Authority Receivable		
Prepaid Costs	3,914	
Due from City of Houston	15,007	
Due from Other Funds	5,715	
Capital Assets (Net of Accumulated Depreciation):		
Land and Land Improvements		
Construction in Progress		
Water and Wastewater Systems		
TOTAL ASSETS	<u><u>\$ 3,751,039</u></u>	<u><u>\$ 192,664</u></u>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 284,270	\$	\$ 284,270
3,446,424		3,446,424
44,773		44,773
	12,766	12,766
119,012		119,012
24,504		24,504
84		84
	243,699	243,699
3,914		3,914
15,007		15,007
5,715	(5,715)	
	20,273	20,273
	204,162	204,162
	2,503,627	2,503,627
<u>\$ 3,943,703</u>	<u>\$ 2,978,812</u>	<u>\$ 6,922,515</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 167,972	\$ 43
Accrued Interest Payable		
Due to Other Funds		5,715
Security Deposits	88,616	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 256,588</u>	<u>\$ 5,758</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 35,519</u>	<u>\$ 9,254</u>
FUND BALANCES		
Nonspendable-Prepaid Costs	\$ 3,914	\$
Restricted for Debt Service		177,652
Assigned to 2025 Budgeted Deficit	132,004	
Unassigned	<u>3,323,014</u>	
TOTAL FUND BALANCES	<u>\$ 3,458,932</u>	<u>\$ 177,652</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 3,751,039</u></u>	<u><u>\$ 192,664</u></u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 168,015	\$	\$ 168,015
	5,625	5,625
5,715	(5,715)	
88,616		88,616
	115,000	115,000
	335,000	335,000
<u>\$ 262,346</u>	<u>\$ 449,910</u>	<u>\$ 712,256</u>
<u>\$ 44,773</u>	<u>\$ (44,773)</u>	<u>\$ - 0 -</u>
\$ 3,914	\$ (3,914)	\$
177,652	(177,652)	
132,004	(132,004)	
<u>3,323,014</u>	<u>(3,323,014)</u>	
<u>\$ 3,636,584</u>	<u>\$ (3,636,584)</u>	<u>\$ - 0 -</u>
<u>\$ 3,943,703</u>		
	\$ 2,278,062	\$ 2,278,062
	194,047	194,047
	<u>3,738,150</u>	<u>3,738,150</u>
	<u>\$ 6,210,259</u>	<u>\$ 6,210,259</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2024

Total Fund Balances - Governmental Funds	\$	3,636,584
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Credits due from the West Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.		243,699
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		2,728,062
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		57,539
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (5,625)	
Bonds Payable	<u>(450,000)</u>	<u>(455,625)</u>
Total Net Position - Governmental Activities	\$	<u><u>6,210,259</u></u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 901,782	\$ 155,782
Water Service	231,683	
Wastewater Service	217,854	
Sales Tax Revenues	62,869	
Water Authority Fees	493,168	
Penalty and Interest	15,536	8,401
Connection and Inspection Fees	9,775	
Water Authority Credits	60,732	
Investment and Miscellaneous Revenues	170,801	4,945
TOTAL REVENUES	\$ 2,164,200	\$ 169,128
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 106,985	\$ 1,613
Contracted Services	124,564	23,615
Bulk Water Purchases	1,873	
Purchased Wastewater Service	205,350	
Utilities	32,671	
Water Authority Assessments	534,805	
Repairs and Maintenance	564,165	
Depreciation		
Other	142,003	6,672
Capital Outlay	392,781	
Debt Service:		
Bond Principal		115,000
Bond Interest		15,225
TOTAL EXPENDITURES/EXPENSES	\$ 2,105,197	\$ 162,125
NET CHANGE IN FUND BALANCES	\$ 59,003	\$ 7,003
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
AUGUST 1, 2023	3,399,929	170,649
FUND BALANCES/NET POSITION -		
JULY 31, 2024	\$ 3,458,932	\$ 177,652

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

Total	Adjustments	Statement of Activities
\$ 1,057,564	\$ 20,653	\$ 1,078,217
231,683		231,683
217,854		217,854
62,869		62,869
493,168		493,168
23,937	2,275	26,212
9,775		9,775
60,732	(47,491)	13,241
175,746		175,746
<u>\$ 2,333,328</u>	<u>\$ (24,563)</u>	<u>\$ 2,308,765</u>
\$ 108,598	\$	\$ 108,598
148,179		148,179
1,873		1,873
205,350		205,350
32,671		32,671
534,805		534,805
564,165		564,165
	150,518	150,518
148,675		148,675
392,781	(392,781)	
115,000	(115,000)	
15,225	(1,438)	13,787
<u>\$ 2,267,322</u>	<u>\$ (358,701)</u>	<u>\$ 1,908,621</u>
\$ 66,006	\$ (66,006)	\$
	400,144	400,144
<u>3,570,578</u>	<u>2,239,537</u>	<u>5,810,115</u>
<u>\$ 3,636,584</u>	<u>\$ 2,573,675</u>	<u>\$ 6,210,259</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2024

Net Change in Fund Balances - Governmental Funds	\$	66,006
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		20,653
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		2,275
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Credits from the West Harris County Regional Water Authority reduce the capital contribution receivable in the Statement of Net Position.		(47,491)
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Governmental funds do not account for depreciation. However, in governmental activities, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(150,518)
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Governmental funds report capital outlay as expenditures in the period purchased. However, in governmental activities, capital assets are increased by new purchases and the Statement of Activities is not affected.		392,781
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		115,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		1,438
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Change in Net Position - Governmental Activities	\$	400,144
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The accompanying notes to the financial
statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 162 of Harris County, Texas (the “District”) was created effective June 28, 1978, by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered, among other things, to purchase, to construct, to operate and to maintain all works, improvements and facilities necessary for the supply of water, for the collection and processing of wastewater and for the control and diversion of storm water. The Board of Directors held its organizational meeting on June 29, 1978, and sold its first bonds on November 20, 1979.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental funds financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements and Governmental Funds

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

The District has two governmental funds and considers each to be a major fund. The General Fund accounts for resources not required to be accounted for in another fund, property tax revenues, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

As of July 31, 2024, the Debt Service Fund owed the General Fund \$5,625 for maintenance tax collections and \$90 for arbitrage compliance costs.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets and are reported in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 5 to 45 years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered wages subject to federal income tax withholdings for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed funds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$132,004 of its General Fund fund balance for a budgeted deficit for the fiscal year ending July 31, 2025.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Series 2012 Refunding</u>
Amount Outstanding – July 31, 2024	\$ 450,000
Interest Rates	3.00%
Maturity Date	September 1, 2024/2027
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2019*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. The Series 2012 term bonds maturing on September 1, 2025 and 2027 are subject to mandatory redemption beginning September 1, 2024 and September 1, 2026, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

Bonds payable activity for the current fiscal year is summarized in the following table:

	August 1, 2023	Additions	Retirements	July 31, 2024
Bonds Payable	<u>\$ 565,000</u>	<u>\$ -0-</u>	<u>\$ 115,000</u>	<u>\$ 450,000</u>
				Amount Due Within One Year \$ 115,000
				Amount Due After One Year <u>335,000</u>
				<u>Bonds Payable \$ 450,000</u>

The District has authorized but unissued bonds in the amount of \$5,270,000 for the purposes of purchasing or constructing utility facilities and available refunding bonds authorization of \$5,905,000.

As of July 31, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 115,000	\$ 11,775	\$ 126,775
2026	115,000	8,325	123,325
2027	110,000	4,950	114,950
2028	<u>110,000</u>	<u>1,650</u>	<u>111,650</u>
	<u>\$ 450,000</u>	<u>\$ 26,700</u>	<u>\$ 476,700</u>

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. During the year ended July 31, 2024, the District levied an ad valorem debt service tax rate of \$0.06 per \$100 of assessed valuation, which resulted in a tax levy of \$156,377 on the adjusted taxable valuation of \$260,627,480 for the 2023 tax year. The bond order requires the District to 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. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$985,329 and the bank balance was \$995,646. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits at July 31, 2024, are as follows:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 252,857	\$ 701,059	\$ 953,916
DEBT SERVICE FUND	31,413		31,413
TOTAL DEPOSITS	<u>\$ 284,270</u>	<u>\$ 701,059</u>	<u>\$ 985,329</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investment in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Certificates of deposit are reported by the District at acquisition cost.

As of July 31, 2024, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 2,593,368	\$ 2,593,368
Certificates of Deposit	701,059	701,059
<u>DEBT SERVICE FUND</u>		
TexPool	151,997	151,997
TOTAL INVESTMENTS	<u>\$ 3,446,424</u>	<u>\$ 3,446,424</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in TexPool was rated AAAm by Standard and Poor's. The District addresses credit risk by investing in certificates of deposit with balances below FDIC coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investment in TexPool to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District addresses interest rate risk by investing in certificates of deposit with maturities of less than one year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	August 1, 2023	Increases	Decreases	July 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 20,273	\$	\$	\$ 20,273
Construction in Progress	<u>114,652</u>	<u>392,781</u>	<u>303,271</u>	<u>204,162</u>
Total Capital Assets Not Being Depreciated	<u>\$ 134,925</u>	<u>\$ 392,781</u>	<u>\$ 303,271</u>	<u>\$ 224,435</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,290,956	\$ 280,348	\$	\$ 3,571,304
Wastewater System	<u>1,865,905</u>	<u>22,923</u>	<u></u>	<u>1,888,828</u>
Total Capital Assets Subject to Depreciation	<u>\$ 5,156,861</u>	<u>\$ 303,271</u>	<u>\$ - 0 -</u>	<u>\$ 5,460,132</u>
Less Accumulated Depreciation				
Water System	\$ 1,788,230	\$ 99,381	\$	\$ 1,887,611
Wastewater System	<u>1,017,757</u>	<u>51,137</u>	<u></u>	<u>1,068,894</u>
Total Accumulated Depreciation	<u>\$ 2,805,987</u>	<u>\$ 150,518</u>	<u>\$ - 0 -</u>	<u>\$ 2,956,505</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,350,874</u>	<u>\$ 152,753</u>	<u>\$ - 0 -</u>	<u>\$ 2,503,627</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,485,799</u>	<u>\$ 545,534</u>	<u>\$ 303,271</u>	<u>\$ 2,728,062</u>

NOTE 7. MAINTENANCE TAX

On November 20, 1979, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended July 31, 2024, the District levied an ad valorem maintenance tax rate of \$0.35 per \$100 of assessed valuation, which resulted in a tax levy of \$912,196 on the adjusted taxable valuation of \$260,627,480 for the 2023 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. COPPERFIELD WASTEWATER TREATMENT FACILITIES

The District entered into a waste disposal agreement dated November 1, 1979, with Harris County Municipal Utility District No. 163 ("District No. 163"), Harris County Municipal Utility District No. 179 ("District No. 179"), Harris County Municipal Utility District No. 186 ("District No. 186"), Harris County Municipal Utility District No. 188 ("District No. 188"), Harris County Municipal Utility District No. 208 ("District No. 208"), Friendswood Development Company, and Carma Developers (Texas), Inc. for the operation of the Copperfield Sewage Treatment Plant (the "Plant"). Legal ownership of the Plant is successively transferred to certain districts, subject to the rights of the parties to treatment capacity as stated in the agreements. Currently, legal ownership of the Plant is with District No. 208.

On July 1, 1985, a memorandum agreement was executed to include United Financial Corporation as a participant in the Plant, to record each participants' ownership of capacity after completion of phase two expansion, to record obligations of the participants for capacity assigned and to set forth conditions for phase three expansion. On November 1, 1989, the participants entered into an agreement establishing ownership capacity in the Plant upon completion of phase four expansion. The total capacity in the Plant after completion of phase four is 4,600,000 gallons per day. On October 23, 2019, the participants executed an extension of the original 40-year term of the waste disposal agreement for an additional 20 years to November 1, 2039. This amendment also removed the developers from the agreement.

The participants' pro rata shares of capacity in the Plant are as follows:

	<u>Gallons Per Day Capacity</u>	<u>Percentage of Total Capacity</u>
Harris County Municipal Utility District No. 162	460,000	10.00%
Harris County Municipal Utility District No. 163	663,000	14.42
Harris County Municipal Utility District No. 179	750,000	16.30
Harris County Municipal Utility District No. 186	1,005,000	21.85
Harris County Municipal Utility District No. 188	1,300,000	28.26
Harris County Municipal Utility District No. 208	<u>422,000</u>	<u>9.17</u>
	<u>4,600,000</u>	<u>100.00%</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 9. COPPERFIELD WASTEWATER TREATMENT FACILITIES (Continued)

The Plant is governed by a Joint Operations Board, comprised of one director from each active member-district. The Board annually adopts an unappropriated budget and sets an equivalent connection charge to cover the budgeted operating expenditures. The current rate is \$11.00 per single family equivalent unit. Copies of the Plant's audited financial statements can be obtained by contacting its attorneys, Norton Rose Fulbright US LLP.

Summary financial data of the Plant for the fiscal year ended February 29, 2024, is summarized in the following table:

Total Assets	\$ 967,793
Total Liabilities	<u>159,814</u>
Total Fund Balance	<u>\$ 807,979</u>
 Total Revenues	 \$ 2,286,001
Total Expenditures	<u>2,291,538</u>
 Net Change in Fund Balance	 \$ (5,537)
Beginning Fund Balance	<u>813,516</u>
Ending Fund Balance	<u>\$ 807,979</u>

NOTE 10. WATER SUPPLY AGREEMENTS

On February 1, 1982, the District entered into an Emergency Water Supply Agreement with District No. 188. This agreement was amended on August 25, 1993, and December 19, 2001. The agreement states the cost of water will be \$1.00 per 1,000 gallons plus the cost per 1,000 gallons of purchased water from the West Harris County Regional Water Authority.

On January 1, 1989, the District entered into a water supply agreement with District No. 163, District No. 186, and District No. 208. The agreement was amended on October 1, 1989, September 26, 2001, and November 1, 2012. The agreement can be terminated at any time, provided 90 days written notice is given. The agreement also contains provisions for emergency supply of water in the event the districts decide not to keep the interconnect valves open on a continuous basis.

The District also has separate water supply agreements in place with District No. 208 dated January 11, 1994, which was amended on November 13, 2001, and with District No. 186 dated March 15, 1994, which was amended on September 17, 2001, and November 29, 2001.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 11. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. As of July 31, 2024, the pumpage fee was \$3.95 per 1,000 gallons of water pumped from each well. In addition to the pumpage fee, the Authority charges a surface water fee. As of July 31, 2024, this was \$4.35 per 1,000 gallons, for surface water delivered to the District. Authority costs paid for the current fiscal year totaled \$534,805.

On May 6, 2002, the District entered into a Water Trunkline Financing Agreement with the Authority. The District’s payment to the Authority for construction plus additional allocation of credits totaled \$909,878. Principal payments to date total \$666,179 leaving a receivable balance of \$243,699. Future payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 49,651	\$ 11,081	\$ 60,732
2026	51,908	8,824	60,732
2027	54,269	6,463	60,732
2028	56,736	3,996	60,732
2029	31,135	1,229	32,364
	<u>\$ 243,699</u>	<u>\$ 31,593</u>	<u>\$ 275,292</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

The District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex the land within the District (the tract) for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the tract. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The City imposes a sales and use tax within the boundaries of the tract on taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the tract within 30 days of the City receiving the funds from the State Comptroller's office. The City agrees 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 term of this Agreement is 30 years from the effective date. During the current fiscal year, the District recorded sales and use tax revenues of \$62,869 and had a receivable for uncollected sales and use tax revenues of \$15,007 as of July 31, 2024.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 851,734	\$ 901,782	\$ 50,048
Water Service	263,500	231,683	(31,817)
Wastewater Service	200,000	217,854	17,854
Water Authority Fees	626,000	493,168	(132,832)
Penalty and Interest	14,000	15,536	1,536
Sales Tax Revenues	66,000	62,869	(3,131)
Connection and Inspection Fees	1,000	9,775	8,775
Water Authority Credits	60,732	60,732	
Investment and Miscellaneous Revenues	<u>65,000</u>	<u>170,801</u>	<u>105,801</u>
TOTAL REVENUES	<u>\$ 2,147,966</u>	<u>\$ 2,164,200</u>	<u>\$ 16,234</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 114,000	\$ 106,985	\$ 7,015
Contracted Services	100,300	124,564	(24,264)
Bulk Water Purchases	1,000	1,873	(873)
Purchased Wastewater Service	295,000	205,350	89,650
Utilities	28,000	32,671	(4,671)
Water Authority Assessments	716,000	534,805	181,195
Repairs and Maintenance	514,500	564,165	(49,665)
Other	138,850	142,003	(3,153)
Capital Outlay	<u>634,500</u>	<u>392,781</u>	<u>241,719</u>
TOTAL EXPENDITURES	<u>\$ 2,542,150</u>	<u>\$ 2,105,197</u>	<u>\$ 436,953</u>
NET CHANGE IN FUND BALANCE	\$ (394,184)	\$ 59,003	\$ 453,187
FUND BALANCE - AUGUST 1, 2023	<u>3,399,929</u>	<u>3,399,929</u>	
FUND BALANCE - JULY 31, 2024	<u>\$ 3,005,745</u>	<u>\$ 3,458,932</u>	<u>\$ 453,187</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2024

FOR THE YEAR ENDED JULY 31, 2024

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	_____	Wholesale Water	_____	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
_____	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	Participates in joint venture, regional system and/or wastewater service (other than				
<u> X </u>	emergency interconnect)				
_____	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The rates below are based on the rate order approved December 13, 2022.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:					
WINTER RATES:	\$ 8.00	5,000	N	\$ 1.00 1.50 2.00	5,001 to 10,000 10,001 to 20,000 20,001 and up
SUMMER RATES:	\$ 8.00	5,000	N	\$ 1.00 3.00 6.00	5,001 to 10,000 10,001 to 15,000 15,001 and up
WASTEWATER:	\$ 14.00		Y		
SURCHARGE:					
Regional Water Authority Fees	\$ 4.35	1,000			

District employs winter averaging for wastewater usage?

	Yes	No
1. I have a good understanding of the company's financial statements.		
2. I have a good understanding of the company's business model.		
3. I have a good understanding of the company's competitive advantage.		
4. I have a good understanding of the company's market position.		
5. I have a good understanding of the company's management team.		
6. I have a good understanding of the company's risk factors.		
7. I have a good understanding of the company's growth prospects.		
8. I have a good understanding of the company's financial health.		
9. I have a good understanding of the company's overall performance.		
10. I have a good understanding of the company's future prospects.		

Total monthly charges per 10,000 gallons usage: Water: \$13.00 Wastewater: \$14.00 Surcharge: \$43.50

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	838	833	x 1.0	833
1"	6	6	x 2.5	15
1½"	3	3	x 5.0	15
2"	28	25	x 8.0	200
3"	5	5	x 15.0	75
4"			x 25.0	
6"	1	1	x 50.0	50
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water Connections	882	874		1,268
Total Wastewater Connections	862	854	x 1.0	854

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	5,441,000	Water Accountability Ratio: 94% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	114,131,000	
Gallons purchased:	118,366,000	From: WHCRWA, HC MUD 188
Gallons sold:	2,269,000	To: HC MUD 186, HC MUD 208, HC MUD 179

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2024

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which district is located:

Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2024

PROFESSIONAL FEES:	
Auditing	\$ 14,500
Engineering	30,410
Legal	62,075
TOTAL PROFESSIONAL FEES	<u>\$ 106,985</u>
PURCHASED SERVICES	<u>\$ 207,223</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 32,972
Operations and Billing	91,592
TOTAL CONTRACTED SERVICES	<u>\$ 124,564</u>
UTILITIES	<u>\$ 32,671</u>
REPAIRS AND MAINTENANCE	<u>\$ 564,165</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 29,817
Insurance	18,683
Office Supplies and Postage	35,663
Travel and Meetings	16,627
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 100,790</u>
CAPITAL OUTLAY	<u>\$ 392,781</u>
OTHER EXPENDITURES:	
Chemicals	\$ 8,130
Laboratory Fees	15,137
Permit Fees	2,179
Connection and Inspection Fees	1,600
Regulatory Assessment	2,170
Water Authority Assessments	534,805
Website and Other	11,997
TOTAL OTHER EXPENDITURES	<u>\$ 576,018</u>
TOTAL EXPENDITURES	<u><u>\$ 2,105,197</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
INVESTMENTS
JULY 31, 2024

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,593,368	\$
Certificate of Deposit	XXXX2478	5.25%	08/11/24	230,000	11,744
Certificate of Deposit	XXXX9871	5.65%	11/22/24	230,000	8,972
Certificate of Deposit	XXXX4805	5.31%	10/13/24	241,059	3,788
TOTAL GENERAL FUND				<u>\$ 3,294,427</u>	<u>\$ 24,504</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 151,997</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 3,446,424</u>	<u>\$ 24,504</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
AUGUST 1, 2023	\$	17,905	\$	6,215
Adjustments to Beginning				
Balance		<u>7,200</u>	<u>2,444</u>	\$ 8,659
Original 2023 Tax Levy	\$	836,609	\$	143,418
Adjustment to 2023 Tax Levy		<u>75,587</u>	<u>12,959</u>	<u>156,377</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 937,301		\$ 165,036
TAX COLLECTIONS:				
Prior Years	\$	3,999	\$	1,876
Current Year		<u>897,783</u>	<u>153,906</u>	<u>155,782</u>
TAXES RECEIVABLE -				
JULY 31, 2024		<u>\$ 35,519</u>		<u>\$ 9,254</u>
TAXES RECEIVABLE BY				
YEAR:				
2023	\$	14,413	\$	2,471
2022		9,557		1,661
2021		3,720		706
2020		1,038		229
2019		1,440		320
2018		777		173
2017		584		139
2016		535		135
2015 and prior		<u>3,455</u>		<u>3,420</u>
TOTAL		<u>\$ 35,519</u>		<u>\$ 9,254</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2024

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 85,053,272	\$ 70,453,193	\$ 70,452,193	\$ 61,468,537
Improvements	241,153,532	213,463,520	158,811,941	167,419,097
Personal Property	5,978,616	5,833,156	5,121,822	6,139,014
Exemptions	<u>(71,557,940)</u>	<u>(61,324,625)</u>	<u>(39,138,131)</u>	<u>(40,112,817)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 260,627,480</u>	<u>\$ 228,425,244</u>	<u>\$ 195,247,825</u>	<u>\$ 194,913,831</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.06	\$ 0.065	\$ 0.075	\$ 0.085
Maintenance	<u>0.35</u>	<u>0.374</u>	<u>0.395</u>	<u>0.385</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.41</u>	<u>\$ 0.439</u>	<u>\$ 0.470</u>	<u>\$ 0.470</u>
ADJUSTED TAX LEVY*	<u>\$ 1,068,573</u>	<u>\$ 1,002,787</u>	<u>\$ 917,665</u>	<u>\$ 916,095</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.42 %</u>	<u>98.88 %</u>	<u>99.52 %</u>	<u>99.86 %</u>

* Based upon the adjusted tax at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on November 20, 1979.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2024

REFUNDING SERIES - 2012			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total Principal and Interest Due
2025	\$ 115,000	\$ 11,775	\$ 126,775
2026	115,000	8,325	123,325
2027	110,000	4,950	114,950
2028	110,000	1,650	111,650
	<u>\$ 450,000</u>	<u>\$ 26,700</u>	<u>\$ 476,700</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2024

Description	Original Bonds Issued	Bonds Outstanding August 1, 2023
Harris County Municipal Utility District No. 162 Unlimited Tax Refunding Bonds - Series 2012	<u>\$ 1,870,000</u>	<u>\$ 565,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 14,035,000	\$ 6,035,000
Amount Issued	<u>8,765,000</u>	<u>130,000</u>
Remaining to be Issued	<u>\$ 5,270,000</u>	<u>\$ 5,905,000</u>
Debt Service Fund cash and investment balances as of July 31, 2024:		<u>\$ 183,410</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 119,175</u>

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions			Bonds Outstanding July 31, 2024	Paying Agent
Bonds Sold	Principal	Interest		
\$ - 0 -	\$ 115,000	\$ 15,225	\$ 450,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 901,782	\$ 865,992	\$ 765,981
Water Service	231,683	220,560	197,246
Wastewater Service	217,854	209,791	180,917
Sales Tax Revenues	62,869	66,625	64,975
Water Authority Fees	493,168	475,503	416,792
Connection and Inspection Fees	9,775	9,545	8,125
Water Authority Credits	60,732	60,732	60,732
Penalty, Interest, Investment and Other	186,337	118,798	15,780
TOTAL REVENUES	<u>\$ 2,164,200</u>	<u>\$ 2,027,546</u>	<u>\$ 1,710,548</u>
EXPENDITURES			
Professional Fees	\$ 106,985	\$ 84,320	\$ 90,290
Contracted Services	124,564	110,263	103,299
Bulk Water Purchases	1,873		6,063
Purchased Wastewater Service	205,350	204,108	182,140
Utilities	32,671	23,204	28,507
Water Authority Assessments	534,805	495,275	456,058
Repairs and Maintenance	564,165	396,012	479,506
Other	142,003	128,103	104,868
Capital Outlay	392,781	53,177	171,078
TOTAL EXPENDITURES	<u>\$ 2,105,197</u>	<u>\$ 1,494,462</u>	<u>\$ 1,621,809</u>
NET CHANGE IN FUND BALANCE	\$ 59,003	\$ 533,084	\$ 88,739
BEGINNING FUND BALANCE	<u>3,399,929</u>	<u>2,866,845</u>	<u>2,778,106</u>
ENDING FUND BALANCE	<u>\$ 3,458,932</u>	<u>\$ 3,399,929</u>	<u>\$ 2,866,845</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 744,360	\$ 736,490	41.6 %	42.6 %	44.7 %	41.4 %	42.7 %
182,737	195,829	10.7	10.9	11.5	10.2	11.4
201,489	179,432	10.1	10.3	10.6	11.2	10.4
50,717	61,573	2.9	3.3	3.8	2.8	3.6
347,308	356,960	22.8	23.5	24.4	19.4	20.7
188,425	69,855	0.5	0.5	0.5	10.5	4.0
60,732	60,732	2.8	3.0	3.6	3.4	3.5
18,942	62,401	8.6	5.9	0.9	1.1	3.7
<u>\$ 1,794,710</u>	<u>\$ 1,723,272</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 76,016	\$ 103,031	5.0 %	4.3 %	5.4 %	4.3 %	6.1 %
83,770	98,394	5.8	5.4	6.0	4.7	5.7
55,106		0.1		0.4	3.1	
235,097	175,498	9.5	10.1	10.6	13.1	10.2
27,650	24,892	1.5	1.1	1.7	1.5	1.4
394,826	404,935	24.7	24.4	26.7	22.0	23.5
771,118	427,942	26.1	19.5	28.0	43.0	24.8
218,965	92,835	6.6	6.3	6.1	12.2	5.4
572,611	47,119	18.1	2.6	10.0	31.9	2.7
<u>\$ 2,435,159</u>	<u>\$ 1,374,646</u>	<u>97.4 %</u>	<u>73.7 %</u>	<u>94.9 %</u>	<u>135.8 %</u>	<u>79.8 %</u>
\$ (640,449)	\$ 348,626	<u>2.6 %</u>	<u>26.3 %</u>	<u>5.1 %</u>	<u>(35.8) %</u>	<u>20.2 %</u>
<u>3,418,555</u>	<u>3,069,929</u>					
<u>\$ 2,778,106</u>	<u>\$ 3,418,555</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 155,782	\$ 152,079	\$ 145,561
Penalty, Interest, Investment and Other	<u>13,346</u>	<u>21,107</u>	<u>11,950</u>
TOTAL REVENUES	<u>\$ 169,128</u>	<u>\$ 173,186</u>	<u>\$ 157,511</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 31,150	\$ 32,277	\$ 28,178
Debt Service Principal	115,000	115,000	120,000
Debt Service Interest and Fees	<u>15,975</u>	<u>19,475</u>	<u>22,250</u>
TOTAL EXPENDITURES	<u>\$ 162,125</u>	<u>\$ 166,752</u>	<u>\$ 170,428</u>
NET CHANGE IN FUND BALANCE	\$ 7,003	\$ 6,434	\$ (12,917)
BEGINNING FUND BALANCE	<u>170,649</u>	<u>164,215</u>	<u>177,132</u>
ENDING FUND BALANCE	<u>\$ 177,652</u>	<u>\$ 170,649</u>	<u>\$ 164,215</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>874</u>	<u>875</u>	<u>873</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>854</u>	<u>853</u>	<u>853</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 164,345	\$ 163,718	92.1 %	87.8 %	92.4 %	93.7 %	94.3 %
11,114	9,983	7.9	12.2	7.6	6.3	5.7
\$ 175,459	\$ 173,701	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 33,098	\$ 27,851	18.4 %	18.6 %	17.9 %	18.9 %	16.0 %
120,000	125,000	68.0	66.4	76.2	68.4	72.0
25,250	27,550	9.4	11.2	14.1	14.4	15.9
\$ 178,348	\$ 180,401	95.8 %	96.2 %	108.2 %	101.7 %	103.9 %
\$ (2,889)	\$ (6,700)	4.2 %	3.8 %	(8.2) %	(1.7) %	(3.9) %
180,021	186,721					
\$ 177,132	\$ 180,021					
871	871					
851	851					

See accompanying independent auditor's report.

District Mailing Address - Harris County Municipal Utility District No. 162
c/o Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, TX 77010-3095

District Telephone Number - (713) 651-5246

Notes: Submission date of most recent District Registration Form: December 5, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2024

Consultants:	Date Hired	Fees / Compensation for the year ended July 31, 2024	Title
Norton Rose Fulbright US LLP	06/28/78	\$ 63,438	General Counsel
McCall Gibson Swedlund Barfoot PLLC	06/10/14	\$ 14,500	Auditor
Myrtle Cruz, Inc.	05/22/79	\$ 35,106	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	08/01/83	\$ 1,613	Delinquent Tax Attorney
BGE, Inc.	09/08/09	\$ 47,022	Engineer
Masterson Advisors LLC	06/12/18	\$ -0-	Financial Advisor
Mary Jarmon	06/09/20	\$ -0-	Investment Officer
Bob Leared Interests	03/25/97	\$ 23,117	Tax A/C, Sales Tax Audit
H2O Consulting, Inc.	01/01/98	\$ 695,172	Operator

See accompanying independent auditor's report.

