

**Harris County Municipal  
Utility District No. 359  
Harris County, Texas**

**Independent Auditor's Report  
and Financial Statements**

**August 31, 2022**



**Harris County Municipal Utility District No. 359**  
**August 31, 2022**

**Contents**

<b>Independent Auditor's Report</b> .....	<b>1</b>
<b>Management's Discussion and Analysis</b> .....	<b>4</b>
<b>Basic Financial Statements</b>	
Statement of Net Position and Governmental Funds Balance Sheet .....	10
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances .....	12
Notes to Financial Statements .....	13
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund .....	26
Notes to Required Supplementary Information .....	27
<b>Other Information</b>	
Other Schedules Included Within This Report .....	28
Schedule of Services and Rates .....	29
Schedule of General Fund Expenditures .....	30
Schedule of Temporary Investments .....	31
Analysis of Taxes Levied and Receivable .....	32
Schedule of Long-term Debt Service Requirements by Years .....	34
Changes in Long-term Bonded Debt .....	37
Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years .....	38
Board Members, Key Personnel and Consultants .....	40



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## Independent Auditor's Report

Board of Directors  
Harris County Municipal Utility District No. 359  
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. 359 (the District), as of and for the year ended August 31, 2022, 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, 2022, 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 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.

***Other Information***

Management is responsible for the other information included in the basic financial statements. The other information comprises schedules required by the Texas Commission on Environmental Quality as listed in the table of contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**FORVIS, LLP**

Houston, Texas  
January 9, 2023

# **Harris County Municipal Utility District No. 359**

## **Management's Discussion and Analysis**

### **August 31, 2022**

#### **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 other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

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

#### **Government-wide Financial Statements**

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

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

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

**Harris County Municipal Utility District No. 359**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

**Notes to Financial Statements**

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

**Harris County Municipal Utility District No. 359**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

**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**

	<b>2022</b>	<b>2021</b>
Current and other assets	\$ 5,675,532	\$ 2,217,252
Capital assets	3,433,819	3,352,517
Total assets	9,109,351	5,569,769
Deferred outflows of resources	41,525	82,081
Total assets and deferred outflows of resources	\$ 9,150,876	\$ 5,651,850
Long-term liabilities	\$ 5,022,503	\$ 1,925,079
Other liabilities	123,319	76,042
Total liabilities	5,145,822	2,001,121
Net position:		
Investment in capital assets	7,101,442	3,352,517
Restricted	900,844	1,340,811
Unrestricted	(3,997,232)	(1,042,599)
Total net position	\$ 4,005,054	\$ 3,650,729

The total net position of the District increased by \$354,325, or approximately 10 percent. The majority of the increase in net position is related to property tax revenues and rebates from the City of Houston (the City) intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At August 31, 2022, unrestricted net position was \$(3,997,232). This amount was negative because pursuant to a contract between the District and the City, all water, sanitary sewer and storm sewer facilities purchased or constructed by the District or its developers are conveyed to the City, with the exception of its storm water detention facilities.

**Harris County Municipal Utility District No. 359**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

**Summary of Changes in Net Position**

	<b>2022</b>	<b>2021</b>
Revenues:		
Property taxes	\$ 353,388	\$ 428,174
City of Houston rebates	567,460	731,413
Other revenues	37,804	25,319
Total revenues	958,652	1,184,906
Expenses:		
Services	265,917	254,665
Debt service	338,410	151,131
Total expenses	604,327	405,796
Change in net position	354,325	779,110
Net position, beginning of year	3,650,729	2,871,619
Net position, end of year	\$ 4,005,054	\$ 3,650,729

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended August 31, 2022, were \$5,525,424, an increase of \$3,782,070 from the prior year.

The general fund's fund balance increased by \$181,921, primarily due to property tax revenues and a transfer in from the capital projects fund being greater than service operations expenditures.

The debt service fund's fund balance increased by \$55,300, primarily due to City rebate revenues and proceeds received from the current year bond sale exceeding bond principal and interest requirements.

The capital projects fund's fund balance increased by \$3,544,849, primarily due to proceeds received from the sale of bonds exceeding capital outlay expenditures and debt issuance costs.

**Harris County Municipal Utility District No. 359**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

**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 being greater than anticipated and professional fees and other expenditures being less than anticipated. In addition, an interfund transfer received was not included in the budget. The fund balance as of August 31, 2022, was expected to be \$728,543 and the actual end-of-year fund balance was \$976,014.

**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:

	<b><u>Capital Assets</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Land and improvements	\$ 3,352,517	\$ 3,352,517
Construction in progress	<u>81,302</u>	<u>-</u>
Total capital assets	<b><u>\$ 3,433,819</u></b>	<b><u>\$ 3,352,517</u></b>

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

Construction in progress related to stormwater detention facility improvements	<u>\$ 81,302</u>
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Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2022, are summarized as follows:

Long-term debt payable, beginning of year	\$ 1,925,079
Increases in long-term debt	4,044,997
Decreases in long-term debt	<u>(947,573)</u>
Long-term debt payable, end of year	<b><u>\$ 5,022,503</u></b>

At August 31, 2022, the District had \$2,970,000 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.

**Harris County Municipal Utility District No. 359**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2022**

The District's bonds carry an underlying rating of "A+" from Standard & Poor's. The Series 2014 refunding bonds and the Series 2022 bonds also carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

**Other Relevant Factors**

Contract With the City of Houston

In 1992, the District's developer entered into a 40-year contract with the City, which was assigned by the developer to the District on March 1, 1994, and amended in 1997, to provide water, wastewater and drainage services to customers within and adjacent to the District. The contract was further amended effective December 2017. In conjunction with the amendment, the City made a one-time catch-up payment of \$660,612. Under the terms of the contract, the District will construct or purchase all facilities necessary to provide water, wastewater and drainage services and convey those facilities to the City. The District retains a security interest in the facilities. In the current year, the City made another catch-up payment in the amount of \$354,127, which is memorialized by a District resolution accepting the rebate reconciliation adopted December 1, 2021.

The City is the owner and operator of the facilities and is responsible for all operating costs. The City also bills all customers within the District's boundaries at rates comparable to other in-City customers.

The contract provides for monthly revenue payments to be paid to the District by the City based on net revenues collected, and also provides for annual tax payments to be paid to the District by the City. Both types of payments are calculated based on formulas set forth in the contract. During the current year, the District recorded revenue of \$567,460 from the City.

**Harris County Municipal Utility District No. 359**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 9,888	\$ 46,935	\$ -	\$ 56,823	\$ -	\$ 56,823
Certificates of deposit	445,000	-	-	445,000	-	445,000
Short-term investments	479,355	865,148	3,626,222	4,970,725	-	4,970,725
Receivables:						
Property taxes	7,732	2,655	-	10,387	-	10,387
Tax rebates	-	147,082	-	147,082	40,000	187,082
Accrued penalty and interest	-	-	-	-	3,802	3,802
Accrued interest	1,713	-	-	1,713	-	1,713
Interfund receivables	135,503	-	-	135,503	(135,503)	-
Capital assets:						
Land and improvements	-	-	-	-	3,352,517	3,352,517
Construction in progress	-	-	-	-	81,302	81,302
<b>Total assets</b>	<u>1,079,191</u>	<u>1,061,820</u>	<u>3,626,222</u>	<u>5,767,233</u>	<u>3,342,118</u>	<u>9,109,351</u>
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,525</u>	<u>41,525</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 1,079,191</u>	<u>\$ 1,061,820</u>	<u>\$ 3,626,222</u>	<u>\$ 5,767,233</u>	<u>\$ 3,383,643</u>	<u>\$ 9,150,876</u>

**Harris County Municipal Utility District No. 359**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**August 31, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 95,445	\$ 474	\$ -	\$ 95,919	\$ -	\$ 95,919
Accrued interest payable	-	-	-	-	27,400	27,400
Interfund payables	-	54,130	81,373	135,503	(135,503)	-
Long-term liabilities:						
Due within one year	-	-	-	-	960,000	960,000
Due after one year	-	-	-	-	4,062,503	4,062,503
Total liabilities	95,445	54,604	81,373	231,422	4,914,400	5,145,822
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	7,732	2,655	0	10,387	(10,387)	0
<b>Fund Balances/Net Position</b>						
Fund balances:						
Restricted:						
Debt service on unlimited tax bonds	-	1,004,561	-	1,004,561	(1,004,561)	-
Water, sewer and drainage	-	-	3,544,849	3,544,849	(3,544,849)	-
Unassigned	976,014	-	-	976,014	(976,014)	-
Total fund balances	976,014	1,004,561	3,544,849	5,525,424	(5,525,424)	0
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,079,191</u>	<u>\$ 1,061,820</u>	<u>\$ 3,626,222</u>	<u>\$ 5,767,233</u>		
Net position:						
Investment in capital assets					7,101,442	7,101,442
Restricted for debt service					880,647	880,647
Restricted for capital projects					20,197	20,197
Unrestricted					(3,997,232)	(3,997,232)
Total net position					<u>\$ 4,005,054</u>	<u>\$ 4,005,054</u>

**Harris County Municipal Utility District No. 359**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended August 31, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 355,922	\$ 363	\$ -	\$ 356,285	\$ (2,897)	\$ 353,388
Penalty and interest	-	6,142	-	6,142	(872)	5,270
Investment income	5,341	6,996	20,197	32,534	-	32,534
City of Houston rebates	-	921,533	-	921,533	(354,073)	567,460
<b>Total revenues</b>	<b>361,263</b>	<b>935,034</b>	<b>20,197</b>	<b>1,316,494</b>	<b>(357,842)</b>	<b>958,652</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Professional fees	85,090	1,735	-	86,825	70	86,895
Contracted services	27,646	24,430	-	52,076	-	52,076
Repairs and maintenance	20,862	-	-	20,862	6,522	27,384
Other expenditures	90,222	9,340	-	99,562	-	99,562
Capital outlay	6,522	-	81,372	87,894	(87,894)	-
Debt service:						
Principal retirement	-	930,000	-	930,000	(930,000)	-
Interest and fees	-	75,829	-	75,829	36,208	112,037
Debt issuance costs	-	-	226,373	226,373	-	226,373
<b>Total expenditures/expenses</b>	<b>230,342</b>	<b>1,041,334</b>	<b>307,745</b>	<b>1,579,421</b>	<b>(975,094)</b>	<b>604,327</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>130,921</b>	<b>(106,300)</b>	<b>(287,548)</b>	<b>(262,927)</b>	<b>617,252</b>	
<b>Other Financing Sources (Uses)</b>						
General obligation bonds issued	-	161,600	3,878,400	4,040,000	(4,040,000)	
Premium on debt issued	-	-	4,997	4,997	(4,997)	
Interfund transfers in (out)	51,000	-	(51,000)	-	-	
<b>Total other financing sources</b>	<b>51,000</b>	<b>161,600</b>	<b>3,832,397</b>	<b>4,044,997</b>	<b>(4,044,997)</b>	
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>181,921</b>	<b>55,300</b>	<b>3,544,849</b>	<b>3,782,070</b>	<b>(3,782,070)</b>	
<b>Change in Net Position</b>					<b>354,325</b>	<b>354,325</b>
<b>Fund Balances/Net Position</b>						
Beginning of year	794,093	949,261	-	1,743,354	-	3,650,729
End of year	\$ 976,014	\$ 1,004,561	\$ 3,544,849	\$ 5,525,424	\$ 0	\$ 4,005,054

# Harris County Municipal Utility District No. 359

## Notes to Financial Statements

### August 31, 2022

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

Harris County Municipal Utility District No. 359 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective June 24, 1993, 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 and construct waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District lies within the corporate limits of the City of Houston (the City). The District has contracted with the City to supply water and wastewater treatment services to the District's customers.

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

#### ***Reporting Entity***

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

#### ***Government-wide and Fund Financial Statements***

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

# Harris County Municipal Utility District No. 359

## Notes to Financial Statements

### August 31, 2022

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.

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

#### **Fund Balances – Governmental Funds**

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

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

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

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

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

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

# Harris County Municipal Utility District No. 359

## Notes to Financial Statements

### August 31, 2022

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

#### ***Measurement Focus and Basis of Accounting***

##### **Government-wide Financial Statements**

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

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. 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. 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.

##### **Fund Financial Statements**

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

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

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

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

***Property Taxes***

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

# Harris County Municipal Utility District No. 359

## Notes to Financial Statements

### August 31, 2022

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, 2022, include collections during the current period or within 60 days of year-end related to the 2021 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, 2022, the 2021 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

#### ***Capital Assets***

The District conveys its water, wastewater and drainage facilities (exclusive of its storm water detention facilities) to the City.

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

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

#### ***Deferred Amount on Debt Refundings***

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

#### ***Debt Issuance Costs***

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

#### ***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.

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

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

**Net Position/Fund Balances**

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

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

The components of unrestricted net position at August 31, 2022, are as follows:

General fund, unrestricted fund balance, including deferred taxes	\$	983,746
Long-term debt on conveyed capital assets		<u>(4,980,978)</u>
Total	\$	<u><u>(3,997,232)</u></u>

The District has financed water, wastewater and drainage facilities, which have been conveyed to the City pursuant to a contract between the City and the District, which has caused long-term debt to be in excess of capital assets.

**Reconciliation of Government-wide and Fund Financial Statements**

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$	3,433,819
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		10,387
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.		3,802

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	\$ 41,525
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(27,400)
Tax rebates are not receivable in the current period and are not reported in the funds.	40,000
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(5,022,503)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (1,520,370)</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.	\$ 3,782,070
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capital assets is conveyed to the City for maintenance with the exception of storm water detention facilities. This is the amount by which capital outlay expenditures exceeded noncapitalized costs in the current year.	81,302
Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(4,997)
Governmental funds report proceeds from sales of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(3,110,000)
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(357,842)
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>(36,208)</u>
Change in net position of governmental activities.	<u><u>\$ 354,325</u></u>

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

**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, 2022, 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.

At August 31, 2022, the District had the following investments and maturities.

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	<u>\$ 4,970,725</u>	<u>\$ 4,970,725</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment 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, 2022, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2022, as follows:

Carrying value:	
Deposits	\$ 501,823
Investments	<u>4,970,725</u>
Total	<u>\$ 5,472,548</u>

Included in the following statement of net position captions:

Cash	\$ 56,823
Certificates of deposit	445,000
Short-term investments	<u>4,970,725</u>
Total	<u>\$ 5,472,548</u>

**Investment Income**

Investment income of \$32,534 for the year ended August 31, 2022, consisted of interest income.

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

***Fair Value Measurements***

The District has the following recurring fair value measurements as of August 31, 2022:

- Pooled investments of \$4,970,725 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, 2022, is presented below:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 3,352,517	\$ -	\$ 3,352,517
Construction in progress	-	81,302	81,302
	<u>-\$ 3,352,517</u>	<u>\$ 81,302</u>	<u>\$ 3,433,819</u>
Total governmental activities, net	<u>\$ 3,352,517</u>	<u>\$ 81,302</u>	<u>\$ 3,433,819</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended August 31, 2022, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:					
General obligation bonds	\$ 1,890,000	\$ 4,040,000	\$ 930,000	\$ 5,000,000	\$ 960,000
Add premiums on bonds	35,079	4,997	17,573	22,503	-
	<u>\$ 1,925,079</u>	<u>\$ 4,044,997</u>	<u>\$ 947,573</u>	<u>\$ 5,022,503</u>	<u>\$ 960,000</u>
Total governmental activities long-term liabilities	<u>\$ 1,925,079</u>	<u>\$ 4,044,997</u>	<u>\$ 947,573</u>	<u>\$ 5,022,503</u>	<u>\$ 960,000</u>

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

**General Obligation Bonds**

	<b>Refunding Series 2014</b>	<b>Series 2022</b>
Amounts outstanding, August 31, 2022	\$960,000	\$4,040,000
Interest rates	3.00%	2.00%
Maturity dates, serially beginning/ending	June 1, 2023	June 1, 2024/2032
Interest payment dates	December 1/ June 1	December 1/ June 1
Callable dates*	June 1, 2021	June 1, 2026

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

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2022:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 960,000	\$ 109,600	\$ 1,069,600
2024	405,000	80,800	485,800
2025	415,000	72,700	487,700
2026	425,000	64,400	489,400
2027	435,000	55,900	490,900
2028-2032	2,360,000	143,900	2,503,900
Total	\$ 5,000,000	\$ 527,300	\$ 5,527,300

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	\$ 20,790,000
Bonds sold	17,820,000
Refunding bonds voted	20,790,000
Refunding bond authorization used	1,079,170

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

**Note 5: Significant Bond Resolution and Commission Requirements**

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2022, the District did not levy a debt service tax rate for the 2021 tax year. The interest and principal requirements to be paid are \$1,031,779 of which \$976,979 has been paid and \$54,800 is due December 1, 2022. The District will utilize contractual payments from the City and available debt service fund resources to satisfy the debt requirements on all outstanding bonds.
- B. In accordance with the Series 2022 Bond Resolution, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. The bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$	-
Additions:		
Interest appropriated from bond proceeds, Series 2022		161,600
Deductions--Appropriation from bond interest paid:		
Series 2022		18,629
Bond interest reserve, end of year	\$	142,971

- C. During the year ended August 31, 2022, the District transferred \$51,000 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

**Note 6: Maintenance Taxes**

At an election held November 2, 1993, voters authorized a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended August 31, 2022, the District levied an ad valorem maintenance tax at the rate of \$0.1200 per \$100 of assessed valuation, which resulted in a tax levy of \$360,567 on the taxable valuation of \$300,475,970 for the 2021 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Contract With the City of Houston**

In 1992, the District's developer entered into a 40-year contract with the City, which was assigned by the developer to the District on March 1, 1994, and amended in 1997, to provide water, wastewater and storm sewer services to customers of the District. The contract was further amended effective December 2017. In conjunction with the amendment, the City made a one-time catch-up payment of \$660,612. Under the terms of the contract, the District will construct or purchase all facilities

**Harris County Municipal Utility District No. 359**  
**Notes to Financial Statements**  
**August 31, 2022**

necessary to provide water supply, wastewater and drainage services and convey those facilities to the City. The District retains a security interest in the facilities. In the current year, the City made another catch-up payment in the amount of \$354,127, which is memorialized by a District resolution accepting the rebate reconciliation adopted December 1, 2021.

The City is the owner and operator of the facilities and is responsible for all operating costs. The City also bills all customers within the District's boundaries at rates comparable to other in-City customers.

The contract provides for monthly revenue payments to be paid to the District by the City based on net revenues collected and also provides for annual tax payments to be paid to the District by the City. Both types of payments are calculated based upon formulas set forth in the contract. During the current year, the District recorded revenue of \$567,460 from the City.

**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 participates, along with other entities, in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

## **Required Supplementary Information**

**Harris County Municipal Utility District No. 359**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended August 31, 2022**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property taxes	\$ 194,600	\$ 355,922	\$ 161,322
Investment income	2,120	5,341	3,221
	<u>196,720</u>	<u>361,263</u>	<u>164,543</u>
<b>Expenditures</b>			
Service operations:			
Professional fees	97,400	85,090	12,310
Contracted services	25,000	27,646	(2,646)
Repairs and maintenance	31,900	20,862	11,038
Other expenditures	107,970	90,222	17,748
Capital outlay	-	6,522	(6,522)
	<u>262,270</u>	<u>230,342</u>	<u>31,928</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(65,550)	130,921	196,471
<b>Other Financing Sources</b>			
Interfund transfers in	-	51,000	51,000
<b>Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out</b>	(65,550)	181,921	247,471
<b>Fund Balance, Beginning of Year</b>	<u>794,093</u>	<u>794,093</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 728,543</u>	<u>\$ 976,014</u>	<u>\$ 247,471</u>

**Harris County Municipal Utility District No. 359**  
**Notes to Required Supplementary Information**  
**August 31, 2022**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2022.

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.

## **Other Information**

**Harris County Municipal Utility District No. 359**  
**Other Schedules Included Within This Report**  
**August 31, 2022**

(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 13-25
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

**Harris County Municipal Utility District No. 359**  
**Schedule of Services and Rates**  
**Year Ended August 31, 2022**

1. Services provided by the District:

- |   |   |                                     |
|---|---|-------------------------------------|
| <input type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Drainage   |
| <input 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 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 checked="" type="checkbox"/> Other <u>The District provides water, wastewater and storm sewer services to its customers through a contract with the City of Houston.</u> |   |                                     |

**Harris County Municipal Utility District No. 359**  
**Schedule of General Fund Expenditures**  
**Year Ended August 31, 2022**

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ 17,000	
Legal	50,716	
Engineering	17,374	
Financial advisor	-	
		85,090
<b>Purchased Services for Resale</b>		
Bulk water and wastewater service purchases		-
<b>Regional Water Fee</b>		-
<b>Contracted Services</b>		
Bookkeeping	27,646	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	-	
		27,646
<b>Utilities</b>		-
<b>Repairs and Maintenance</b>		20,862
<b>Administrative Expenditures</b>		
Directors' fees	9,300	
Office supplies	1,328	
Insurance	3,241	
Other administrative expenditures	76,353	
		90,222
<b>Capital Outlay</b>		
Capitalized assets	-	
Expenditures not capitalized	6,522	
		6,522
<b>Tap Connection Expenditures</b>		-
<b>Solid Waste Disposal</b>		-
<b>Fire Fighting</b>		-
<b>Parks and Recreation</b>		-
<b>Other Expenditures</b>		-
Total expenditures		\$ 230,342

**Harris County Municipal Utility District No. 359**  
**Schedule of Temporary Investments**  
**August 31, 2022**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificates of Deposit				
No. 91300011975919	0.38%	02/14/23	\$ 60,000	\$ 124
No. 12264	0.50%	01/12/23	60,000	190
No. 12381	1.94%	07/28/23	60,000	108
No. 4190385	0.25%	12/06/22	85,000	156
No. 36001366	0.25%	01/26/23	60,000	89
No. 2000000230	0.15%	10/12/22	60,000	80
No. 6000050549	0.40%	03/16/23	60,000	966
Texas CLASS	2.38%	Demand	371,740	-
Texas CLASS	2.38%	Demand	<u>107,615</u>	<u>-</u>
			<u>924,355</u>	<u>1,713</u>
<b>Debt Service Fund</b>				
Texas CLASS	2.38%	Demand	<u>865,148</u>	<u>-</u>
<b>Capital Projects Fund</b>				
Texas CLASS	2.38%	Demand	<u>3,626,222</u>	<u>-</u>
Totals			<u><u>\$ 5,415,725</u></u>	<u><u>\$ 1,713</u></u>

**Harris County Municipal Utility District No. 359**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended August 31, 2022**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 6,306	\$ 6,978
Additions and corrections to prior years' taxes	(3,219)	(3,960)
Adjusted receivable, beginning of year	3,087	3,018
 <b>2021 Original Tax Levy</b>	 328,565	 -
Additions and corrections	32,002	-
Adjusted tax levy	360,567	0
Total to be accounted for	363,654	3,018
Tax collections: Current year	(355,591)	-
Prior years	(331)	(363)
Receivable, end of year	\$ 7,732	\$ 2,655
 <b>Receivable, by Years</b>		
2021	\$ 4,976	\$ -
2020	594	731
2019	646	795
2018	540	617
2017	142	312
2016	260	200
2015	574	-
Receivable, end of year	\$ 7,732	\$ 2,655

**Harris County Municipal Utility District No. 359**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended August 31, 2022**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Property Valuations</b>				
Land	\$ 64,064,213	\$ 64,051,686	\$ 64,090,815	\$ 60,541,014
Improvements	242,353,571	239,286,308	245,120,830	240,338,355
Personal property	3,505,222	3,594,597	3,337,568	3,224,695
Exemptions	<u>(9,447,036)</u>	<u>(9,229,568)</u>	<u>(8,220,906)</u>	<u>(5,694,363)</u>
 Total property valuations	 <u>\$ 300,475,970</u>	 <u>\$ 297,703,023</u>	 <u>\$ 304,328,307</u>	 <u>\$ 298,409,701</u>
 <b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ -	\$ 0.0800	\$ 0.0800	\$ 0.0800
Maintenance tax rates*	<u>0.1200</u>	<u>0.0650</u>	<u>0.0650</u>	<u>0.0700</u>
 Total tax rates per \$100 valuation	 <u>\$ 0.1200</u>	 <u>\$ 0.1450</u>	 <u>\$ 0.1450</u>	 <u>\$ 0.1500</u>
 <b>Tax Levy</b>	 <u>\$ 360,567</u>	 <u>\$ 431,665</u>	 <u>\$ 441,271</u>	 <u>\$ 447,610</u>
 <b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$0.50 on November 2, 1993

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

**Harris County Municipal Utility District No. 359**  
**Schedule of Long-term Debt Service Requirements by Years**  
**August 31, 2022**

	<b>Refunding Series 2014</b>		
<b>Due During Fiscal Years Ending August 31</b>	<b>Principal Due June 1</b>	<b>Interest Due December 1, June 1</b>	<b>Total</b>
2023	<u>\$ 960,000</u>	<u>\$ 28,800</u>	<u>\$ 988,800</u>

**Harris County Municipal Utility District No. 359**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2022**

Due During Fiscal Years Ending August 31	Series 2022		
	Principal Due June 1	Interest Due December 1, June 1	Total
2023	\$ -	\$ 80,800	\$ 80,800
2024	405,000	80,800	485,800
2025	415,000	72,700	487,700
2026	425,000	64,400	489,400
2027	435,000	55,900	490,900
2028	450,000	47,200	497,200
2029	460,000	38,200	498,200
2030	470,000	29,000	499,000
2031	485,000	19,600	504,600
2032	495,000	9,900	504,900
Totals	\$ 4,040,000	\$ 498,500	\$ 4,538,500

**Harris County Municipal Utility District No. 359**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2022**

<b>Due During Fiscal Years Ending August 31</b>	<b>Annual Requirements For All Series</b>		
	<b>Total Principal Due</b>	<b>Total Interest Due</b>	<b>Total Principal and Interest Due</b>
2023	\$ 960,000	\$ 109,600	\$ 1,069,600
2024	405,000	80,800	485,800
2025	415,000	72,700	487,700
2026	425,000	64,400	489,400
2027	435,000	55,900	490,900
2028	450,000	47,200	497,200
2029	460,000	38,200	498,200
2030	470,000	29,000	499,000
2031	485,000	19,600	504,600
2032	495,000	9,900	504,900
Totals	\$ 5,000,000	\$ 527,300	\$ 5,527,300

**Harris County Municipal Utility District No. 359**  
**Changes in Long-term Bonded Debt**  
**Year Ended August 31, 2022**

	<b>Bond Issues</b>		
	<b>Refunding Series 2014</b>	<b>Series 2022</b>	<b>Totals</b>
Interest rate	3.00%	2.00%	
Dates interest payable	December 1/ June 1	December 1/ June 1	
Maturity dates	June 1, 2023	June 1, 2024/2032	
Bonds outstanding, beginning of current year	\$ 1,890,000	\$ -	\$ 1,890,000
Bonds sold during current year	-	4,040,000	4,040,000
Retirements, principal	<u>930,000</u>	<u>-</u>	<u>930,000</u>
Bonds outstanding, end of current year	<u>\$ 960,000</u>	<u>\$ 4,040,000</u>	<u>\$ 5,000,000</u>
Interest paid during current year	<u>\$ 56,700</u>	<u>\$ 18,629</u>	<u>\$ 75,329</u>

Paying agent's name and address:

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

**Series 2022** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	<u>\$ 20,790,000</u>	<u>0</u>	<u>\$ 20,790,000</u>
Amount issued	<u>\$ 17,820,000</u>	<u>0</u>	<u>\$ 1,079,170</u>
Remaining to be issued	<u>\$ 2,970,000</u>	<u>0</u>	<u>\$ 19,710,830</u>

Debt service fund cash and temporary investment balances as of August 31, 2022: \$ 912,083

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 552,730

**Harris County Municipal Utility District No. 359**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended August 31,**

	Amounts				
	2022	2021	2020	2019	2018
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 355,922	\$ 193,462	\$ 198,924	\$ 208,284	\$ 150,194
Investment income	5,341	6,726	17,489	25,464	16,874
Total revenues	<u>361,263</u>	<u>200,188</u>	<u>216,413</u>	<u>233,748</u>	<u>167,068</u>
<b>Expenditures</b>					
Service operations:					
Professional fees	85,090	76,242	86,271	85,099	99,249
Contracted services	27,646	22,153	22,109	21,547	22,263
Repairs and maintenance	20,862	25,704	27,304	32,754	30,014
Other expenditures	90,222	94,273	175,455	155,060	181,633
Capital outlay	6,522	-	-	164,624	207,065
Debt service, debt issuance costs	-	51,000	-	-	-
Total expenditures	<u>230,342</u>	<u>269,372</u>	<u>311,139</u>	<u>459,084</u>	<u>540,224</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	130,921	(69,184)	(94,726)	(225,336)	(373,156)
<b>Other Financing Sources</b>					
Interfund transfers in	51,000	-	-	-	-
<b>Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out</b>	181,921	(69,184)	(94,726)	(225,336)	(373,156)
<b>Fund Balance, Beginning of Year</b>	<u>794,093</u>	<u>863,277</u>	<u>958,003</u>	<u>1,183,339</u>	<u>1,556,495</u>
<b>Fund Balance, End of Year</b>	<u>\$ 976,014</u>	<u>\$ 794,093</u>	<u>\$ 863,277</u>	<u>\$ 958,003</u>	<u>\$ 1,183,339</u>
<b>Total Active Retail Water Connections</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Total Active Retail Wastewater Connections</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**Percent of Fund Total Revenues**

<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
98.5 %	96.6 %	91.9 %	89.1 %	90.0 %
1.5	3.4	8.1	10.9	10.0
100.0	100.0	100.0	100.0	100.0
23.6	38.1	39.9	36.4	59.4
7.6	11.1	10.2	9.2	13.3
5.8	12.8	12.6	14.0	18.0
25.0	47.1	81.1	66.4	108.7
1.8	-	-	70.4	123.9
-	25.5	-	-	-
63.8	134.6	143.8	196.4	323.3
<u>36.2 %</u>	<u>(34.6) %</u>	<u>(43.8) %</u>	<u>(96.4) %</u>	<u>(223.3) %</u>

**Harris County Municipal Utility District No. 359**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended August 31,**

	Amounts				
	2022	2021	2020	2019	2018
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 363	\$ 236,367	\$ 245,652	\$ 239,427	\$ 327,817
Penalty and interest	6,142	9,399	7,110	7,113	6,061
Investment income	6,996	9,751	24,452	24,870	11,543
City of Houston rebates	921,533	337,340	417,971	371,684	1,178,238
Total revenues	<u>935,034</u>	<u>592,857</u>	<u>695,185</u>	<u>643,094</u>	<u>1,523,659</u>
<b>Expenditures</b>					
Current:					
Professional fees	1,735	2,458	1,342	2,342	2,079
Contracted services	24,430	17,860	17,846	17,790	17,500
Other expenditures	9,340	15,975	11,251	10,025	11,124
Debt service:					
Principal retirement	930,000	900,000	385,000	395,000	795,000
Interest and fees	75,829	84,200	91,900	99,800	115,700
Total expenditures	<u>1,041,334</u>	<u>1,020,493</u>	<u>507,339</u>	<u>524,957</u>	<u>941,403</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(106,300)	(427,636)	187,846	118,137	582,256
<b>Other Financing Sources</b>					
General obligation bonds issued	161,600	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	55,300	(427,636)	187,846	118,137	582,256
<b>Fund Balance, Beginning of Year</b>	<u>949,261</u>	<u>1,376,897</u>	<u>1,189,051</u>	<u>1,070,914</u>	<u>488,658</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,004,561</u>	<u>\$ 949,261</u>	<u>\$ 1,376,897</u>	<u>\$ 1,189,051</u>	<u>\$ 1,070,914</u>

**Percent of Fund Total Revenues**

<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
0.0 %	39.9 %	35.4 %	37.2 %	21.5 %
0.7	1.6	1.0	1.1	0.4
0.7	1.6	3.5	3.9	0.8
<u>98.6</u>	<u>56.9</u>	<u>60.1</u>	<u>57.8</u>	<u>77.3</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.4	0.2	0.4	0.1
2.6	3.0	2.6	2.8	1.2
1.0	2.7	1.6	1.5	0.7
99.5	151.8	55.4	61.4	52.2
<u>8.1</u>	<u>14.2</u>	<u>13.2</u>	<u>15.5</u>	<u>7.6</u>
<u>111.4</u>	<u>172.1</u>	<u>73.0</u>	<u>81.6</u>	<u>61.8</u>
<u><u>(11.4) %</u></u>	<u><u>(72.1) %</u></u>	<u><u>27.0 %</u></u>	<u><u>18.4 %</u></u>	<u><u>38.2 %</u></u>

**Harris County Municipal Utility District No. 359**  
**Board Members, Key Personnel and Consultants**  
**Year Ended August 31, 2022**

Complete District mailing address:	Harris County Municipal Utility District No. 359 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	November 4, 2021
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees**	Expense Reimbursements	Title at Year-end
Neil Daniels	Elected 05/22- 05/26	\$ 2,250	\$ 1,074	President
Marilyn Keys	Elected 05/22- 05/26	1,650	0	Vice President
Hubert Pierre	Appointed 11/21- 05/24	1,500	0	Secretary
David Keller	Elected 11/20- 05/24	1,800	0	Assistant Vice President
Michael Berry	Elected 05/22- 05/26	2,100	468	Assistant Secretary
Yahaira Quezanda	Appointed 10/21- 11/21	0	0	Resigned

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

**Harris County Municipal Utility District No. 359**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended August 31, 2022**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Allen Boone Humphries Robinson LLP	11/05/14	\$ 57,207 85,089	General Counsel Bond Counsel
FORVIS, LLP	08/19/94	19,000	Auditor
Harris County Appraisal District	Legislative Action	2,798	Appraiser
IDS Engineering Group	05/06/15	117,331	Engineer
Masterson Advisors LLC	06/06/18	80,078	Financial Advisor
Municipal Accounts & Consulting, L.P.	07/29/93	32,747	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/13/96	1,735	Delinquent Tax Attorney
Wheeler & Associates, Inc.	12/05/07	31,125	Tax Assessor/ Collector
<b>Investment Officers</b>			
Mark M. Burton and Ghia Lewis	08/04/04	0	Bookkeepers