

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 53
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 53 (the "District") as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Board of Directors
Harris County Municipal Utility District No. 53

Supplementary Information

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

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 12, 2023

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023**

Management’s discussion and analysis of the financial performance of Harris County Municipal Utility District No. 53 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended May 31, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$36,641,282 as of May 31, 2023. A portion of the District’s net position reflects its net investment in capital assets which include land, buildings and the District’s capacity in the North Channel Water Authority facilities as well as water, wastewater, drainage facilities less any debt used to acquire those assets that is still outstanding.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 14,748,797	\$ 12,338,912	\$ 2,409,885
Capital Assets (Net of Accumulated Depreciation)	<u>25,185,727</u>	<u>26,129,434</u>	<u>(943,707)</u>
Total Assets	<u>\$ 39,934,524</u>	<u>\$ 38,468,346</u>	<u>\$ 1,466,178</u>
Bonds Payable	\$ 1,989,347	\$ 2,902,609	\$ 913,262
Other Liabilities	<u>1,303,895</u>	<u>1,218,572</u>	<u>(85,323)</u>
Total Liabilities	<u>\$ 3,293,242</u>	<u>\$ 4,121,181</u>	<u>\$ 827,939</u>
Net Position:			
Net Investment in Capital Assets	\$ 23,314,407	\$ 23,341,790	\$ (27,383)
Restricted	1,976,927	2,056,562	(79,635)
Unrestricted	<u>11,349,948</u>	<u>8,948,813</u>	<u>2,401,135</u>
Total Net Position	<u>\$ 36,641,282</u>	<u>\$ 34,347,165</u>	<u>\$ 2,294,117</u>

The following table provides a summary of the District's operations for the years ending May 31, 2023, and May 31, 2022.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 3,794,778	\$ 4,150,003	\$ (355,225)
Charges for Services	1,874,771	1,821,679	53,092
Sales Tax Revenues	647,558	573,620	73,938
Right of Way Revenue	958,333		958,333
Other Revenues	<u>400,045</u>	<u>27,815</u>	<u>372,230</u>
Total Revenues	<u>\$ 7,675,485</u>	<u>\$ 6,573,117</u>	<u>\$ 1,102,368</u>
Expenses for Services	<u>5,381,368</u>	<u>4,833,609</u>	<u>(547,759)</u>
Change in Net Position	\$ 2,294,117	\$ 1,739,508	\$ 554,609
Net Position, Beginning of Year	<u>34,347,165</u>	<u>32,607,657</u>	<u>1,739,508</u>
Net Position, End of Year	<u>\$ 36,641,282</u>	<u>\$ 34,347,165</u>	<u>\$ 2,294,117</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2023, were \$13,047,026, an increase of \$2,340,132 from the prior year.

The General Fund fund balance increased by \$2,377,849, primarily due to property tax revenues, sales tax revenues, service revenues, and right-of-way revenue exceeding purchased services, operating, administrative, professional, and capital costs.

The Debt Service Fund fund balance decreased by \$40,779, primarily due to the structure of the District's outstanding debt service requirements as well as a decrease in debt service tax revenues as a result of the decrease in the tax rate allocated to debt service.

The Capital Projects Fund fund balance increased by \$3,062.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. The budget was amended to include projected right-of-way revenue, an increase in investment revenues, and an increase in operating and capital costs. Actual revenues were \$240,107 higher than budgeted revenues and actual expenditures were \$163,395 less than budgeted expenditures which resulted in a positive budget variance of \$403,502. See the budget to actual comparison for more information.

LONG-TERM DEBT ACTIVITY

As of May 31, 2023, the District had total bond debt payable of \$2,000,000. The changes in the debt position of the District during the fiscal year ended May 31, 2023, are summarized as follows:

Bond Debt Payable, June 1, 2022	\$	2,920,000
Less: Bond Principal Paid		920,000
Bond Debt Payable, May 31, 2023	\$	2,000,000

The District maintains an underlying rating of A. The Series 2012 bonds carry an insured rating of AA by virtue of bond insurance issued by Assured Guaranty Municipal Corp. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023**

CAPITAL ASSETS

Capital assets as of May 31, 2023, total \$25,185,727 (net of accumulated depreciation) and include land, buildings, capacity in the North Channel Water Authority facilities, and the water, wastewater and drainage systems. Significant capital asset activity completed during the current fiscal year included electrical improvements at the regional wastewater treatment plant, sidewalk improvements, phase 3 and the Black Rock water plant perimeter fence.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,274,746	\$ 2,274,746	\$
Construction in Progress			
Capital Assets Subject to Depreciation:			
Buildings and Improvements	660,347	540,987	119,360
North Channel Water Authority Capacity	1,147,278	1,147,278	
Water System	12,156,473	12,156,473	
Wastewater System	33,281,166	33,261,191	19,975
Drainage System	1,813,564	1,813,564	
Less Accumulated Depreciation	(26,147,847)	(25,064,805)	(1,083,042)
Total Net Capital Assets	\$ 25,185,727	\$ 26,129,434	\$ (943,707)

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 53, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 306,054	\$ 161,565
Investments	11,664,656	1,605,839
Receivables:		
Property Taxes	164,692	140,636
Penalty and Interest on Delinquent Taxes		
Service Accounts	183,538	
Accrued Interest	15,135	2,604
Due from Other Funds	13,684	
Due from the City of Houston	158,696	
Water Authority Operating Advance	76,999	
Wastewater Treatment Facilities Operating Advance	42,808	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 12,626,262	\$ 1,910,644

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 340	\$ 467,959	\$	\$ 467,959
117,687	13,388,182		13,388,182
	305,328		305,328
	183,538	107,548	107,548
	17,739		183,538
	13,684	(13,684)	17,739
	158,696		158,696
	76,999		76,999
	42,808		42,808
		2,274,746	2,274,746
		22,910,981	22,910,981
<u>\$ 118,027</u>	<u>\$ 14,654,933</u>	<u>\$ 25,279,591</u>	<u>\$ 39,934,524</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2023

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 506,515	\$ 12,581
Accrued Interest Payable		
Due to Other Funds		13,684
Security Deposits	769,799	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,276,314	\$ 26,265
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 164,692	\$ 140,636
FUND BALANCES		
Nonspendable:		
Water Authority Operating Advance	\$ 76,999	\$
Wastewater Treatment Facilities Operating Advance	42,808	
Restricted for Authorized Construction		
Restricted for Debt Service		1,743,743
Unassigned	11,065,449	
TOTAL FUND BALANCES	\$ 11,185,256	\$ 1,743,743
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,626,262	\$ 1,910,644
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 519,096	\$	\$ 519,096
		15,000	15,000
	13,684	(13,684)	
	769,799		769,799
		975,000	975,000
		1,014,347	1,014,347
<u>\$ - 0 -</u>	<u>\$ 1,302,579</u>	<u>\$ 1,990,663</u>	<u>\$ 3,293,242</u>
<u>\$ - 0 -</u>	<u>\$ 305,328</u>	<u>\$ (305,328)</u>	<u>\$ - 0 -</u>
\$	\$ 76,999	\$ (76,999)	\$
	42,808	(42,808)	
118,027	118,027	(118,027)	
	1,743,743	(1,743,743)	
	11,065,449	(11,065,449)	
<u>\$ 118,027</u>	<u>\$ 13,047,026</u>	<u>\$ (13,047,026)</u>	<u>\$ - 0 -</u>
<u>\$ 118,027</u>	<u>\$ 14,654,933</u>		
		\$ 23,314,407	\$ 23,314,407
		1,976,927	1,976,927
		11,349,948	11,349,948
		<u>\$ 36,641,282</u>	<u>\$ 36,641,282</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2023

Total Fund Balances - Governmental Funds	\$ 13,047,026
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	25,185,727
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.	412,876
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (15,000)	
Bonds Payable	<u>(1,989,347)</u>	<u>(2,004,347)</u>

Total Net Position - Governmental Activities	<u>\$ 36,641,282</u>
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The accompanying notes to the financial statements are an integral part of this report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 2,857,088	\$ 946,035
Water Service	1,098,101	
Wastewater Service	609,532	
Penalty and Interest	36,626	91,873
Sales Tax Revenues	647,558	
Right-of-Way Revenue	958,333	
Investment and Miscellaneous Revenues	352,081	43,760
Other Service Revenues	52,713	51
TOTAL REVENUES	\$ 6,612,032	\$ 1,081,719
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 317,468	\$ 27,077
Contracted Services	579,893	90,984
Purchased Water Service	1,584,370	
Purchased Wastewater Service	602,492	
Utilities	296,344	
Repairs and Maintenance	559,647	
Depreciation		
Other	154,634	10,637
Capital Outlay	139,335	
Debt Service:		
Bond Principal		920,000
Bond Interest		73,800
TOTAL EXPENDITURES/EXPENSES	\$ 4,234,183	\$ 1,122,498
NET CHANGE IN FUND BALANCES	\$ 2,377,849	\$ (40,779)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2022	8,807,407	1,784,522
FUND BALANCES/NET POSITION - MAY 31, 2023	\$ 11,185,256	\$ 1,743,743

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,803,123	\$ (8,345)	\$ 3,794,778
	1,098,101		1,098,101
	609,532		609,532
	128,499	(14,125)	114,374
	647,558		647,558
	958,333		958,333
4,204	400,045		400,045
	52,764		52,764
\$ 4,204	\$ 7,697,955	\$ (22,470)	\$ 7,675,485
\$	\$ 344,545	\$	\$ 344,545
662	671,539		671,539
	1,584,370		1,584,370
	602,492		602,492
	296,344		296,344
	559,647		559,647
		1,083,042	1,083,042
480	165,751		165,751
	139,335	(139,335)	
	920,000	(920,000)	
	73,800	(162)	73,638
\$ 1,142	\$ 5,357,823	\$ 23,545	\$ 5,381,368
\$ 3,062	\$ 2,340,132	\$ (2,340,132)	\$
		2,294,117	2,294,117
114,965	10,706,894	23,640,271	34,347,165
\$ 118,027	\$ 13,047,026	\$ 23,594,256	\$ 36,641,282

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$ 2,340,132
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(8,345)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(14,125)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,083,042)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	139,335
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	920,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	162
Change in Net Position - Governmental Activities	<u>\$ 2,294,117</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 53 of Harris County, Texas was created by an Order of the Texas Water Rights Commission effective May 30, 1973, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on July 24, 1973, and the first bonds were sold on December 13, 1976.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District has entered into a joint venture with Harris County Fresh Water Supply District No. 51 and Harris County Water Control and Improvement District No. 36 for wastewater disposal through a regional wastewater treatment plant. See Note 8 for additional disclosure.

The District also participates in the North Channel Water Authority regional water production facilities. See Note 9 for additional disclosure.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of May 31, 2023, the Debt Service Fund owed the General Fund \$13,684 for maintenance tax collections.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings and Improvements	20-40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District has no committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2012
Amount Outstanding – May 31, 2023	\$2,000,000
Interest Rates	3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2024
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2019 (1)

(1) Or on any date thereafter callable at par plus unpaid accrued interest from the most recent interest payment date to the date of redemption.

The following is a summary of transactions regarding bonds payable for the year ended May 31, 2023:

	June 1, 2022	Additions	Retirements	May 31, 2023
Bonds Payable	\$ 2,920,000	\$	\$ 920,000	\$ 2,000,000
Unamortized Discounts	(17,391)		(6,738)	(10,653)
Bonds Payable, Net	\$ 2,902,609	\$ -0-	\$ 913,262	\$ 1,989,347
		Amount Due Within One Year		\$ 975,000
		Amount Due After One Year		1,014,347
		Bonds Payable, Net		\$ 1,989,347

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2024	\$ 975,000	\$ 45,375	\$ 1,020,375
2025	1,025,000	15,375	1,040,375
	\$ 2,000,000	\$ 60,750	\$ 2,060,750

As of May 31, 2023, the District had authorized but unissued bonds in the amount of \$20,200,000 for acquiring and constructing water, sewer and drainage systems and authorized but unissued bonds in the amount of \$16,850,000 for refunding purposes.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

During the year ended May 31, 2023, the District levied an ad valorem debt service tax rate of \$0.08 per \$100 of assessed valuation, which resulted in a tax levy of \$927,496 on the adjusted taxable valuation of \$1,159,369,345 for the 2022 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of the bonds. The bond resolution states that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$1,422,959 and the bank balance was \$1,478,434. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2023, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 306,054	\$ 715,000	\$ 1,021,054
DEBT SERVICE FUND	161,565	240,000	401,565
CAPITAL PROJECTS FUND	340		340
TOTAL DEPOSITS	\$ 467,959	\$ 955,000	\$ 1,422,959

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District also invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), a public funds investment pool. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor and UMB Bank, N.A., serves as the custodian for the pool. Texas CLASS is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS participants. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. There are no limitations or restrictions on withdrawals from Texas CLASS.

The District records its certificates of deposit at acquisition cost. As of May 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 10,949,656	\$ 10,949,656
Certificates of Deposit	715,000	715,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	1,365,839	1,365,839
Certificate of Deposit	240,000	240,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	117,687	117,687
TOTAL INVESTMENTS	<u>\$ 13,388,182</u>	<u>\$ 13,388,182</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by primarily investing in certificates of deposit with balances below FDIC coverage. The District’s investments in Texas CLASS were rated AAAM by Standard and Poor’s. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by primarily investing in certificates of deposit with maturities of less than one year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2023, is summarized in the following table:

	June 1, 2022	Increases	Decreases	May 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,274,746	\$ -0-	\$ -0-	\$ 2,274,746
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 540,987	\$ 119,360	\$	\$ 660,347
NCWA Capacity	1,147,278			1,147,278
Water System	12,156,473			12,156,473
Wastewater System	33,261,191	19,975		33,281,166
Drainage System	1,813,564			1,813,564
Total Capital Assets Subject to Depreciation	\$ 48,919,493	\$ 139,335	\$ -0-	\$ 49,058,828
Accumulated Depreciation				
Buildings and Improvements	\$ 217,901	\$ 20,975	\$	\$ 238,876
NCWA Capacity	962,811	30,851		993,662
Water System	6,939,973	273,760		7,213,733
Wastewater System	16,227,337	716,468		16,943,805
Drainage System	716,783	40,988		757,771
Total Accumulated Depreciation	\$ 25,064,805	\$ 1,083,042	\$ -0-	\$ 26,147,847
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 23,854,688	\$ (943,707)	\$ -0-	\$ 22,910,981
Total Capital Assets, Net of Accumulated Depreciation	\$ 26,129,434	\$ (943,707)	\$ -0-	\$ 25,185,727

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 7. MAINTENANCE TAX

On January 15, 1977, the voters of the District approved the levy and collection of a maintenance tax of not more than \$0.25 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the year ended May 31, 2023, the District levied an ad valorem maintenance tax rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$2,898,423 on the adjusted taxable valuation of \$1,159,369,345 for the 2022 tax year.

NOTE 8. REGIONAL WASTEWATER TREATMENT PLANT

On June 10, 1974, the District entered into a contract with Harris County Fresh Water Supply District No. 51 (District No. 51) and Harris County Water Control and Improvement District No. 36 (District No. 36) for the financing, construction and operation of a regional wastewater treatment facility to be operated by District No. 51. In subsequent agreements this contract was modified to meet the additional capacity requirements of the districts. Pursuant to an addendum dated October 7, 1985, the District is exclusively entitled to and guaranteed capacity of 2,250,000 gpd of the 6,300,000 gpd facility. On May 1, 2004, the districts approved an amendment to this agreement to provide for the allocation of costs related to the operation and maintenance of the facilities and to provide for the construction of improvements to the wastewater transmission facilities by District No. 36 and District No. 51. The District participated in the agreement solely with respect to facilitating the contract amendments for District Nos. 36 and 51. Separate financial statements may be obtained by contacting the District's attorney, Sanford Kuhl Hagan Kugle Parker Kahn LLP. The participating districts and respective pro rata shares of capacity in the regional wastewater treatment plant are:

	Capacity (gpd)	Percentage
Harris County Municipal Utility District No. 53	2,250,000	35.71%
Harris County Water Control and Improvement District No. 36	1,500,000	23.81
Harris County Fresh Water Supply District No. 51	2,550,000	40.48
TOTAL	6,300,000	100.00%

Each participant is responsible only for its share of the operating costs of the Plant which are allocated and billed monthly based upon each participant's pro rata share of monthly water production. The District's advance for operations and maintenance of the regional wastewater treatment plant is \$42,808 and the District recorded total expenditures of \$602,492 as its share of the operating costs of the plant.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 8. REGIONAL WASTEWATER TREATMENT PLANT (Continued)

The following summary financial data for the regional wastewater treatment plant is presented for the fiscal year ending June 30, 2022:

	Joint Venture
Total Assets	\$ 338,799
Total Liabilities	218,921
Total Fund Balance	\$ 119,878
Total Revenues	\$ 1,417,798
Total Expenditures	1,417,798
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	119,878
Ending Fund Balance	\$ 119,878

NOTE 9. NORTH CHANNEL WATER AUTHORITY CONTRACT

On January 31, 1991, the District entered into a Regional Water Supply Contract with the North Channel Water Authority (Authority) agreeing to participate in a plan whereby the Authority purchases treated surface water from the City of Houston. This will enable the District to meet the requirements of the Harris-Galveston Subsidence District (HGSD) for conversion to 80% surface water. This contract was restated on March 1, 2001. The Authority's plan also anticipates possible additional acquisitions of surface water and construction of additional water distribution lines in the future that will enable the District to remain in compliance with HGSD requirements. The Authority is the owner and operator of the system.

This contract will remain in effect until December 31, 2028, and thereafter from year-to-year until payment in full of the principal, premium, if any, and interest on all bonds and all related fees to be paid under any bond resolution or indenture securing the bonds.

The Authority issued bonds for the purpose of financing the capital costs of the initial project. The District chose to contribute cash in lieu of participating in the bond financing. In return for its contractual share of the capital costs of the system, the District acquired 2,200,000 gallons-per-day capacity in the Authority's surface water distribution system. In addition, the District pays its pro rata share of any special project related to the facilities.

During the current fiscal year, the District incurred costs of \$1,584,370 with respect to this contract. As of May 31, 2023, the District had a reserve with the Authority in the amount of \$76,999. Separate financial statements may be obtained by contacting the Authority's attorney, Allen Boone Humphries Robinson LLP. The following summary financial data of the Authority is presented for the year ending December 31, 2022.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 9. NORTH CHANNEL WATER AUTHORITY CONTRACT (Continued)

	Joint Venture
Total Assets	\$ 17,652,306
Total Liabilities	<u>5,314,949</u>
Net Position	<u>\$ 12,337,357</u>
Operating Revenues	\$ 11,873,127
Operating Expenses	<u>10,984,746</u>
Operating Income	\$ 888,381
Non-Operating Revenues (Expenses)	<u>(43,944)</u>
Change in Net Position	\$ 844,437
Net Position - Beginning of Year	<u>11,492,920</u>
Net Position - End of Year	<u>\$ 12,337,357</u>

NOTE 10. EMERGENCY WATER SUPPLY AGREEMENTS

On October 20, 1997, the District entered into an emergency water supply contract with Harris County Fresh Water Supply District No. 51. A first amendment to the contract was executed to extend the term to December 31, 2018. On September 11, 2018, a second amendment to the contract was executed continuing the term in full force and effect unless terminated by either party by giving written notice of its intent to terminate at least 18 months prior to actual termination. The interconnect facilities were constructed prior to this agreement. The price to be paid for water furnished under this agreement is at a rate equal to the supplying party's cost to supply the water.

On September 12, 2006, the District entered into an Emergency Water Supply Contract with Harris County Water Control and Improvement District No. 84 (District No. 84). A first amendment to the contract was executed to extend the term to August 11, 2025. District No. 84 is responsible for the installation and construction of all necessary facilities at the point of connection and is responsible for maintenance of such facilities. The using party will be charged the current North Channel Water Authority rate per 1,000 gallons plus \$0.50 per 1,000 gallons.

NOTE 11. WATER SUPPLY AND WASTE TRANSPORTATION AGREEMENT

On July 2, 1991, the District entered into a Water Supply and Waste Transportation Agreement with Harris County Water Control and Improvement District No. 36 for the purpose of providing potable water and sewer service to a 3.8183-acre tract of land within District No. 36. A first amendment to this agreement was approved December 1, 2003, allowing District No. 36 to provide water originally supplied by the District to Harris County Fresh Water Supply District No. 47 on an emergency basis.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 12. RISK MANAGEMENT

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

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective May 3, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement was amended and restated on November 16, 2012 and on December 12, 2019. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

The City imposes a Sales and Use Tax within the boundaries of the Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City delivers to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office. During the fiscal year ended May 31, 2023, the District recorded sales tax revenues of \$647,558, of which \$158,696 was receivable as of the fiscal year end. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 2,600,000	\$ 2,600,000	\$ 2,857,088	\$ 257,088
Water Service	1,149,466	1,149,466	1,098,101	(51,365)
Wastewater Service	647,418	647,418	609,532	(37,886)
Penalty and Interest	40,000	40,000	36,626	(3,374)
Sales Tax Revenues	677,384	677,384	647,558	(29,826)
Right-of-Way Revenue		958,333	958,333	
Investment and Miscellaneous Revenues	47,550	246,574	352,081	105,507
Other Service Revenues	52,750	52,750	52,713	(37)
TOTAL REVENUES	<u>\$ 5,214,568</u>	<u>\$ 6,371,925</u>	<u>\$ 6,612,032</u>	<u>\$ 240,107</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 321,500	\$ 321,500	\$ 317,468	\$ 4,032
Contracted Services	558,600	582,023	579,893	2,130
Purchased Water Service	1,618,700	1,618,700	1,584,370	34,330
Purchased Wastewater Service	481,546	542,825	602,492	(59,667)
Utilities	268,500	268,500	296,344	(27,844)
Repairs and Maintenance	384,596	434,596	559,647	(125,051)
Other	167,526	172,559	154,634	17,925
Capital Outlay	421,000	456,875	139,335	317,540
TOTAL EXPENDITURES	<u>\$ 4,221,968</u>	<u>\$ 4,397,578</u>	<u>\$ 4,234,183</u>	<u>\$ 163,395</u>
NET CHANGE IN FUND BALANCE	\$ 992,600	\$ 1,974,347	\$ 2,377,849	\$ 403,502
FUND BALANCE - JUNE 1, 2022	<u>8,807,407</u>	<u>8,807,407</u>	<u>8,807,407</u>	
FUND BALANCE - MAY 31, 2023	<u>\$ 9,800,007</u>	<u>\$10,781,754</u>	<u>\$11,185,256</u>	<u>\$ 403,502</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2023

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

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

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order approved March 9, 2010.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 8.00	3,000	N	\$ 1.25 \$ 1.50 \$ 2.00	3,001 to 6,000 6,001 to 10,000 10,001 and up

WASTEWATER: \$ 8.00 Y

SURCHARGE:

Commission 0.5% of actual water and
 Regulatory sewer bill
 Assessment

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$17.75 Wastewater: \$8.00 Surcharge: \$0.13 Total: \$25.88

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2023

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>5,485</u>	<u>5,432</u>	x 1.0	<u>5,432</u>
1"	<u>48</u>	<u>47</u>	x 2.5	<u>118</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>30</u>	<u>30</u>	x 8.0	<u>240</u>
3"	<u>3</u>	<u>3</u>	x 15.0	<u>45</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>5</u>	<u>5</u>	x 50.0	<u>250</u>
8"	<u>3</u>	<u>3</u>	x 80.0	<u>240</u>
10"			x 115.0	
Total Water Connections	<u><u>5,580</u></u>	<u><u>5,526</u></u>		<u><u>6,395</u></u>
Total Wastewater Connections 487	<u><u>5,628</u></u>	<u><u>5,574</u></u>	x 1.0	<u><u>5,574</u></u>

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

Gallons billed to customers:	462,938,000	Water Accountability Ratio: 90% (Gallons billed/Gallons pumped and purchased)
Gallons pumped:	73,034,000	
Gallons purchased:	441,308,000	From: North Channel Water Authority

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2023

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2023

PROFESSIONAL FEES:	
Auditing	\$ 21,500
Engineering	133,812
Legal	<u>162,156</u>
TOTAL PROFESSIONAL FEES	<u>\$ 317,468</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 1,584,370
Purchased Wastewater Service	<u>602,492</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 2,186,862</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 75,133
Operations and Billing	<u>504,760</u>
TOTAL CONTRACTED SERVICES	<u>\$ 579,893</u>
UTILITIES:	
Electricity	\$ 291,980
Telephone	<u>4,364</u>
TOTAL UTILITIES	<u>\$ 296,344</u>
REPAIRS AND MAINTENANCE	<u>\$ 559,647</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes and Administration	\$ 34,926
Dues	5,330
Insurance	44,032
Office Supplies and Postage	6,379
Travel and Meetings	<u>15,056</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 105,723</u>
CAPITAL OUTLAY	<u>\$ 139,335</u>
OTHER EXPENDITURES:	
Chemicals	\$ 5,059
Laboratory Fees	7,191
Permit Fees	18,182
Connection, Inspection, and Reconnection Fees	1,000
Regulatory Assessment	8,284
Other	<u>9,195</u>
TOTAL OTHER EXPENDITURES	<u>\$ 48,911</u>
TOTAL EXPENDITURES	<u><u>\$ 4,234,183</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
INVESTMENTS
MAY 31, 2023

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 10,949,656	\$
Certificate of Deposit	XXXX5442	3.50%	10/19/23	240,000	5,155
Certificate of Deposit	XXXX2541	3.50%	10/18/23	240,000	5,178
Certificate of Deposit	XXXX4427	4.19%	12/04/23	<u>235,000</u>	<u>4,802</u>
TOTAL GENERAL FUND				<u>\$ 11,664,656</u>	<u>\$ 15,135</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 1,365,839	\$
Certificate of Deposit	XXXX2594	4.00%	02/21/24	<u>240,000</u>	<u>2,604</u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,605,839</u>	<u>\$ 2,604</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 4,486	\$
Texas CLASS	XXXX0004	Varies	Daily	108,032	
Texas CLASS	XXXX0005	Varies	Daily	<u>5,169</u>	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 117,687</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 13,388,182</u>	<u>\$ 17,739</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2023

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2022	\$	141,406		\$ 172,267
Adjustments to Beginning				
Balance		<u>(18,049)</u>	\$ 123,357	<u>(13,092)</u> \$ 159,175
Original 2022 Tax Levy	\$	2,643,861		\$ 846,036
Adjustment to 2022 Tax Levy		<u>254,562</u>	<u>2,898,423</u>	<u>81,460</u> <u>927,496</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 3,021,780		\$ 1,086,671
 TAX COLLECTIONS:				
Prior Years	\$	45,617		\$ 46,364
Current Year		<u>2,811,471</u>	<u>2,857,088</u>	<u>899,671</u> <u>946,035</u>
 TAXES RECEIVABLE -				
MAY 31, 2023		<u>\$ 164,692</u>		<u>\$ 140,636</u>
 TAXES RECEIVABLE BY				
YEAR:				
2022		\$ 86,952		\$ 27,825
2021		26,088		15,653
2020		13,683		17,847
2019		9,046		10,855
2018		6,426		12,852
2017 and prior		<u>22,497</u>		<u>55,604</u>
TOTAL		<u>\$ 164,692</u>		<u>\$ 140,636</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2023

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	\$ 276,825,146	\$ 269,900,032	\$ 256,011,262	\$ 236,525,691
Improvements	1,004,589,219	854,261,633	748,518,863	733,105,613
Personal Property	41,938,591	33,515,759	33,053	30,293,493
Exemptions	<u>(163,983,611)</u>	<u>(113,607,060)</u>	<u>(56,230,450)</u>	<u>(106,187,477)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 1,159,369,345</u>	<u>\$ 1,044,070,364</u>	<u>\$ 948,332,728</u>	<u>\$ 893,737,320</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.08	\$ 0.15	\$ 0.30	\$ 0.30
Maintenance	<u>0.25</u>	<u>0.25</u>	<u>0.23</u>	<u>0.25</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.33</u>	<u>\$ 0.40</u>	<u>\$ 0.53</u>	<u>\$ 0.55</u>
ADJUSTED TAX LEVY*	<u>\$ 3,825,919</u>	<u>\$ 4,176,282</u>	<u>\$ 5,026,163</u>	<u>\$ 4,915,557</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.00 %</u>	<u>99.00 %</u>	<u>99.37 %</u>	<u>99.60 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on January 15, 1977.

See accompanying independent auditor’s report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2023

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 975,000	\$ 45,375	\$ 1,020,375
2025	<u>1,025,000</u>	<u>15,375</u>	<u>1,040,375</u>
	<u>\$ 2,000,000</u>	<u>\$ 60,750</u>	<u>\$ 2,060,750</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2023

Description	Original Bonds Issued	Bonds Outstanding June 1, 2022
Harris County Municipal Utility District No. 53 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2012	<u>\$ 2,920,000</u>	<u>\$ 2,920,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 80,400,000	\$ 35,250,000
Amount Issued	<u>60,200,000</u>	<u>18,400,000</u>
Remaining to be Issued	<u>\$ 20,200,000</u>	<u>\$ 16,850,000</u>
Debt Service Fund cash and investment balances as of May 31, 2023:		<u>\$ 1,767,404</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,030,375</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ -0-</u>	<u>\$ 920,000</u>	<u>\$ 73,800</u>	<u>\$ 2,000,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 2,857,088	\$ 2,575,129	\$ 2,175,584
Water Service	1,098,101	1,042,367	1,045,333
Wastewater Service	609,532	601,263	584,400
Penalty and Interest	36,626	34,147	31,549
Sales Tax Revenues	647,558	573,620	594,062
Right-of-Way Revenue	958,333		
Investment and Miscellaneous Revenues	352,081	20,641	47,812
Other Service Revenues	52,713	71,908	252,926
TOTAL REVENUES	\$ 6,612,032	\$ 4,919,075	\$ 4,731,666
EXPENDITURES			
Professional Fees	\$ 317,468	\$ 241,914	\$ 211,501
Contracted Services	579,893	501,967	503,390
Purchased Water Service	1,584,370	1,487,834	1,370,185
Purchased Wastewater Service	602,492	493,584	536,051
Utilities	296,344	284,848	277,839
Repairs and Maintenance	559,647	351,069	931,591
Other	154,634	162,527	156,159
Capital Outlay	139,335	266,261	1,297,696
TOTAL EXPENDITURES	\$ 4,234,183	\$ 3,790,004	\$ 5,284,412
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,377,849	\$ 1,129,071	\$ (552,746)
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ - 0 -	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 2,377,849	\$ 1,129,071	\$ (552,746)
BEGINNING FUND BALANCE	8,807,407	7,678,336	8,231,082
ENDING FUND BALANCE	\$ 11,185,256	\$ 8,807,407	\$ 7,678,336

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 2,192,737	\$ 1,656,247	43.2 %	52.3 %	45.9 %	47.2 %	39.2 %
1,040,722	1,017,647	16.6	21.2	22.1	22.4	24.0
586,693	589,775	9.2	12.2	12.4	12.6	13.9
29,963	41,336	0.6	0.7	0.7	0.6	1.0
546,788	556,952	9.8	11.7	12.6	11.8	13.1
		14.5				
180,983	154,119	5.3	0.4	1.0	3.9	3.6
67,792	219,815	0.8	1.5	5.3	1.5	5.2
<u>\$ 4,645,678</u>	<u>\$ 4,235,891</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 281,168	\$ 457,686	4.8 %	4.9 %	4.5 %	6.1 %	10.8 %
460,092	481,081	8.8	10.2	10.6	9.9	11.4
1,340,376	1,281,016	24.0	30.2	29.0	28.9	30.2
439,977	479,906	9.1	10.0	11.3	9.5	11.3
305,359	311,717	4.5	5.8	5.9	6.6	7.4
1,111,701	720,030	8.5	7.1	19.7	23.9	17.0
168,302	160,456	2.3	3.3	3.3	3.6	3.8
435,079	407,723	2.1	5.4	27.4	9.4	9.6
<u>\$ 4,542,054</u>	<u>\$ 4,299,615</u>	<u>64.1 %</u>	<u>76.9 %</u>	<u>111.7 %</u>	<u>97.9 %</u>	<u>101.5 %</u>
<u>\$ 103,624</u>	<u>\$ (63,724)</u>	<u>35.9 %</u>	<u>23.1 %</u>	<u>(11.7) %</u>	<u>2.1 %</u>	<u>(1.5) %</u>
<u>\$ 121,000</u>	<u>\$ - 0 -</u>					
\$ 224,624	\$ (63,724)					
<u>8,006,458</u>	<u>8,070,182</u>					
<u>\$ 8,231,082</u>	<u>\$ 8,006,458</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 946,035	\$ 1,574,045	\$ 2,840,642
Penalty and Interest	91,873	61,634	80,457
Investment and Miscellaneous Revenues	<u>43,811</u>	<u>6,965</u>	<u>25,003</u>
TOTAL REVENUES	<u>\$ 1,081,719</u>	<u>\$ 1,642,644</u>	<u>\$ 2,946,102</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 128,198	\$ 130,533	\$ 146,030
Debt Service Principal	920,000	3,215,000	3,050,000
Debt Service Interest and Fees	<u>74,300</u>	<u>152,400</u>	<u>250,025</u>
TOTAL EXPENDITURES	<u>\$ 1,122,498</u>	<u>\$ 3,497,933</u>	<u>\$ 3,446,055</u>
NET CHANGE IN FUND BALANCE	\$ (40,779)	\$ (1,855,289)	\$ (499,953)
BEGINNING FUND BALANCE	<u>1,784,522</u>	<u>3,639,811</u>	<u>4,139,764</u>
ENDING FUND BALANCE	<u>\$ 1,743,743</u>	<u>\$ 1,784,522</u>	<u>\$ 3,639,811</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>5,526</u>	<u>5,541</u>	<u>5,535</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>5,574</u>	<u>5,493</u>	<u>5,487</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 2,654,309	\$ 3,316,385	87.4 %	95.8 %	96.5 %	95.1 %	95.7 %
64,822	84,334	8.5	3.8	2.7	2.3	2.4
<u>71,942</u>	<u>66,733</u>	<u>4.1</u>	<u>0.4</u>	<u>0.8</u>	<u>2.6</u>	<u>1.9</u>
<u>\$ 2,791,073</u>	<u>\$ 3,467,452</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 132,403	\$ 132,372	11.9 %	7.9 %	5.0 %	4.7 %	3.8 %
2,980,000	2,910,000	85.0	195.7	103.5	106.8	83.9
<u>315,500</u>	<u>379,125</u>	<u>6.9</u>	<u>9.3</u>	<u>8.5</u>	<u>11.3</u>	<u>10.9</u>
<u>\$ 3,427,903</u>	<u>\$ 3,421,497</u>	<u>103.8 %</u>	<u>212.9 %</u>	<u>117.0 %</u>	<u>122.8 %</u>	<u>98.6 %</u>
\$ (636,830)	\$ 45,955	<u>(3.8) %</u>	<u>(112.9) %</u>	<u>(17.0) %</u>	<u>(22.8) %</u>	<u>1.4 %</u>
<u>4,776,594</u>	<u>4,730,639</u>					
<u>\$ 4,139,764</u>	<u>\$ 4,776,594</u>					
<u>5,525</u>	<u>5,499</u>					
<u>5,481</u>	<u>5,451</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2023

District Mailing Address - Harris County Municipal Utility District No. 53
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd., Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended May 31, 2023	Expense Reimbursements for the year ended May 31, 2023	Title
Judy Grant	05/2022 – 05/2026 (Elected)	\$ 7,200	\$ 3,442	President
Andre Bradley	05/2022 – 05/2026 (Elected)	\$ 6,150	\$ 2,951	Vice President
Drew Fontenette	05/2020 – 05/2024 (Elected)	\$ 6,900	\$ 3,004	Secretary/ Treasurer
Kristine Johnstone	05/2022 – 05/2026 (Elected)	\$ 7,050	\$ 2,755	Assistant Vice President
Peter Mitchell	09/2022 – 05/2024 (Appointed)	\$ 3,750	\$ 1,023	Assistant Secretary/ Treasurer

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

Submission date of most recent District Registration Form: November 7, 2022

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

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2023

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2023</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/20/90	\$ 121,497	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/12/92	\$ 21,500	Auditor
Municipal Accounts & Consulting, L.P.	06/04/03	\$ 83,512	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/16/85	\$ 27,077	Delinquent Tax Attorney
Huitt-Zollars, Inc.	07/24/73	\$ 134,129	Engineer
Rathmann & Associates, L.P.	02/19/91	\$ -0-	Financial Advisor
Harris County Fresh Water Supply District No. 51	04/13/99	\$1,023,222	Operator
Bob Leared Interests	02/01/84	\$ 72,049	Tax Assessor/ Collector

See accompanying independent auditor's report.

