



**Harris County Municipal
Utility District No. 122
Harris County, Texas**

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

August 31, 2025



Harris County Municipal Utility District No. 122
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August 31, 2025

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 122
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 122 (District), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of August 31, 2025, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Forvis Mazars, LLP

**Houston, Texas
February 13, 2026**

**Harris County Municipal Utility District No. 122
Management's Discussion and Analysis
Year Ended August 31, 2025**

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

**Harris County Municipal Utility District No. 122
Management's Discussion and Analysis
Year Ended August 31, 2025**

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2025	2024
Current and other assets	\$ 3,012,806	\$ 2,569,791
Capital assets	2,105,289	2,213,880
Total assets	\$ 5,118,095	\$ 4,783,671
Long-term liabilities	\$ 674,632	\$ 772,175
Other liabilities	168,956	160,201
Total liabilities	843,588	932,376
Net position		
Net investment in capital assets	1,430,657	1,441,705
Restricted	70,611	74,143
Unrestricted	2,773,239	2,335,447
Total net position	\$ 4,274,507	\$ 3,851,295

**Harris County Municipal Utility District No. 122
Management’s Discussion and Analysis
Year Ended August 31, 2025**

The total net position of the District increased by \$423,212, or about 11%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District’s bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements, as well as maintenance taxes and service revenues exceeding service operation expenses. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 1,036,919	\$ 1,030,684
Charges for services	389,935	385,874
Other revenues	158,813	147,298
Total revenues	<u>1,585,667</u>	<u>1,563,856</u>
Expenses		
Services	950,701	830,450
Depreciation	179,157	181,896
Debt service	32,597	37,002
Total expenses	<u>1,162,455</u>	<u>1,049,348</u>
Change in net position	423,212	514,508
Net position, beginning of year	<u>3,851,295</u>	<u>3,336,787</u>
Net position, end of year	<u><u>\$ 4,274,507</u></u>	<u><u>\$ 3,851,295</u></u>

Financial Analysis of the District’s Funds

The District’s combined fund balances as of the end of the fiscal year ended August 31, 2025 were \$2,807,090, an increase of \$459,451 from the prior year.

The general fund’s fund balance increased by \$451,298. This increase was primarily related to property tax and service revenues and investment income exceeding service operations and capital outlay expenditures.

The debt service fund’s fund balance increased by \$8,153 due to property tax revenues and penalty and interest revenues exceeding bond principal and interest requirements and contracted services expenditures.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues and capital outlay expenditures being greater than anticipated and repairs and maintenance expenditures being less than anticipated. The fund balance as of August 31, 2025 was expected to be \$2,720,851, and the actual end-of-year fund balance was \$2,750,419.

**Harris County Municipal Utility District No. 122
Management’s Discussion and Analysis
Year Ended August 31, 2025**

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 255,000	\$ 255,000
Water facilities	233,570	251,997
Wastewater facilities	1,457,886	1,527,787
Drainage facilities	<u>158,833</u>	<u>179,096</u>
Total capital assets	<u>\$ 2,105,289</u>	<u>\$ 2,213,880</u>

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

Wastewater treatment plant blower No. 3 replacement	<u>\$ 70,566</u>
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Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2025 are summarized as follows:

Long-term debt payable, beginning of year	\$ 772,175
Decreases in long-term debt	<u>(97,543)</u>
Long-term debt payable, end of year	<u>\$ 674,632</u>

At August 31, 2025, the District had \$7,810,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District.

The District’s bonds carry an underlying rating of “BBB+” from Standard & Poor’s.

Other Relevant Factors

Relationship to the City of Missouri City

Under existing Texas law, since the District lies wholly within the corporate limits of the City of Missouri City (Missouri City), the District must conform to the Missouri City ordinance consenting to the creation of the District. In addition, the District may be dissolved by Missouri City without the District’s consent. If the District is dissolved, Missouri City must assume the District’s assets and obligations (including the bonded indebtedness) within 90 days.

Harris County Municipal Utility District No. 122
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 95,573	\$ 39,272	\$ 134,845	\$ -	\$ 134,845
Short-term investments	2,788,436	13,416	2,801,852	-	2,801,852
Receivables					
Property taxes	22,820	4,475	27,295	-	27,295
Service accounts	39,349	-	39,349	-	39,349
Accrued penalty and interest	-	-	-	9,465	9,465
Interfund receivable	-	20,922	20,922	(20,922)	-
Capital assets (net of accumulated depreciation)					
Land and improvements	-	-	-	255,000	255,000
Infrastructure	-	-	-	1,850,289	1,850,289
Total Assets	<u>\$ 2,946,178</u>	<u>\$ 78,085</u>	<u>\$ 3,024,263</u>	<u>\$ 2,093,832</u>	<u>\$ 5,118,095</u>
Liabilities					
Accounts payable	\$ 75,758	\$ 16,939	\$ 92,697	\$ -	\$ 92,697
Customer deposits	76,259	-	76,259	-	76,259
Interfund payable	20,922	-	20,922	(20,922)	-
Long-term liabilities					
Due within one year	-	-	-	105,000	105,000
Due after one year	-	-	-	569,632	569,632
Total Liabilities	<u>172,939</u>	<u>16,939</u>	<u>189,878</u>	<u>653,710</u>	<u>843,588</u>
Deferred Inflows of Resources					
Deferred property tax revenues	<u>22,820</u>	<u>4,475</u>	<u>27,295</u>	<u>(27,295)</u>	<u>-</u>
Fund Balances/Net Position					
Fund balances					
Restricted, unlimited tax bonds	-	56,671	56,671	(56,671)	-
Unassigned	<u>2,750,419</u>	<u>-</u>	<u>2,750,419</u>	<u>(2,750,419)</u>	<u>-</u>
Total fund balances	<u>2,750,419</u>	<u>56,671</u>	<u>2,807,090</u>	<u>(2,807,090)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,946,178</u>	<u>\$ 78,085</u>	<u>\$ 3,024,263</u>		
Net position					
Net investment in capital assets				1,430,657	1,430,657
Restricted for debt service				70,611	70,611
Unrestricted				<u>2,773,239</u>	<u>2,773,239</u>
Total net position				<u>\$ 4,274,507</u>	<u>\$ 4,274,507</u>

Harris County Municipal Utility District No. 122
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended August 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues					
Property taxes	\$ 908,141	\$ 146,039	\$ 1,054,180	\$ (17,261)	\$ 1,036,919
Water service	210,960	-	210,960	-	210,960
Sewer service	109,529	-	109,529	-	109,529
Regional water fee	69,446	-	69,446	-	69,446
Penalty and interest	18,505	25,922	44,427	(7,930)	36,497
Investment income	120,858	1,458	122,316	-	122,316
Total Revenues	<u>1,437,439</u>	<u>173,419</u>	<u>1,610,858</u>	<u>(25,191)</u>	<u>1,585,667</u>
Expenditures/Expenses					
Service operations					
Purchased services	64,088	-	64,088	-	64,088
Regional water fee	68,877	-	68,877	-	68,877
Professional fees	236,663	7,940	244,603	-	244,603
Contracted services	179,928	16,128	196,056	-	196,056
Utilities	21,424	-	21,424	-	21,424
Repairs and maintenance	261,616	-	261,616	22,849	284,465
Other expenditures	60,130	11,058	71,188	-	71,188
Capital outlay	93,415	-	93,415	(93,415)	-
Depreciation	-	-	-	179,157	179,157
Debt service					
Principal retirement	-	100,000	100,000	(100,000)	-
Interest and fees	-	30,140	30,140	2,457	32,597
Total Expenditures/Expenses	<u>986,141</u>	<u>165,266</u>	<u>1,151,407</u>	<u>11,048</u>	<u>1,162,455</u>
Excess of Revenues Over Expenditures	451,298	8,153	459,451	(459,451)	
Change in Net Position				423,212	423,212
Fund Balances/Net Position					
Beginning of year	<u>2,299,121</u>	<u>48,518</u>	<u>2,347,639</u>	<u>-</u>	<u>3,851,295</u>
End of year	<u>\$ 2,750,419</u>	<u>\$ 56,671</u>	<u>\$ 2,807,090</u>	<u>\$ -</u>	<u>\$ 4,274,507</u>

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

Harris County Municipal Utility District No. 122 (District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (Commission), effective March 6, 1979, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

Harris County Municipal Utility District No. 122
Notes to Financial Statements
August 31, 2025

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Harris County Municipal Utility District No. 122
Notes to Financial Statements
August 31, 2025

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Harris County Municipal Utility District No. 122
Notes to Financial Statements
August 31, 2025

Capital Assets

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

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

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

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Drainage facilities	10–45 years

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

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

Harris County Municipal Utility District No. 122
Notes to Financial Statements
August 31, 2025

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 2,105,289
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	27,295
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	9,465
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(674,632)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 1,467,417</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures, and changes in fund balances because:

Change in fund balances.	\$ 459,451
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current period.	(108,591)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	100,000
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(25,191)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(2,457)</u>
Change in net position of governmental activities.	<u><u>\$ 423,212</u></u>

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2025, none of the District’s bank balances were exposed to custodial credit risk.

Investments

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

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

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

At August 31, 2025, the District had the following investments and securities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1–5	6–10	More Than 10
Texas CLASS	\$ 2,801,852	\$ 2,801,852	\$ -	\$ -	\$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2025, the District’s investments in Texas CLASS were rated “AAAm” by Standard & Poor’s.

Harris County Municipal Utility District No. 122
Notes to Financial Statements
August 31, 2025

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the statement of net position and balance sheet at August 31, 2025 as follows:

Carrying value	
Deposits	\$ 134,845
Investments	<u>2,801,852</u>
Total	<u>\$ 2,936,697</u>

Investment Income

Investment income of \$122,316 for the year ended August 31, 2025 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of August 31, 2025:

- Pooled investments of \$2,801,852 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended August 31, 2025 is presented as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable			
Land and improvements	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>
Capital assets, depreciable			
Water production and distribution facilities	741,842	-	741,842
Wastewater collection and treatment facilities	3,838,579	70,566	3,909,145
Drainage facilities	<u>911,870</u>	<u>-</u>	<u>911,870</u>
Total capital assets, depreciable	<u>5,492,291</u>	<u>70,566</u>	<u>5,562,857</u>
Less accumulated depreciation			
Water production and distribution facilities	(489,845)	(18,427)	(508,272)
Wastewater collection and treatment facilities	(2,310,792)	(140,467)	(2,451,259)
Drainage facilities	<u>(732,774)</u>	<u>(20,263)</u>	<u>(753,037)</u>
Total accumulated depreciation	<u>(3,533,411)</u>	<u>(179,157)</u>	<u>(3,712,568)</u>
Total governmental activities, net	<u>\$ 2,213,880</u>	<u>\$ (108,591)</u>	<u>\$ 2,105,289</u>

Harris County Municipal Utility District No. 122
Notes to Financial Statements
August 31, 2025

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended August 31, 2025 were as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Decreases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Bonds payable				
General obligation bonds	\$ 790,000	\$ 100,000	\$ 690,000	\$ 105,000
Less discounts on bonds	17,825	2,457	15,368	-
Total governmental activities long-term liabilities	<u>\$ 772,175</u>	<u>\$ 97,543</u>	<u>\$ 674,632</u>	<u>\$ 105,000</u>

General Obligation Bonds

	<u>Series 2012</u>
Amount outstanding, August 31, 2025	\$690,000
Interest rates	3.90% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2026/2031
Interest payment dates	March 1/September 1
Callable date*	March 1, 2019

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

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 105,000	\$ 25,342	\$ 130,342
2027	105,000	21,247	126,247
2028	110,000	17,000	127,000
2029	115,000	12,500	127,500
2030	125,000	7,700	132,700
2031	130,000	2,600	132,600
Total	<u>\$ 690,000</u>	<u>\$ 86,389</u>	<u>\$ 776,389</u>

Harris County Municipal Utility District No. 122
Notes to Financial Statements
August 31, 2025

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

Bonds voted	\$	15,000,000
Bonds sold		7,190,000
Refunding bonds voted		15,000,000
Refunding bonds sold		6,010,000

Note 5. Significant Bond Order and Commission Requirements

The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.0700 per \$100 of assessed valuation, which resulted in a tax levy of \$144,662 on the taxable valuation of \$206,659,561 for the 2024 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$129,390.

Note 6. Maintenance Taxes

At an election held May 9, 2015, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation, as a replacement for the \$0.20 per \$100 of assessed valuation authorized at an election held April 7, 1979. During the year ended August 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.4400 per \$100 of assessed valuation, which resulted in a tax levy of \$909,302 on the taxable valuation of \$206,659,561 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Risk Management

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

Note 8. Water Supply Agreements

On August 16, 2000, the District entered into a water supply contract with Fort Bend Water Control and Improvement District No. 2 (WCID 2), which is intended to be the primary source of the District's water supply. The contract was last amended November 1, 2022. WCID 2 is within the boundaries of the Fort Bend County Subsidence District (Subsidence District) and has entered into a Groundwater Reduction Plan Participation Agreement in order to meet the Subsidence District's requirements to reduce groundwater withdrawal through conversion to surface water. WCID 2 pays monthly fees for all groundwater pumped from its wells and all surface water purchased. Under the terms of the water supply contract between the District and WCID 2, the District pays a groundwater reduction plan fee to WCID 2 of \$1.80 per 1,000 gallons of water delivered to the District. This fee is subject to future change. During the current year, the District incurred costs of \$130,101 under this contract.

On November 22, 1994, Ordinance 94-1252 was passed by the City of Houston (Houston) approving a water supply contract with the District. In August 2001, Houston and the District terminated the contract, but the District

Harris County Municipal Utility District No. 122
Notes to Financial Statements
August 31, 2025

continues to pay a monthly fee to retain the interconnect as an emergency water supply. During the current year, the District incurred costs of \$2,864 to Houston.

Required Supplementary Information

**Harris County Municipal Utility District No. 122
 Budgetary Comparison Schedule – General Fund
 Year Ended August 31, 2025**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 903,500	\$ 819,280	\$ 908,141	\$ 88,861
Water service	212,500	212,500	210,960	(1,540)
Sewer service	116,800	116,800	109,529	(7,271)
Regional water fee	66,600	66,600	69,446	2,846
Penalty and interest	20,900	20,900	18,505	(2,395)
Tap connection and inspection fees	500	500	-	(500)
Investment income	117,300	117,300	120,858	3,558
Total Revenues	<u>1,438,100</u>	<u>1,353,880</u>	<u>1,437,439</u>	<u>83,559</u>
Expenditures				
Service operations				
Purchased services	66,700	66,700	64,088	2,612
Regional water fee	71,900	71,900	68,877	3,023
Professional fees	217,000	217,000	236,663	(19,663)
Contracted services	179,400	179,400	179,928	(528)
Utilities	20,500	20,500	21,424	(924)
Repairs and maintenance	570,500	299,000	261,616	37,384
Other expenditures	62,650	62,650	60,130	2,520
Capital outlay	15,000	15,000	93,415	(78,415)
Total Expenditures	<u>1,203,650</u>	<u>932,150</u>	<u>986,141</u>	<u>(53,991)</u>
Excess of Revenues Over Expenditures	234,450	421,730	451,298	29,568
Fund Balance, Beginning of Year	<u>2,299,121</u>	<u>2,299,121</u>	<u>2,299,121</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,533,571</u>	<u>\$ 2,720,851</u>	<u>\$ 2,750,419</u>	<u>\$ 29,568</u>

Harris County Municipal Utility District No. 122
Notes to Required Supplementary Information
August 31, 2025

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2025.

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

Supplementary Information

Harris County Municipal Utility District No. 122
Other Schedules Included Within This Report
August 31, 2025

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 9–18
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 122
Schedule of Services and Rates
Year Ended August 31, 2025

1. Services provided by the District

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>	
Water:	\$ 33.25	10,000	N	\$ 3.50	10,001 to	20,000
				\$ 4.00	20,001 to	30,000
Wastewater:	\$ 20.06	20,000	N	\$ 3.50	20,001 to	No Limit
Regional water fee:	\$ 1.80	1	N	\$ 1.80	1 to	No Limit

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

Total charges per 10,000 gallons usage (including fees): Water \$ 51.25 Wastewater \$ 20.06

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	396	394	x1.0	394
1"	-	-	x2.5	-
1 1/2"	1	1	x5.0	5
2"	11	11	x8.0	88
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	408	406		487
Total wastewater	403	401	x1.0	401

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

Gallons pumped into the system:	40,502
Gallons billed to customers:	38,763
Water accountability ratio (gallons billed/gallons pumped):	95.71%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 122
Schedule of General Fund Expenditures
Year Ended August 31, 2025

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$ 22,000		
Legal	92,673		
Engineering	121,090		
Financial advisor	<u>900</u>		236,663
Purchased Services for Resale			
Bulk water and wastewater service purchases			64,088
Regional Water Fee			68,877
Contracted Services			
Bookkeeping	54,779		
General manager	-		
Appraisal district	-		
Tax collector	-		
Security	-		
Other contracted services	<u>48,506</u>		103,285
Utilities			21,424
Repairs and Maintenance			261,616
Administrative Expenditures			
Directors' fees	13,260		
Office supplies	5,104		
Insurance	13,672		
Other administrative expenditures	<u>28,094</u>		60,130
Capital Outlay			
Capitalized assets	70,566		
Expenditures not capitalized	<u>22,849</u>		93,415
Tap Connection Expenditures			-
Solid Waste Disposal			76,643
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			<u>-</u>
Total Expenditures		\$	<u>986,141</u>

Harris County Municipal Utility District No. 122
Schedule of Temporary Investments
August 31, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Texas CLASS	4.38%	Demand	\$ 2,788,436	\$ -
Debt Service Fund				
Texas CLASS	4.38%	Demand	<u>13,416</u>	<u>-</u>
Totals			<u><u>\$ 2,801,852</u></u>	<u><u>\$ -</u></u>

Harris County Municipal Utility District No. 122
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2025

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
Receivable, Beginning of Year	\$ 36,326	\$ 8,230
Additions and corrections to prior years' taxes	<u>(14,667)</u>	<u>(2,378)</u>
Adjusted Receivable, Beginning of Year	<u>21,659</u>	<u>5,852</u>
2024 Original Tax Levy	797,996	126,954
Additions and corrections	<u>111,306</u>	<u>17,708</u>
Adjusted tax levy	<u>909,302</u>	<u>144,662</u>
Total to Be Accounted For	930,961	150,514
Tax collections: Current year	(894,090)	(142,242)
Prior years	<u>(14,051)</u>	<u>(3,797)</u>
Receivable, End of Year	<u>\$ 22,820</u>	<u>\$ 4,475</u>
Receivable, by Years		
2024	\$ 15,212	\$ 2,420
2023	2,927	445
2022	1,027	193
2021	1,134	156
2020	1,112	244
2019	1,089	289
2018	46	13
2017	46	15
2016	47	15
2015	46	18
2014	18	50
2005–2013	<u>116</u>	<u>617</u>
Receivable, End of Year	<u>\$ 22,820</u>	<u>\$ 4,475</u>

**Harris County Municipal Utility District No. 122
 Analysis of Taxes Levied and Receivable
 Year Ended August 31, 2025**

(Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations				
Land	\$ 61,024,652	\$ 62,325,521	\$ 43,137,637	\$ 43,107,837
Improvements	142,030,383	148,654,789	134,909,744	112,924,918
Personal property	23,798,981	12,162,878	11,190,483	8,175,001
Exemptions	<u>(20,194,455)</u>	<u>(37,199,342)</u>	<u>(23,693,275)</u>	<u>(18,392,390)</u>
Total Property Valuations	<u>\$ 206,659,561</u>	<u>\$ 185,943,846</u>	<u>\$ 165,544,589</u>	<u>\$ 145,815,366</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.0700	\$ 0.0700	\$ 0.0900	\$ 0.0700
Maintenance tax rates*	<u>0.4400</u>	<u>0.4600</u>	<u>0.4780</u>	<u>0.5100</u>
Total Tax Rates per \$100 Valuation	<u>\$ 0.5100</u>	<u>\$ 0.5300</u>	<u>\$ 0.5680</u>	<u>\$ 0.5800</u>
Tax Levy	<u>\$ 1,053,964</u>	<u>\$ 985,502</u>	<u>\$ 940,293</u>	<u>\$ 845,729</u>
Percent of Taxes Collected to Taxes Levied**	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on May 9, 2015

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

Harris County Municipal Utility District No. 122
Schedule of Long-Term Debt Service Requirements by Years
August 31, 2025

<u>Due During Fiscal Years</u> <u>Ending August 31</u>	<u>Series 2012</u>		<u>Total</u>
	<u>Principal</u> <u>Due</u> <u>March 1</u>	<u>Interest Due</u> <u>March 1,</u> <u>September 1</u>	
2026	\$ 105,000	\$ 25,342	\$ 130,342
2027	105,000	21,247	126,247
2028	110,000	17,000	127,000
2029	115,000	12,500	127,500
2030	125,000	7,700	132,700
2031	130,000	2,600	132,600
Totals	<u>\$ 690,000</u>	<u>\$ 86,389</u>	<u>\$ 776,389</u>

The District pays the amount due September 1 prior to that date. This schedule shows the amounts due within the fiscal years assuming this practice will continue in the future.

Harris County Municipal Utility District No. 122
Changes in Long-Term Bonded Debt
Year Ended August 31, 2025

	<u>Bond Issue Series 2012</u>
Interest rates	3.90% to 4.00%
Dates interest payable	March 1/ September 1
Maturity dates	March 1, 2026/2031
Bonds outstanding, beginning of current year	\$ 790,000
Retirements, principal	<u>100,000</u>
Bonds outstanding, end of current year	<u>\$ 690,000</u>
Interest paid during current year	<u>\$ 29,390</u>
Paying agent's name and address	

Series 2012 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount authorized by voters	<u>\$ 15,000,000</u>	<u>\$ -</u>	<u>\$ 15,000,000</u>
Amount issued	<u>\$ 7,190,000</u>	<u>\$ -</u>	<u>\$ 6,010,000</u>
Remaining to be issued	<u>\$ 7,810,000</u>	<u>\$ -</u>	<u>\$ 8,990,000</u>
Debt service fund cash and temporary investment balances as of August 31, 2025:			<u>\$ 52,688</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 129,398</u>

Harris County Municipal Utility District No. 122
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 908,141	\$ 881,736	\$ 786,227	\$ 710,596	\$ 628,889
Water service	210,960	206,752	207,188	192,064	185,318
Sewer service	109,529	113,780	112,424	110,437	106,765
Regional water fee	69,446	65,342	65,133	52,809	48,973
Penalty and interest	18,505	20,228	18,856	16,200	9,661
Tap connection and inspection fees	-	360	-	-	100,036
Investment income	120,858	113,065	77,255	10,201	1,665
Total Revenues	<u>1,437,439</u>	<u>1,401,263</u>	<u>1,267,083</u>	<u>1,092,307</u>	<u>1,081,307</u>
Expenditures					
Service operations					
Purchased services	64,088	64,550	55,797	43,398	46,924
Regional water fee	68,877	69,431	62,920	53,019	57,073
Professional fees	236,663	146,943	147,620	144,934	140,650
Contracted services	179,928	174,539	166,212	136,406	136,105
Utilities	21,424	20,126	21,283	21,198	20,866
Repairs and maintenance	261,616	266,250	167,514	282,689	330,532
Tap connections	-	-	-	-	24,722
Other expenditures	60,130	61,423	49,768	52,061	41,493
Capital outlay	93,415	-	385,541	293,287	12,187
Total Expenditures	<u>986,141</u>	<u>803,262</u>	<u>1,056,655</u>	<u>1,026,992</u>	<u>810,552</u>
Excess of Revenues Over Expenditures	451,298	598,001	210,428	65,315	270,755
Other Financing Uses					
Interfund transfers out	-	-	-	(22,378)	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	451,298	598,001	210,428	42,937	270,755
Fund Balance, Beginning of Year	<u>2,299,121</u>	<u>1,701,120</u>	<u>1,490,692</u>	<u>1,447,755</u>	<u>1,177,000</u>
Fund Balance, End of Year	<u>\$ 2,750,419</u>	<u>\$ 2,299,121</u>	<u>\$ 1,701,120</u>	<u>\$ 1,490,692</u>	<u>\$ 1,447,755</u>
Total Active Retail Water Connections	<u>406</u>	<u>405</u>	<u>404</u>	<u>405</u>	<u>403</u>
Total Active Retail Wastewater Connections	<u>401</u>	<u>400</u>	<u>399</u>	<u>400</u>	<u>398</u>

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
63.2 %	62.9 %	60.8 %	65.1 %	58.2 %
14.7	14.8	17.0	17.6	17.1
7.6	8.1	9.7	10.1	9.9
4.8	4.7	5.0	4.8	4.5
1.3	1.4	1.5	1.5	0.9
-	0.0	-	-	9.2
8.4	8.1	6.0	0.9	0.2
100.0	100.0	100.0	100.0	100.0
4.4	4.6	4.4	4.0	4.3
4.8	4.9	5.0	4.8	5.3
16.5	10.5	11.7	13.3	13.0
12.5	12.5	13.1	12.5	12.6
1.5	1.4	1.7	1.9	1.9
18.2	19.0	13.2	25.9	30.6
-	-	-	-	2.3
4.2	4.4	3.9	4.8	3.8
6.5	-	30.4	26.8	1.1
68.6	57.3	83.4	94.0	74.9
31.4 %	42.7 %	16.6 %	6.0 %	25.1 %

Harris County Municipal Utility District No. 122
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	\$ 146,039	\$ 134,195	\$ 147,735	\$ 95,699	\$ 138,808
Penalty and interest	25,922	9,413	10,782	9,741	8,181
Investment income	1,458	1,866	1,335	90	62
Total Revenues	<u>173,419</u>	<u>145,474</u>	<u>159,852</u>	<u>105,530</u>	<u>147,051</u>
Expenditures					
Current					
Professional fees	7,940	2,511	3,469	3,285	2,633
Contracted services	16,128	16,733	15,057	14,170	12,890
Other expenditures	11,058	7,944	10,192	7,161	3,881
Debt service					
Principal retirement	100,000	95,000	90,000	85,000	80,000
Interest and fees	30,140	34,640	37,490	40,971	43,353
Total Expenditures	<u>165,266</u>	<u>156,828</u>	<u>156,208</u>	<u>150,587</u>	<u>142,757</u>
Excess (Deficiency) of Revenues Over Expenditures	8,153	(11,354)	3,644	(45,057)	4,294
Other Financing Sources					
Interfund transfers in	-	-	-	22,378	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	8,153	(11,354)	3,644	(22,679)	4,294
Fund Balance, Beginning of Year	<u>48,518</u>	<u>59,872</u>	<u>56,228</u>	<u>78,907</u>	<u>74,613</u>
Fund Balance, End of Year	<u>\$ 56,671</u>	<u>\$ 48,518</u>	<u>\$ 59,872</u>	<u>\$ 56,228</u>	<u>\$ 78,907</u>

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
84.2 %	92.2 %	92.4 %	90.7 %	94.4 %
15.0	6.5	6.8	9.2	5.6
<u>0.8</u>	<u>1.3</u>	<u>0.8</u>	<u>0.1</u>	<u>0.0</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
4.6	1.7	2.2	3.1	1.8
9.3	11.5	9.4	13.4	8.8
6.4	5.5	6.4	6.8	2.6
57.6	65.3	56.3	80.6	54.4
<u>17.4</u>	<u>23.8</u>	<u>23.4</u>	<u>38.8</u>	<u>29.5</u>
<u>95.3</u>	<u>107.8</u>	<u>97.7</u>	<u>142.7</u>	<u>97.1</u>
<u><u>4.7 %</u></u>	<u><u>(7.8) %</u></u>	<u><u>2.3 %</u></u>	<u><u>(42.7) %</u></u>	<u><u>2.9 %</u></u>

**Harris County Municipal Utility District No. 122
Board Members, Key Personnel, and Consultants
Year Ended August 31, 2025**

Complete District mailing address:	Harris County Municipal Utility District No. 122 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056
District business telephone number:	713.623.4531
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>September 16, 2024</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Joycelyn Barnes Reese	Elected 05/24– 05/28	\$ 3,315	\$ 1,216	President
John Hoxie	Elected 05/22– 05/26	2,210	-	Vice President
James H. Ragan, Jr.	Elected 05/22– 05/26	3,315	-	Secretary
John Marshall	Elected 05/24– 05/28	2,873	972	Assistant Secretary
Sheila Butler	Appointed 06/25– 05/26	663	-	Assistant Secretary
Ronald Bennett	Elected 05/22– 05/25	884	-	Resigned

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

**Harris County Municipal Utility District No. 122
Board Members, Key Personnel, and Consultants
Year Ended August 31, 2025**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bob Leared Interests	02/14/85	\$ 19,038	Tax Assessor/ Collector
Forvis Mazars, LLP	04/01/86	22,600	Auditor
The GMS Group, L.L.C.	02/25/15	900	Financial Advisor
Harris Central Appraisal District	Legislative Action	7,548	Appraiser
Inframark LLC	08/22/85	380,584	Operator
Municipal Accounts & Consulting, L.P.	02/06/13	58,450	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/16/95	7,940	Delinquent Tax Attorney
Quiddity Engineering, LLC	03/21/91	146,966	Engineer
Schwartz, Page & Harding, L.L.P.	09/22/94	100,148	Attorney
Investment Officers			
Mark M. Burton and Ghia Lewis	04/24/13	N/A	Bookkeepers