

HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 286  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
SEPTEMBER 30, 2023

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January 10, 2024

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Municipal  
Utility District No. 286  
Harris County, Texas

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 286 as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 286's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 286, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 286, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 286's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harris County Municipal Utility District No. 286's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 286's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 286's basic financial statements. The supplementary information on Pages 21 to 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. G. J.", is centered on the page.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 286 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection and security services, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

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

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

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

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

#### *Fund Financial Statements*

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

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

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

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### **Financial Analysis of the District as a Whole**

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

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

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

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

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 11,744,322	\$ 9,531,044	\$ 2,213,278
Capital assets	6,221,371	6,256,968	(35,597)
Total assets	<u>17,965,693</u>	<u>15,788,012</u>	<u>2,177,681</u>
Long-term liabilities	0	0	0
Other liabilities	304,776	295,164	9,612
Total liabilities	<u>304,776</u>	<u>295,164</u>	<u>9,612</u>
Net position:			
Invested in capital assets, net of related debt	6,221,371	6,256,968	(35,597)
Restricted	303,553	312,432	(8,879)
Unrestricted	11,135,993	8,923,448	2,212,545
Total net position	<u>\$ 17,660,917</u>	<u>\$ 15,492,848</u>	<u>\$ 2,168,069</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 414,679	\$ 513,319	\$ (98,640)
Charges for services	1,669,416	1,059,828	609,588
Sales and Use Taxes	1,911,697	1,444,091	467,606
Other revenues	420,691	59,797	360,894
Total revenues	<u>4,416,483</u>	<u>3,077,035</u>	<u>1,339,448</u>
Expenses:			
Service operations	2,248,414	2,132,359	116,055
Debt service	0	0	0
Total expenses	<u>2,248,414</u>	<u>2,132,359</u>	<u>116,055</u>
Excess revenues (expenditures)	2,168,069	944,676	1,223,393
Net position, beginning of year	<u>15,492,848</u>	<u>14,548,172</u>	<u>944,676</u>
Net position, end of year	<u>\$ 17,660,917</u>	<u>\$ 15,492,848</u>	<u>\$ 2,168,069</u>

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

The District's General Fund balance as of the end of the fiscal year ended September 30, 2023, was \$11,432,982. The General Fund balance increased by \$2,203,385, in accordance with the District's financial plan.



### General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 20 of this report. The budgetary fund balance as of September 30, 2023, was expected to be \$9,355,797 and the actual end of year fund balance was \$11,432,982.

### Capital Asset and Debt Administration

#### Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 349,606	\$ 349,606	\$ 0
Construction in progress	19,853	0	19,853
Park and recreation facilities	608,741	676,571	(67,830)
Water facilities	1,720,229	1,821,440	(101,211)
Sewer facilities	<u>3,522,942</u>	<u>3,409,351</u>	<u>113,591</u>
Totals	<u>\$ 6,221,371</u>	<u>\$ 6,256,968</u>	<u>\$ (35,597)</u>

Changes to capital assets during the fiscal year ended September 30, 2023, are summarized as follows:

#### Additions:

Water system improvements	\$ 56,388
Sewer system improvements	<u>335,910</u>
	392,298

#### Decreases:

Depreciation	<u>(427,895)</u>
Net change to capital assets	<u>\$ (35,597)</u>

#### Debt

At September 30, 2023, the District had \$14,140,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

### RELEVANT FACTORS AND WATER SUPPLY ISSUES

#### Property Tax Base

The District's tax base decreased approximately \$19,070,000 for the 2022 tax year (approximately 5%), primarily due to the increase in tax exempt property within the District.

### *Relationship to the City of Houston*

Utilizing a provision of Texas law, effective April 9, 2007 (amended and restated effective June 5, 2014), the District and the City of Houston (the “City”) entered into a 30 year Strategic Partnership Agreement (the “Agreement”). Under the terms of the Agreement, the City annexed a portion of the District (the “Partial District”) for the limited purpose of imposition of the City’s Sales and Use Tax. In addition, the Agreement provides that the City shall apply and enforce within the Partial District the most current section of the City’s fire code banning fireworks as adopted by City Council. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District.

During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

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

### *Water Supply Issues*

The District is located within the boundaries of the Harris-Galveston Subsidence District (“Subsidence District”) and the North Harris County Regional Water Authority (“NHCRWA”). The NHCRWA was created to provide for conversion of the area within its boundaries from groundwater usage to alternative sources of water supply (e.g., surface water) as required by regulations of the Subsidence District. The NHCRWA covers an area located in northern Harris County and adjacent to the City of Houston. Pursuant to an order of the Subsidence District and the NHCRWA’s Groundwater Reduction Plan (as approved by the Subsidence District), the area within the boundaries of the NHCRWA must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 60% alternate source water use by 2025, and 80% alternate source water use by 2035. To implement the required conversion to alternate source water use in accordance with such schedule, the NHCRWA is in the process of designing and constructing and will operate a network of transmission and distribution lines, storage tanks, and pumping stations to transport and distribute water within the NHCRWA (the “NHCRWA System”). In addition, the NHCRWA has entered into a water supply contract to secure a long-term supply of treated surface water from the City of Houston.

The District is subject to the NHCRWA’s Groundwater Reduction Plan. The NHCRWA, as part of the plan of financing the NHCRWA System, has elected to allow districts, such as the District, to participate in a pro-rata share of the costs associated with the acquisition and construction of the NHCRWA System (including the costs associated with the acquisition of alternate sources of water supply) by issuing its own debt or using cash on hand, entitling the District to a future credit against pumpage fees due to the NHCRWA. The District has not elected this financing option. As a result, the District has elected to pay its share in the NHCRWA System costs over time through payment of levied pumpage fees to the NHCRWA. The District has been required by the NHCRWA to participate in the groundwater conversion project by converting a portion of its water production to surface water. Noncompliance with the NHCRWA’s Groundwater Reduction Plan or nonparticipation in the NHCRWA’s surface water conversion project could result in the District’s exclusion from the NHCRWA’s Groundwater Reduction Plan and assessment of the Subsidence District’s disincentive fee groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA's Pumpage Fee Order. At September 30, 2023, the pumpage fee was equal to \$4.10 per 1,000 gallons pumped. At September 30, 2023, the Authority's surface water usage fee was equal to \$4.55 per 1,000 gallons. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA, including the pumpage fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 945,782	\$	\$	\$ 945,782	\$	\$ 945,782
Certificates of deposit, at cost, Note 7	479,000			479,000		479,000
Temporary investments, at cost, Note 7	9,498,671			9,498,671		9,498,671
Receivables:						
Property taxes	5,144			5,144		5,144
Accrued penalty and interest on property taxes				0	1,420	1,420
Service accounts	106,281			106,281		106,281
Sales and Use Taxes, Note 10	383,251			383,251		383,251
Accrued interest	13,432			13,432		13,432
Other	998			998		998
Prepaid expenditures	6,790			6,790		6,790
Due from regional authority, Note 9	303,553			303,553		303,553
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	689,406	689,406
Depreciable capital assets				0	5,531,965	5,531,965
<b>Total assets</b>	<b><u>\$11,742,902</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 11,742,902</u></b>	<b><u>6,222,791</u></b>	<b><u>17,965,693</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 279,770	\$	\$	\$ 279,770		279,770
Customer deposits	25,006			25,006		25,006
<b>Total liabilities</b>	<b><u>304,776</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>304,776</u></b>	<b><u>0</u></b>	<b><u>304,776</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	5,144	0	0	5,144	(5,144)	0
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Nonspendable:						
Due from regional authority, Note 9	303,553			303,553	(303,553)	0
Unassigned	11,129,429		0	11,129,429	(11,129,429)	0
<b>Total fund balances</b>	<b><u>11,432,982</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>11,432,982</u></b>	<b><u>(11,432,982)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$11,742,902</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 11,742,902</u></b>		
Net position:						
Invested in capital assets, net of related debt					6,221,371	6,221,371
Restricted for due from regional authority					303,553	303,553
Unrestricted					11,135,993	11,135,993
<b>Total net position</b>					<b><u>\$ 17,660,917</u></b>	<b><u>\$ 17,660,917</u></b>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 414,398	\$	\$	\$ 414,398	\$ 93	\$ 414,491
Water service	254,735			254,735		254,735
Sewer service	135,793			135,793		135,793
Surface water fees, Note 9	479,035			479,035		479,035
Penalty, interest and other	25,488			25,488	188	25,676
Sales and Use Taxes, Note 10	1,911,697			1,911,697		1,911,697
Tap connection and inspection fees	162,802			162,802		162,802
Damage claim proceeds				0	592,779	592,779
Interest on surface water chloramine costs, Note 9	18,784			18,784		18,784
Interest on deposits and investments	420,691			420,691		420,691
<b>Total revenues</b>	<b>3,823,423</b>	<b>0</b>	<b>0</b>	<b>3,823,423</b>	<b>593,060</b>	<b>4,416,483</b>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Professional fees	143,948			143,948		143,948
Contracted services	121,470			121,470		121,470
Utilities	132,266			132,266		132,266
Surface water charges, Note 9	670,801			670,801		670,801
Repairs and maintenance	333,802			333,802		333,802
Other operating expenditures	105,007			105,007		105,007
Security services	77,868			77,868		77,868
Garbage disposal	58,353			58,353		58,353
Administrative expenditures	97,868			97,868		97,868
Depreciation				0	427,895	427,895
Capital outlay / non-capital outlay	471,434			471,434	(392,298)	79,136
<b>Total expenditures / expenses</b>	<b>2,212,817</b>	<b>0</b>	<b>0</b>	<b>2,212,817</b>	<b>35,597</b>	<b>2,248,414</b>
Excess (deficiency) of revenues over expenditures	1,610,606	0	0	1,610,606	557,463	2,168,069
<b>OTHER FINANCING SOURCES (USES)</b>						
Damage claim proceeds	592,779	0	0	592,779	(592,779)	0
Net change in fund balances / net position	2,203,385	0	0	2,203,385	(35,316)	2,168,069
Beginning of year	9,229,597	0	0	9,229,597	6,263,251	15,492,848
End of year	<u>\$ 11,432,982</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,432,982</u>	<u>\$ 6,227,935</u>	<u>\$ 17,660,917</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286NOTES TO THE FINANCIAL STATEMENTSSEPTEMBER 30, 2023

## NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 286 (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective June 18, 1985, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

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

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

### Interfund Activity

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

### Receivables

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

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

### Regional Water Authority Credits

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under agreements with the regional water authority are recorded as either a repayment of the principal amount or interest earned at the interest rate of the applicable agreement. The principal is amortized based upon the life of the credits and the interest rate of the applicable agreement.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Park and recreation facilities	20 years
Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 11,432,982
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		6,221,371
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	\$ 1,420	
Uncollected property taxes	5,144	6,564
		<u>6,564</u>
Net position, end of year		<u>\$ 17,660,917</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances \$ 2,203,385

The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	\$ 392,298	
Depreciation	<u>(427,895)</u>	(35,597)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:

Accrued penalty and interest on property taxes receivable	188	
Uncollected property taxes	<u>93</u>	<u>281</u>

Change in net position \$ 2,168,069

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 349,606	\$	\$	\$ 349,606
Park and recreation facilities	319,947			319,947
Construction in progress	<u>0</u>	<u>19,853</u>		<u>19,853</u>
Total capital assets not being depreciated	<u>669,553</u>	<u>19,853</u>	<u>0</u>	<u>689,406</u>
Depreciable capital assets:				
Park and recreation facilities	1,398,074			1,398,074
Water system	7,677,713	44,645		7,722,358
Sewer system	<u>6,406,531</u>	<u>327,800</u>		<u>6,734,331</u>
Total depreciable capital assets	<u>15,482,318</u>	<u>372,445</u>	<u>0</u>	<u>15,854,763</u>
Less accumulated depreciation for:				
Park and recreation facilities	(1,041,450)	(67,830)		(1,109,280)
Water system	(5,856,273)	(145,856)		(6,002,129)
Sewer system	<u>(2,997,180)</u>	<u>(214,209)</u>		<u>(3,211,389)</u>
Total accumulated depreciation	<u>(9,894,903)</u>	<u>(427,895)</u>	<u>0</u>	<u>(10,322,798)</u>
Total depreciable capital assets, net	<u>5,587,415</u>	<u>(55,450)</u>	<u>0</u>	<u>5,531,965</u>
Total capital assets, net	<u>\$ 6,256,968</u>	<u>\$ (35,597)</u>	<u>\$ 0</u>	<u>\$ 6,221,371</u>
Changes to capital assets:				
Capital outlay		\$ 392,298	\$	
Less depreciation expense for the fiscal year		<u>(427,895)</u>		
Net increases / decreases to capital assets		<u>\$ (35,597)</u>	<u>\$ 0</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Bonds voted*	\$ 25,000,000
Bonds approved for sale and sold	10,860,000
Bonds voted and not issued	14,140,000

\*The District may issue refunding bonds in a principal amount not greater than the principal amount of refunded bonds, including the issuance of bonds sold at a substantial premium, without additional voted authority.

NOTE 6: PROPERTY TAXES

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

At an election held April 5, 1986, the voters within the District authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 3, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of \$400,254,551:

	<u>Rate</u>	<u>Amount</u>
Maintenance	\$ 0.1138	\$ 455,490

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

2022 tax year total property tax levy	\$ 455,490
Appraisal district adjustments to prior year taxes	<u>(40,999)</u>
Statement of Activities property tax revenues	<u>\$ 414,491</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,424,782 and the bank balance was \$1,483,672. Of the bank balance, \$1,053,013 was covered by federal insurance and \$430,659 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in the money market mutual fund, in Texas CLASS and in TexPool were \$200,000, \$4,563,099 and \$4,735,572, respectively.

**NOTE 8: RISK MANAGEMENT**

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At September 30, 2023, the District had physical damage and boiler and machinery coverage of \$12,096,000, contractor equipment of \$52,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, umbrella liability coverage of \$1,000,000, automobile coverage of \$1,000,000, pollution liability and worker's compensation coverage of \$1,000,000 each, consultant's crime coverage of \$1,000,000 and a tax assessor-collector bond of \$10,000.

**NOTE 9: REGIONAL WATER AUTHORITY**

The North Harris County Regional Water Authority (the "Authority" and the "NHCRWA") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of September 30, 2023, the Authority had established a well pumpage fee of \$4.10 for each 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$4.55 per 1,000 gallons of water purchased from the Authority. The District's fees payable to the Authority for the fiscal year ended September 30, 2023, were \$670,801. The District billed its customers \$479,035 during the fiscal year to pay for a portion of the fees charged by the Authority.

Effective January 1, 2010, the Authority adopted a rate order which provided for the reimbursement to the District for costs incurred by the District to modify its system to accept surface water from the Authority. Such "Chloramine Credit" was determined by the Authority upon completion and operation of the District's Chloramine System. The Chloramine Credit will be credited monthly to the amounts payable to the Authority for water used by the District over a 30-year period at 6% interest. During the fiscal year ended September 30, 2012, the Authority determined that the allowable costs of construction were \$380,782.

During the fiscal year ended September 30, 2023, the District received chloramine credits of \$27,663. Of this amount, \$8,879 was principal and \$18,784 was interest.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

A summary of the amortization of the remaining scheduled chloramine credits is as follows:

Credits Due During Fiscal Years Ending September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 9,435	\$ 18,228	\$ 27,663
2025	10,026	17,637	27,663
2026	10,654	17,009	27,663
2027	11,321	16,342	27,663
2028	12,030	15,633	27,663
2029-2033	72,443	65,872	138,315
2034-2038	98,157	40,158	138,315
2039-2042	79,487	8,123	87,610
	<u>\$ 303,553</u>	<u>\$ 199,002</u>	<u>\$ 502,555</u>

**NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT**

Utilizing a provision of Texas law, effective April 9, 2007 (amended and restated effective June 5, 2014), the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purpose of imposition of the City's Sales and Use Tax. In addition, the Agreement provides that the City shall apply and enforce within the Partial District the most current section of the City's fire code banning fireworks as adopted by City Council. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City has imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$1,911,697 from the City for the fiscal year ended September 30, 2023. \$383,251 of this amount was receivable at that date.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 515,000	\$ 515,000	\$ 414,398	\$ (100,602)
Water service	230,000	230,000	254,735	24,735
Sewer service	150,000	150,000	135,793	(14,207)
Surface water fees	516,000	516,000	479,035	(36,965)
Penalty and other	21,300	21,300	25,488	4,188
Sales and Use Taxes	1,000,000	1,000,000	1,911,697	911,697
Tap connection and inspection fees	0	0	162,802	162,802
Interest on surface water chloramine costs	30,000	30,000	18,784	(11,216)
Interest on deposits and investments	120,000	120,000	420,691	300,691
<b>TOTAL REVENUES</b>	<b><u>2,582,300</u></b>	<b><u>2,582,300</u></b>	<b><u>3,823,423</u></b>	<b><u>1,241,123</u></b>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	196,000	196,000	143,948	(52,052)
Contracted services	93,000	93,000	121,470	28,470
Utilities	143,700	143,700	132,266	(11,434)
Surface water charges	865,000	865,000	670,801	(194,199)
Repairs and maintenance	535,000	535,000	333,802	(201,198)
Other operating expenditures	136,800	136,800	105,007	(31,793)
Security service	75,000	75,000	77,868	2,868
Garbage disposal	60,000	60,000	58,353	(1,647)
Administrative expenditures	101,600	101,600	97,868	(3,732)
Capital outlay	250,000	250,000	471,434	221,434
<b>TOTAL EXPENDITURES</b>	<b><u>2,456,100</u></b>	<b><u>2,456,100</u></b>	<b><u>2,212,817</u></b>	<b><u>(243,283)</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>126,200</b>	<b>126,200</b>	<b>1,610,606</b>	<b>1,484,406</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Damage claim proceeds	0	0	592,779	592,779
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>592,779</u></b>	<b><u>592,779</u></b>
<b>EXCESS SOURCES (USES)</b>	<b>126,200</b>	<b>126,200</b>	<b>2,203,385</b>	<b>2,077,185</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b><u>9,229,597</u></b>	<b><u>9,229,597</u></b>	<b><u>9,229,597</u></b>	<b><u>0</u></b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 9,355,797</u></b>	<b><u>\$ 9,355,797</u></b>	<b><u>\$ 11,432,982</u></b>	<b><u>\$ 2,077,185</u></b>

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
SEPTEMBER 30, 2023

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

- TSI-1. Services and Rates
- TSI-2. General Fund Expenditures
- TSI-3. Temporary Investments
- TSI-4. Taxes Levied and Receivable
- TSI-5. Long-Term Debt Service Requirements by Years  
None at September 30, 2023.
- TSI-6. Changes in Long-Term Bonded Debt  
Not Applicable.
- TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year  
Debt Service Fund not applicable.
- TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2023

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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$5.00	25,000	N	\$2.00 4.00 6.00	25,001 to 35,000 35,001 to 60,000 Over 60,000
WASTEWATER:	\$12.86	50,000	N	\$0.50	Over 50,000
SURCHARGE:	\$5.01 per 1,000 gallons of water used. – NHCRWA surface water fees. (Commercial customers only)				

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$5.00 Wastewater: \$12.86 Surcharge: \$0.00



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

SCHEDULE OF SERVICES AND RATES (Continued)

SEPTEMBER 30, 2023

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	270	269	1.0	269
1"	15	15	2.5	38
1-1/2"	1	1	5.0	5
2"	17	16	8.0	128
3"	3	3	15.0	45
4"	5	5	25.0	125
6"	8	8	50.0	400
8"	13	13	80.0	1,040
10"	0	0	115.0	0
Total Water	<u>332</u>	<u>330</u>		<u>2,050</u>
Total Wastewater	<u>278</u>	<u>278</u>	1.0	<u>278</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited): 151,069  
 Gallons billed to customers (unaudited): 143,665

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 95%

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

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Professional fees:				
Auditing	\$ 9,300	\$	\$	\$ 9,300
Legal	64,823			64,823
Financial advisor	1,250			1,250
Engineering	68,575			68,575
	<u>143,948</u>	<u>0</u>	<u>0</u>	<u>143,948</u>
Contracted services:				
Bookkeeping	20,100			20,100
Operation and billing	84,726			84,726
Tax assessor-collector	12,706			12,706
Central appraisal district	3,938			3,938
	<u>121,470</u>	<u>0</u>	<u>0</u>	<u>121,470</u>
Utilities	<u>132,266</u>	<u>0</u>	<u>0</u>	<u>132,266</u>
Surface water charges:				
Purchased surface water	432,703			432,703
Ground water pumpage fees	238,098			238,098
	<u>670,801</u>	<u>0</u>	<u>0</u>	<u>670,801</u>
Repairs and maintenance	<u>333,802</u>	<u>0</u>	<u>0</u>	<u>333,802</u>
Other operating expenditures:				
Sludge hauling	7,730			7,730
Chemicals	49,666			49,666
Laboratory costs	33,856			33,856
Sewer inspection costs	6,200			6,200
TCEQ assessment	4,764			4,764
Other	2,791			2,791
	<u>105,007</u>	<u>0</u>	<u>0</u>	<u>105,007</u>
Security services	<u>77,868</u>	<u>0</u>	<u>0</u>	<u>77,868</u>
Garbage disposal	<u>58,353</u>	<u>0</u>	<u>0</u>	<u>58,353</u>
Administrative expenditures:				
Director's fees	12,023			12,023
Office supplies and postage	13,586			13,586
Insurance	44,599			44,599
Permit fees	4,191			4,191
Other	23,469		0	23,469
	<u>97,868</u>	<u>0</u>	<u>0</u>	<u>97,868</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	392,298			392,298
Tap connection fees	79,136			79,136
	<u>471,434</u>	<u>0</u>	<u>0</u>	<u>471,434</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,212,817</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,212,817</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash receipts from revenues	\$ 3,936,581	\$	\$	\$ 3,936,581
Principal repayment from NHCRWA	8,879			8,879
Damage claims received	592,779			592,779
increase in customer deposits	450			450
Overpayments from taxpayers	<u>43,998</u>			<u>43,998</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>4,582,687</u>	<u>0</u>	<u>0</u>	<u>4,582,687</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	1,727,675			1,727,675
Capital outlay	471,434			471,434
Refund of overpayments from taxpayers	<u>42,404</u>			<u>42,404</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>2,241,513</u>	<u>0</u>	<u>0</u>	<u>2,241,513</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	2,341,174	0	0	2,341,174
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>8,582,279</u>	<u>0</u>	<u>0</u>	<u>8,582,279</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$10,923,453</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$10,923,453</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

SEPTEMBER 30, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 0400	4.50%	1/05/24	\$ 240,000	\$ 7,343
No. 1667	4.54%	1/26/24	<u>239,000</u>	<u>3,462</u>
			<u>\$ 479,000</u>	<u>\$ 10,805</u>
Cavanal Hill Government Securities Premier				
No. 141560	Market	On demand	<u>\$ 200,000</u>	<u>\$ 2,627</u>
TexPool				
No. 7963200001	Market	On demand	<u>\$ 4,563,099</u>	<u>\$ 0</u>
Texas CLASS				
No. 0104080001	Market	On demand	<u>\$ 4,935,572</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 9,977,671</u>	<u>\$ 13,432</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Maintenance Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 5,051
Additions and corrections to prior year taxes	<u>(40,999)</u>
Adjusted receivable, beginning of year	(35,948)
2022 ADJUSTED TAX ROLL	<u>455,490</u>
Total to be accounted for	419,542
Refund of prior year taxes collected in prior years	<u>38,907</u>
Tax collections: Current tax year	(453,001)
Prior tax years	<u>(304)</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 5,144</u></u>
RECEIVABLE, BY TAX YEAR	
2020	\$ 703
2021	1,952
2022	<u>2,489</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 5,144</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 116,517,605	\$ 123,133,829	\$ 115,064,739	\$ 116,500,022
Improvements	439,653,864	347,157,504	362,135,134	352,259,123
Personal property	57,656,591	60,733,973	51,044,250	146,684,534
Less exemptions	<u>(213,573,509)</u>	<u>(111,701,462)</u>	<u>(109,877,377)</u>	<u>(138,616,489)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 400,254,551</u>	 <u>\$ 419,323,844</u>	 <u>\$ 418,366,746</u>	 <u>\$ 476,827,190</u>
 MAINTENANCE TAX RATES PER \$100 VALUATION	 <u>\$ 0.11380</u>	 <u>\$ 0.12180</u>	 <u>\$ 0.12500</u>	 <u>\$ 0.12500</u>
 TAX ROLLS	 <u>\$ 455,490</u>	 <u>\$ 551,273</u>	 <u>\$ 560,212</u>	 <u>\$ 596,112</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>99.5 %</u>	 <u>99.7 %</u>	 <u>99.9 %</u>	 <u>100 %</u>

\*Maximum tax rate approved by voters on April 5, 1986: \$0.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$ 414,398	\$ 511,114	\$ 553,965	\$ 601,935	\$ 601,457	10.8 %	17.2 %	22.8 %	27.5 %	20.1 %
Water service	254,735	242,346	222,421	248,433	277,306	6.7	8.1	9.2	11.3	9.3
Sewer service	135,793	122,952	107,716	115,158	130,433	3.6	4.1	4.4	5.2	4.4
Surface water fees	479,035	555,564	500,733	499,577	529,456	12.5	18.7	20.6	22.8	17.7
Tap connection and inspection fees	162,802	0	184,700	0	0	4.3	0.0	7.6	0.0	0.0
Penalty and other	25,488	23,599	14,754	33,849	23,761	0.7	0.8	0.6	1.5	0.8
Sales and Use Taxes	1,911,697	1,444,091	817,773	590,322	1,235,613	49.9	48.5	33.7	27.0	41.2
Interest on surface water chloramine costs	18,784	19,308	19,800	20,264	20,700	0.5	0.6	0.8	0.9	0.7
Interest on deposits and investments	420,691	59,797	7,926	84,469	174,963	11.0	2.0	0.3	3.8	5.8
<b>TOTAL REVENUES</b>	<b>3,823,423</b>	<b>2,978,771</b>	<b>2,429,788</b>	<b>2,194,007</b>	<b>2,993,689</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
EXPENDITURES										
Service operations:										
Professional fees	143,948	148,262	94,825	109,567	82,463	3.8	5.0	3.9	5.0	2.8
Contracted services	121,470	110,837	89,386	83,549	79,466	3.2	3.7	3.7	3.8	2.7
Utilities	132,266	95,770	100,039	92,782	77,182	3.5	3.2	4.1	4.2	2.6
Surface water charges	670,801	773,827	704,935	693,146	681,031	17.6	26.0	29.0	31.7	22.6
Repairs and maintenance	333,802	236,291	239,698	364,968	129,998	8.7	7.9	9.9	16.6	4.3
Other operating expenditures	105,007	131,626	81,221	104,283	97,609	2.7	4.4	3.3	4.8	3.3
Security services	77,868	74,364	73,462	70,857	69,165	2.0	2.5	3.0	3.2	2.3
Garbage disposal	58,353	57,953	57,716	61,001	50,354	1.5	1.9	2.4	2.8	1.7
Administrative expenditures	97,868	91,140	80,277	86,557	93,134	2.6	3.1	3.3	3.9	3.1
Capital outlay	471,434	25,621	296,600	2,321,585	657,610	12.3	0.9	12.2	105.8	22.0
<b>TOTAL EXPENDITURES</b>	<b>2,212,817</b>	<b>1,745,691</b>	<b>1,818,159</b>	<b>3,988,295</b>	<b>2,018,012</b>	<b>57.9</b>	<b>58.6</b>	<b>74.8</b>	<b>181.8</b>	<b>67.4</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ 1,610,606</b>	<b>\$ 1,233,080</b>	<b>\$ 611,629</b>	<b>\$(1,794,288)</b>	<b>\$ 975,677</b>	<b>42.1 %</b>	<b>41.4 %</b>	<b>25.2 %</b>	<b>(81.8) %</b>	<b>32.6 %</b>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>330</u>	<u>331</u>	<u>331</u>	<u>326</u>	<u>327</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>278</u>	<u>287</u>	<u>287</u>	<u>286</u>	<u>286</u>					

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2023

Complete District Mailing Address: Harris County Municipal Utility District No. 286  
c/o Marks Richardson PC  
3700 Buffalo Speedway, Suite 830  
Houston, Texas 77098

District Business Telephone No.: 713-942-9922

Submission date of the most recent District Registration Form: January 3, 2023

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
David Geaslen c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 5/02/20- 5/04/24	\$ 2,242	\$ 1,372	President
Michael L. Rhodes c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 5/02/20- 5/04/24	1,642	0	Vice President
Stephen J. Garner c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 5/07/22- 5/02/26	2,463	1,444	Secretary
Rosalind Theriot c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 5/07/22- 5/02/26	2,913	2,409	Assistant Secretary
Becky Campbell c/o Marks Richardson PC 3700 Buffalo Sp., Ste. 830 Houston, Texas 77098	Elected 5/02/20- 5/04/24	2,763	2,043	Assistant Secretary

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)SEPTEMBER 30, 2023CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Marks Richardson PC 3700 Buffalo Speedway, Suite 830 Houston, Texas 77098	5/08/13	\$ 64,123	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	1/15/97	700	Delinquent Tax Attorney
Claudia Redden & Associates, L.L.C. P.O. Box 11890 Spring, Texas 77391	8/01/06	25,722	Bookkeeper
Claudia Redden P.O. Box 11890 Spring, Texas 77391	9/05/06	0	Investment Officer
EDP Water Utility Services 17495 Village Green Drive Houston, Texas 77040	6/01/09	391,423	Operator
Eby Engineers, Inc. P.O. Box 926037 Houston, Texas 77292	7/11/05	88,427	Engineer
Michael Arterburn 11500 Northwest Freeway, Suite 465 Houston, Texas 77092	5/02/11	15,242	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	3,938	Central Appraisal District
RBC Capital Markets, L.L.C. 2800 Post Oak Blvd., Suite 4325 Houston, Texas 77056	8/19/03	1,250	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	8/01/05	9,300	Independent Auditor

See accompanying independent auditor's report.