



Harris County Municipal Utility District No. 391 Harris County, Texas

Independent Auditor's Report and Financial Statements

May 31, 2023



Harris County Municipal Utility District No. 391
May 31, 2023

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 391
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 391 (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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of May 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

FORVIS, LLP

Houston, Texas
October 16, 2023

Harris County Municipal Utility District No. 391

Management's Discussion and Analysis

May 31, 2023

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Harris County Municipal Utility District No. 391
Management's Discussion and Analysis (Continued)
May 31, 2023

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Harris County Municipal Utility District No. 391
Management's Discussion and Analysis (Continued)
May 31, 2023

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2023	2022
Current and other assets	\$ 17,358,459	\$ 16,167,763
Capital assets	36,954,015	37,747,921
Total assets	54,312,474	53,915,684
Deferred outflows of resources	1,369,466	1,474,100
Total assets and deferred outflows of resources	\$ 55,681,940	\$ 55,389,784
Long-term liabilities	\$ 47,334,844	\$ 50,405,837
Other liabilities	1,243,547	1,597,665
Total liabilities	48,578,391	52,003,502
Net position:		
Net investment in capital assets	(8,122,477)	(10,081,194)
Restricted	5,647,966	5,547,709
Unrestricted	9,578,060	7,919,767
Total net position	\$ 7,103,549	\$ 3,386,282

The total net position of the District increased by \$3,717,267 or about 110 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Harris County Municipal Utility District No. 391
Management's Discussion and Analysis (Continued)
May 31, 2023

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 7,252,078	\$ 7,238,545
City of Houston rebates	214,282	202,563
Charges for services	3,208,242	2,941,751
Other revenues	762,989	240,405
	<hr/>	<hr/>
Total revenues	11,437,591	10,623,264
	<hr/>	<hr/>
Expenses:		
Services	5,134,152	4,857,656
Depreciation	1,067,468	1,061,609
Debt service	1,518,704	1,778,902
	<hr/>	<hr/>
Total expenses	7,720,324	7,698,167
	<hr/>	<hr/>
Change in net position	3,717,267	2,925,097
Net position, beginning of year	3,386,282	461,185
	<hr/>	<hr/>
Net position, end of year	<u>\$ 7,103,549</u>	<u>\$ 3,386,282</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2023, were \$16,288,328, an increase of \$1,478,531 from the prior year.

The general fund's fund balance increased by \$1,642,235 due to property tax, regional water fee and service revenues being greater than service operations and capital outlay expenditures. In addition, tap connection and inspection fee revenues exceeded related tap connection expenditures.

The debt service fund's fund balance increased by \$5,527 due to property tax revenues and investment income exceeding bond principal and interest expenditures.

The capital projects fund's fund balance decreased by \$169,231 due to capital outlay expenditures exceeding investment income.

Harris County Municipal Utility District No. 391
Management's Discussion and Analysis (Continued)
May 31, 2023

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, City of Houston rebates, tap connection and inspection fees and investment income revenues and regional water fee revenues and related expenditures being higher than anticipated. In addition, repair and maintenance expenditures were lower than anticipated and capital outlay expenditures incurred were not included in the current year budget. The fund balance as of May 31, 2023, was expected to be \$8,883,120 and the actual end-of-year fund balance was \$9,512,310.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2023	2022
Land and improvements	\$ 10,618,768	\$ 10,618,768
Construction in progress	4,643,894	4,440,858
Water facilities	8,050,939	8,404,117
Wastewater facilities	11,849,278	12,344,262
Park facilities	1,791,136	1,939,916
Total capital assets	\$ 36,954,015	\$ 37,747,921

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

Construction in progress related to construction of the 0.95-MGD wastewater treatment plant	\$ 203,036
Fountain replacements in lakes 2, 3 and 5	46,662
Booster pump No. 2	23,864
Total additions to capital assets	\$ 273,562

The developer within the District has constructed water, sewer, drainage and park facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of May 31, 2023, a liability for developer-constructed capital assets of \$120,720 was recorded in the government-wide financial statements.

Harris County Municipal Utility District No. 391
Management's Discussion and Analysis (Continued)
May 31, 2023

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 50,405,837
Decreases in long-term debt	<u>(3,070,993)</u>
Long-term debt payable, end of year	<u>\$ 47,334,844</u>

At May 31, 2023, the District had \$15,190,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems and \$1,100,000 for financing and constructing recreational facilities within the District.

The District's bonds carry underlying ratings of "BBB+" from Standard & Poor's and "A2" from Moody's Investors Service. The District's Series 2015 refunding bonds and 2021 refunding bonds carry a "AA" rating by from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2015 refunding bonds also carry an "A1" rating from Moody's Investors Service by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The District's Series 2013, 2016 and 2019 refunding bonds and Series 2014A, 2014B, 2015A, 2017 and 2020 bonds carry a "AA" rating by from Standard & Poor's virtue of bond insurance issued by Build America Mutual Assurance Company. The District's Series 2016A bonds carry a "Baa2" rating from Moody's Investors Service by virtue of bond insurance issued by National Public Finance Guarantee Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth as follows.

Strategic Partnership Agreement

Effective December 20, 2007, the District entered into a Strategic Partnership Agreement with the City, which annexed certain portions of the District into the City for "limited purposes" as described therein. Under the terms of the Strategic Partnership Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years from the date of the agreement.

Harris County Municipal Utility District No. 391
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 307,474	\$ 289,366	\$ 2,880	\$ 599,720	\$ -	\$ 599,720
Short-term investments	9,568,908	5,411,993	1,321,484	16,302,385	-	16,302,385
Receivables:						
Property taxes	45,366	77,530	-	122,896	-	122,896
Service accounts	182,968	-	-	182,968	-	182,968
Sales tax rebates	32,208	-	-	32,208	20,384	52,592
Due from others	17,350	-	-	17,350	-	17,350
Accrued penalty and interest	-	-	-	-	41,748	41,748
Interfund receivable	10,510	72,721	-	83,231	(83,231)	-
Prepaid expenditures	38,800	-	-	38,800	-	38,800
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	10,618,768	10,618,768
Construction in progress	-	-	-	-	4,643,894	4,643,894
Infrastructure	-	-	-	-	19,900,217	19,900,217
Parks	-	-	-	-	1,791,136	1,791,136
Total assets	10,203,584	5,851,610	1,324,364	17,379,558	36,932,916	54,312,474
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	1,369,466	1,369,466
Total assets and deferred outflows of resources	\$ 10,203,584	\$ 5,851,610	\$ 1,324,364	\$ 17,379,558	\$ 38,302,382	\$ 55,681,940

Harris County Municipal Utility District No. 391
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
May 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 372,087	\$ -	\$ 116,928	\$ 489,015	\$ -	\$ 489,015
Accrued interest payable	-	-	-	-	358,444	358,444
Retainage payable	-	-	194,988	194,988	-	194,988
Customer deposits	201,100	-	-	201,100	-	201,100
Interfund payable	72,721	-	10,510	83,231	(83,231)	-
Long-term liabilities:						
Due within one year	-	-	-	-	3,070,000	3,070,000
Due after one year	-	-	-	-	44,264,844	44,264,844
Total liabilities	<u>645,908</u>	<u>-</u>	<u>322,426</u>	<u>968,334</u>	<u>47,610,057</u>	<u>48,578,391</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>45,366</u>	<u>77,530</u>	<u>0</u>	<u>122,896</u>	<u>(122,896)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	38,800	-	-	38,800	(38,800)	-
Restricted:						
Unlimited tax bonds	-	5,774,080	-	5,774,080	(5,774,080)	-
Water, sewer and drainage	-	-	1,001,938	1,001,938	(1,001,938)	-
Unassigned	<u>9,473,510</u>	<u>-</u>	<u>-</u>	<u>9,473,510</u>	<u>(9,473,510)</u>	<u>-</u>
Total fund balances	<u>9,512,310</u>	<u>5,774,080</u>	<u>1,001,938</u>	<u>16,288,328</u>	<u>(16,288,328)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,203,584</u>	<u>\$ 5,851,610</u>	<u>\$ 1,324,364</u>	<u>\$ 17,379,558</u>		
Net position:						
Net investment in capital assets					(8,122,477)	(8,122,477)
Restricted for debt service					5,534,914	5,534,914
Restricted for capital projects					113,052	113,052
Unrestricted					<u>9,578,060</u>	<u>9,578,060</u>
Total net position					<u>\$ 7,103,549</u>	<u>\$ 7,103,549</u>

Harris County Municipal Utility District No. 391
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended May 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 2,778,715	\$ 4,437,705	\$ -	\$ 7,216,420	\$ 35,658	\$ 7,252,078
City of Houston rebates	212,890	-	-	212,890	1,392	214,282
Water service	570,797	-	-	570,797	-	570,797
Sewer service	914,862	-	-	914,862	-	914,862
Regional water fee	1,722,583	-	-	1,722,583	-	1,722,583
Penalty and interest	48,477	41,346	-	89,823	9,645	99,468
Tap connection and inspection fees	184,461	-	-	184,461	-	184,461
Investment income	290,643	138,711	45,135	474,489	-	474,489
Other income	4,571	-	-	4,571	-	4,571
Total revenues	6,727,999	4,617,762	45,135	11,390,896	46,695	11,437,591
Expenditures/Expenses						
Service operations:						
Regional water fee	1,700,756	-	-	1,700,756	-	1,700,756
Professional fees	149,146	8,034	-	157,180	22,372	179,552
Contracted services	650,381	90,442	-	740,823	-	740,823
Solid waste	622,697	-	-	622,697	-	622,697
Utilities	271,367	-	-	271,367	-	271,367
Repairs and maintenance	1,264,675	-	-	1,264,675	101,410	1,366,085
Other expenditures	188,432	9,108	630	198,170	-	198,170
Tap connections	54,702	-	-	54,702	-	54,702
Capital outlay	183,608	-	213,736	397,344	(397,344)	-
Depreciation	-	-	-	-	1,067,468	1,067,468
Debt service:						
Principal retirement	-	3,025,000	-	3,025,000	(3,025,000)	-
Interest and fees	-	1,479,651	-	1,479,651	39,053	1,518,704
Total expenditures/expenses	5,085,764	4,612,235	214,366	9,912,365	(2,192,041)	7,720,324
Excess (Deficiency) of Revenues Over Expenditures	1,642,235	5,527	(169,231)	1,478,531	(1,478,531)	
Change in Net Position					3,717,267	\$ 3,717,267
Fund Balances/Net Position						
Beginning of year	7,870,075	5,768,553	1,171,169	14,809,797	-	3,386,282
End of year	\$ 9,512,310	\$ 5,774,080	\$ 1,001,938	\$ 16,288,328	\$ 0	\$ 7,103,549

Harris County Municipal Utility District No. 391

Notes to Financial Statements

May 31, 2023

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

Harris County Municipal Utility District No. 391 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective November 14, 2002, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Harris County Municipal Utility District No. 391

Notes to Financial Statements

May 31, 2023

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Harris County Municipal Utility District No. 391

Notes to Financial Statements

May 31, 2023

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Park facilities	15-20

Deferred Amount on Debt Refundings

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

Debt Issuance Costs

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

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 36,954,015
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	122,896
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	41,748
Tax rebates are not receivable in the current period and are not reported in the funds.	20,384
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	1,369,466

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds. \$ (358,444)

Long-term debt obligations are not due and payable in the current period and are not reported in the funds. (47,334,844)

Adjustment to fund balances to arrive at net position. \$ (9,184,779)

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

Change in fund balances. \$ 1,478,531

Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current period. (793,906)

Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position. 3,025,000

Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities. 46,695

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (39,053)

Change in net position of governmental activities. \$ 3,717,267

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At May 31, 2023, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

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

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

At May 31, 2023, the District had the following investments and maturities:

Type	Amortized Cost/Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 9,832,086	\$ 9,832,086	-	-	-
Texas CLASS	<u>6,470,299</u>	<u>6,470,299</u>	-	-	-
Total	<u>\$ 16,302,385</u>	<u>\$ 16,302,385</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2023, the District's investments in TexPool and Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at May 31, 2023, as follows:

Carrying value:	
Deposits	\$ 599,720
Investments	<u>16,302,385</u>
Total	<u>\$ 16,902,105</u>

Investment Income

Investment income of \$474,489 for the year ended May 31, 2023, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of May 31, 2023:

- Pooled investments of \$6,470,299 are valued at fair value per share of the pool's underlying portfolio.

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

Note 3: Capital Assets

A summary of changes in capital assets for the year ended May 31, 2023, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 10,618,768	\$ -	\$ 10,618,768
Construction in progress	4,440,858	203,036	4,643,894
Total capital assets, non-depreciable	<u>15,059,626</u>	<u>203,036</u>	<u>15,262,662</u>
Capital assets, depreciable:			
Water production and distribution facilities	\$ 12,961,026	\$ 23,864	\$ 12,984,890
Wastewater collection and treatment facilities	18,914,361	-	18,914,361
Park facilities	2,822,782	46,662	2,869,444
Total capital assets, depreciable	<u>34,698,169</u>	<u>70,526</u>	<u>34,768,695</u>
Less accumulated depreciation:			
Water production and distribution facilities	(4,556,909)	(377,042)	(4,933,951)
Wastewater collection and treatment facilities	(6,570,099)	(494,984)	(7,065,083)
Park facilities	(882,866)	(195,442)	(1,078,308)
Total accumulated depreciation	<u>(12,009,874)</u>	<u>(1,067,468)</u>	<u>(13,077,342)</u>
Total governmental activities, net	<u>\$ 37,747,921</u>	<u>\$ (793,906)</u>	<u>\$ 36,954,015</u>

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended May 31, 2023, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 47,175,000	\$ 2,750,000	\$ 44,425,000	\$ 2,780,000
Direct placement bonds	2,545,000	275,000	2,270,000	290,000
Less discounts on bonds	393,914	15,808	378,106	-
Add premiums on bonds	959,031	61,801	897,230	-
	50,285,117	3,070,993	47,214,124	3,070,000
Due to developer	120,720	-	120,720	-
Total governmental activities long-term liabilities	<u>\$ 50,405,837</u>	<u>\$ 3,070,993</u>	<u>\$ 47,334,844</u>	<u>\$ 3,070,000</u>

General Obligation Bonds

	Refunding Series 2013	Refunding Series 2014**
Amounts outstanding, May 31, 2023	\$200,000	\$2,270,000
Interest rates	2.125% to 2.625%	3.00%
Maturity dates, serially beginning/ending	September 1, 2023	September 1, 2023/2029
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2019	September 1, 2023

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

**Direct placement bonds

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

	Series 2014A	Series 2014B
Amounts outstanding, May 31, 2023	\$1,785,000	\$2,125,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2023/2038	September 1, 2023/2038
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2022	September 1, 2022
	Refunding Series 2015	Series 2015A
Amounts outstanding, May 31, 2023	\$7,120,000	\$7,280,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2023/2034	September 1, 2023/2040
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2022	September 1, 2023
	Refunding Series 2016	Series 2016A
Amounts outstanding, May 31, 2023	\$4,595,000	\$1,280,000
Interest rates	2.00% to 4.00%	3.00% to 3.75%
Maturity dates, serially beginning/ending	September 1, 2023/2034	September 1, 2023/2040
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2024	September 1, 2024

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

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

	Series 2017	Refunding Series 2019
Amounts outstanding, May 31, 2023	\$4,000,000	\$5,145,000
Interest rates	2.000% to 3.375%	3.00%
Maturity dates, serially beginning/ending	September 1, 2023/2040	September 1, 2023/2034
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2024	September 1, 2025
	Series 2020	Refunding Series 2021
Amounts outstanding, May 31, 2023	\$6,300,000	\$4,595,000
Interest rates	2.00% to 3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2023/2040	September 1, 2023/2037
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2025	September 1, 2026

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds and direct placement bonds outstanding at May 31, 2023.

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

Year	General Obligation Bonds		Direct Placement Bonds		Total
	Principal	Interest	Principal	Interest	
2024	\$ 2,780,000	\$ 1,323,501	\$ 290,000	\$ 63,750	\$ 4,457,251
2025	2,825,000	1,236,676	300,000	54,900	4,416,576
2026	2,885,000	1,144,452	310,000	45,750	4,385,202
2027	2,925,000	1,053,202	320,000	36,300	4,334,502
2028	2,970,000	964,852	335,000	26,475	4,296,327
2029-2033	15,585,000	3,446,772	715,000	21,675	19,768,447
2034-2038	10,235,000	1,411,464	-	-	11,646,464
2039-2041	4,220,000	201,938	-	-	4,421,938
Total	\$ 44,425,000	\$ 10,782,857	\$ 2,270,000	\$ 248,850	\$ 57,726,707

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

Bonds voted	\$ 81,500,000
Bonds sold	66,310,000
Refunding bonds voted	32,600,000
Refunding bonds authorization used	2,211,202
Park bonds voted	6,000,000
Park bonds sold	4,900,000

Due to Developer

The developer of the District has constructed underground utilities and park facilities on behalf of the District. The District is maintaining and operating these facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are \$120,720. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Resolution and Commission Requirements

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended May 31, 2023, the District levied an ad valorem debt service tax at the rate of \$0.5600 per \$100 of assessed

Harris County Municipal Utility District No. 391
Notes to Financial Statements
May 31, 2023

valuation, which resulted in a tax levy of \$4,587,721 on the taxable valuation of \$819,235,916 for the 2022 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$4,503,776 of which \$716,888 has been paid and \$3,786,888 is due September 1, 2023.

Note 6: Maintenance Taxes

At an election held February 1, 2003, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.3500 per \$100 of assessed valuation, which resulted in a tax levy of \$2,867,326 on the taxable valuation of \$819,235,916 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Regional Water Authority

The District is within the boundaries of the North Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of May 31, 2023, the Authority was billing the District \$4.10 per 1,000 gallons of water pumped from its wells. This amount is subject to future adjustments.

Note 8: Risk Management

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

Note 9: Strategic Partnership Agreement

Effective December 20, 2007, the District and the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and

Harris County Municipal Utility District No. 391

Notes to Financial Statements

May 31, 2023

drainage services within the District in lieu of full purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$214,282 in revenues related to the Agreement.

Required Supplementary Information

Harris County Municipal Utility District No. 391
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 2,540,923	\$ 2,778,715	\$ 237,792
City of Houston rebates	144,000	212,890	68,890
Water service	531,800	570,797	38,997
Sewer service	928,000	914,862	(13,138)
Regional water fee	1,650,000	1,722,583	72,583
Penalty and interest	37,200	48,477	11,277
Tap connection and inspection fees	52,700	184,461	131,761
Investment income	3,000	290,643	287,643
Other income	4,571	4,571	-
Total revenues	<u>5,892,194</u>	<u>6,727,999</u>	<u>835,805</u>
Expenditures			
Service operations:			
Regional water fee	1,650,000	1,700,756	(50,756)
Professional fees	163,700	149,146	14,554
Contracted services	644,096	650,381	(6,285)
Solid waste	593,400	622,697	(29,297)
Utilities	285,000	271,367	13,633
Repairs and maintenance	1,332,100	1,264,675	67,425
Other expenditures	190,853	188,432	2,421
Tap connections	20,000	54,702	(34,702)
Capital outlay	-	183,608	(183,608)
Total expenditures	<u>4,879,149</u>	<u>5,085,764</u>	<u>(206,615)</u>
Excess of Revenues Over Expenditures	1,013,045	1,642,235	629,190
Fund Balance, Beginning of Year	<u>7,870,075</u>	<u>7,870,075</u>	-
Fund Balance, End of Year	<u>\$ 8,883,120</u>	<u>\$ 9,512,310</u>	<u>\$ 629,190</u>

Harris County Municipal Utility District No. 391
Notes to Required Supplementary Information
May 31, 2023

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2023.

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

Supplementary Information

Harris County Municipal Utility District No. 391
Other Schedules Included Within This Report
May 31, 2023

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-29
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 391

Schedule of Services and Rates

Year Ended May 31, 2023

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input 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 type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other		

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 8.00	6,000	N	\$ 1.25	6,001 to 10,000
				\$ 1.50	10,001 to 15,000
				\$ 1.75	15,001 to 20,000
				\$ 2.00	20,001 to No Limit
Wastewater:	\$ 26.33	0	Y		
Regional water fee:	\$ 4.51	1	N	\$ 4.51	1 to No Limit

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

Total charges per 10,000 gallons usage (including fees): Water \$ 58.10 Wastewater \$ 26.33

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	2,605	2,592	x1.0	2,592
1"	23	23	x2.5	58
1 1/2"	8	8	x5.0	40
2"	54	53	x8.0	424
3"	2	2	x15.0	30
4"	1	1	x25.0	25
6"	1	1	x50.0	50
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	2,695	2,681		3,299
Total wastewater	2,637	2,625	x1.0	2,625

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

Gallons pumped into the system:	393,060
Gallons billed to customers:	381,241
Water accountability ratio (gallons billed/gallons pumped):	96.99%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 391
Schedule of General Fund Expenditures
Year Ended May 31, 2023

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$ 22,200		
Legal	72,846		
Engineering	54,100		
Financial advisor	-		149,146
	<u> </u>		
Purchased Services for Resale			
Bulk water and wastewater service purchases			-
Regional Water Fee			1,700,756
Contracted Services			
Bookkeeping	23,869		
General manager	-		
Appraisal district	-		
Tax collector	-		
Security	465,510		
Other contracted services	161,002		650,381
	<u> </u>		
Utilities			271,367
Repairs and Maintenance			1,264,675
Administrative Expenditures			
Directors' fees	11,400		
Office supplies	46,866		
Insurance	35,756		
Other administrative expenditures	83,371		177,393
	<u> </u>		
Capital Outlay			
Capitalized assets	70,526		
Expenditures not capitalized	113,082		183,608
	<u> </u>		
Tap Connection Expenditures			54,702
Solid Waste Disposal			622,697
Fire Fighting			-
Other Expenditures			11,039
			<u> </u>
Total expenditures		\$	<u>5,085,764</u>

Harris County Municipal Utility District No. 391
Schedule of Temporary Investments
May 31, 2023

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	5.06%	Demand	\$ 5,181,290	\$ -
Texas CLASS	5.24%	Demand	<u>4,387,618</u>	<u>-</u>
			<u>9,568,908</u>	<u>0</u>
Debt Service Fund				
TexPool	5.06%	Demand	3,329,312	-
Texas CLASS	5.24%	Demand	<u>2,082,681</u>	<u>-</u>
			<u>5,411,993</u>	<u>0</u>
Capital Projects Fund				
TexPool	5.06%	Demand	<u>1,321,484</u>	<u>-</u>
Totals			<u>\$ 16,302,385</u>	<u>\$ 0</u>

Harris County Municipal Utility District No. 391
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2023

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 30,700	\$ 56,538
Additions and corrections to prior years' taxes	(73,945)	(129,024)
Adjusted receivable, beginning of year	(43,245)	(72,486)
 2022 Original Tax Levy	 2,679,849	 4,287,758
Additions and corrections	187,477	299,963
Adjusted tax levy	2,867,326	4,587,721
Total to be accounted for	2,824,081	4,515,235
Tax (collections) refunds: Current year	(2,837,052)	(4,539,284)
Prior years	58,337	101,579
Receivable, end of year	\$ 45,366	\$ 77,530

Receivable, by Years

2022	\$ 30,274	\$ 48,437
2021	5,498	9,739
2020	2,259	3,846
2019	825	1,278
2018	843	1,333
2017	1,150	2,209
2016	789	1,515
2015	550	1,690
2014	650	1,909
2013	374	951
2012	379	891
2011	427	882
2010	423	873
2009	566	780
2008	288	960
2006	71	237
Receivable, end of year	\$ 45,366	\$ 77,530

Harris County Municipal Utility District No. 391
Analysis of Taxes Levied and Receivable (Continued)
Year Ended May 31, 2023

	2022	2021	2020	2019
Property Valuations				
Land	\$ 189,505,990	\$ 175,843,180	\$ 146,177,012	\$ 116,529,125
Improvements	836,846,572	640,452,223	600,932,409	561,024,563
Personal Property	30,212,592	24,327,712	27,650,997	9,315,854
Exemptions	<u>(237,329,238)</u>	<u>(101,015,809)</u>	<u>(67,412,863)</u>	<u>(40,694,682)</u>
Total property valuations	<u>\$ 819,235,916</u>	<u>\$ 739,607,306</u>	<u>\$ 707,347,555</u>	<u>\$ 646,174,860</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.5600	\$ 0.6200	\$ 0.6300	\$ 0.6200
Maintenance tax rates*	<u>0.3500</u>	<u>0.3500</u>	<u>0.3700</u>	<u>0.4000</u>
Total tax rates per \$100 valuation	<u>\$ 0.9100</u>	<u>\$ 0.9700</u>	<u>\$ 1.0000</u>	<u>\$ 1.0200</u>
Tax Levy	<u>\$ 7,455,047</u>	<u>\$ 7,174,191</u>	<u>\$ 7,073,476</u>	<u>\$ 6,590,985</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on February 1, 2003

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

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years
May 31, 2023

Due During Fiscal Years Ending May 31	Refunding Series 2013		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	<u>\$ 200,000</u>	<u>\$ 2,625</u>	<u>\$ 202,625</u>

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Refunding Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 290,000	\$ 63,750	\$ 353,750
2025	300,000	54,900	354,900
2026	310,000	45,750	355,750
2027	320,000	36,300	356,300
2028	335,000	26,475	361,475
2029	350,000	16,200	366,200
2030	365,000	5,475	370,475
Totals	<u>\$ 2,270,000</u>	<u>\$ 248,850</u>	<u>\$ 2,518,850</u>

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Series 2014A		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 115,000	\$ 55,430	\$ 170,430
2025	115,000	52,383	167,383
2026	115,000	49,105	164,105
2027	115,000	45,655	160,655
2028	115,000	42,205	157,205
2029	110,000	38,830	148,830
2030	110,000	35,530	145,530
2031	110,000	32,230	142,230
2032	110,000	28,930	138,930
2033	110,000	25,630	135,630
2034	110,000	22,248	132,248
2035	110,000	18,782	128,782
2036	110,000	14,988	124,988
2037	110,000	10,862	120,862
2038	110,000	6,600	116,600
2039	110,000	2,200	112,200
Totals	\$ 1,785,000	\$ 481,608	\$ 2,266,608

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Series 2014B		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 135,000	\$ 65,990	\$ 200,990
2025	135,000	62,412	197,412
2026	135,000	58,565	193,565
2027	135,000	54,515	189,515
2028	135,000	50,465	185,465
2029	135,000	46,415	181,415
2030	135,000	42,365	177,365
2031	135,000	38,315	173,315
2032	135,000	34,265	169,265
2033	130,000	30,290	160,290
2034	130,000	26,292	156,292
2035	130,000	22,198	152,198
2036	130,000	17,713	147,713
2037	130,000	12,837	142,837
2038	130,000	7,800	137,800
2039	130,000	2,600	132,600
Totals	<u>\$ 2,125,000</u>	<u>\$ 573,037</u>	<u>\$ 2,698,037</u>

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Refunding Series 2015		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 620,000	\$ 229,675	\$ 849,675
2025	630,000	204,675	834,675
2026	645,000	179,175	824,175
2027	650,000	156,525	806,525
2028	650,000	137,025	787,025
2029	655,000	117,450	772,450
2030	660,000	97,313	757,313
2031	1,070,000	69,612	1,139,612
2032	670,000	41,338	711,338
2033	675,000	18,637	693,637
2034	100,000	5,075	105,075
2035	95,000	1,663	96,663
Totals	\$ 7,120,000	\$ 1,258,163	\$ 8,378,163

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Series 2015A		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 200,000	\$ 254,137	\$ 454,137
2025	200,000	249,388	449,388
2026	200,000	244,387	444,387
2027	200,000	239,138	439,138
2028	200,000	233,387	433,387
2029	200,000	227,263	427,263
2030	200,000	220,887	420,887
2031	200,000	214,388	414,388
2032	500,000	202,387	702,387
2033	500,000	184,888	684,888
2034	500,000	167,387	667,387
2035	500,000	149,888	649,888
2036	600,000	129,887	729,887
2037	600,000	107,388	707,388
2038	600,000	84,887	684,887
2039	625,000	61,919	686,919
2040	625,000	37,700	662,700
2041	630,000	12,600	642,600
Totals	<u>\$ 7,280,000</u>	<u>\$ 3,021,906</u>	<u>\$ 10,301,906</u>

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Refunding Series 2016		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 290,000	\$ 173,550	\$ 463,550
2025	300,000	164,700	464,700
2026	315,000	153,900	468,900
2027	335,000	140,900	475,900
2028	350,000	127,200	477,200
2029	365,000	112,900	477,900
2030	390,000	97,800	487,800
2031	405,000	81,900	486,900
2032	425,000	65,300	490,300
2033	450,000	47,800	497,800
2034	470,000	29,400	499,400
2035	500,000	10,000	510,000
Totals	\$ 4,595,000	\$ 1,205,350	\$ 5,800,350

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Series 2016A		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 70,000	\$ 41,688	\$ 111,688
2025	70,000	39,587	109,587
2026	70,000	37,488	107,488
2027	70,000	35,387	105,387
2028	70,000	33,288	103,288
2029	70,000	31,187	101,187
2030	70,000	29,000	99,000
2031	70,000	26,725	96,725
2032	70,000	24,450	94,450
2033	70,000	22,088	92,088
2034	70,000	19,638	89,638
2035	70,000	17,188	87,188
2036	70,000	14,738	84,738
2037	70,000	12,287	82,287
2038	75,000	9,750	84,750
2039	75,000	7,031	82,031
2040	75,000	4,218	79,218
2041	75,000	1,406	76,406
Totals	\$ 1,280,000	\$ 407,144	\$ 1,687,144

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Series 2017		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 200,000	\$ 119,437	\$ 319,437
2025	200,000	114,437	314,437
2026	200,000	108,438	308,438
2027	200,000	102,438	302,438
2028	200,000	96,438	296,438
2029	200,000	90,437	290,437
2030	200,000	84,438	284,438
2031	200,000	78,438	278,438
2032	225,000	72,063	297,063
2033	225,000	65,313	290,313
2034	225,000	58,562	283,562
2035	225,000	51,813	276,813
2036	250,000	44,531	294,531
2037	250,000	36,719	286,719
2038	250,000	28,750	278,750
2039	250,000	20,625	270,625
2040	250,000	12,500	262,500
2041	250,000	4,219	254,219
Totals	\$ 4,000,000	\$ 1,189,596	\$ 5,189,596

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Refunding Series 2019		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 400,000	\$ 148,350	\$ 548,350
2025	625,000	132,975	757,975
2026	655,000	113,775	768,775
2027	675,000	93,825	768,825
2028	545,000	75,525	620,525
2029	560,000	58,950	618,950
2030	590,000	41,700	631,700
2031	610,000	23,700	633,700
2032	115,000	12,825	127,825
2033	120,000	9,300	129,300
2034	125,000	5,625	130,625
2035	125,000	1,875	126,875
Totals	<u>\$ 5,145,000</u>	<u>\$ 718,425</u>	<u>\$ 5,863,425</u>

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Series 2020		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 325,000	\$ 131,344	\$ 456,344
2025	325,000	121,594	446,594
2026	325,000	111,844	436,844
2027	325,000	103,719	428,719
2028	325,000	97,219	422,219
2029	325,000	90,719	415,719
2030	325,000	84,219	409,219
2031	325,000	77,719	402,719
2032	350,000	70,969	420,969
2033	350,000	63,969	413,969
2034	375,000	56,719	431,719
2035	375,000	49,219	424,219
2036	375,000	41,719	416,719
2037	375,000	34,218	409,218
2038	375,000	26,718	401,718
2039	375,000	19,218	394,218
2040	375,000	11,718	386,718
2041	375,000	3,984	378,984
Totals	<u>\$ 6,300,000</u>	<u>\$ 1,196,828</u>	<u>\$ 7,496,828</u>

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Refunding Series 2021		
	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 225,000	\$ 101,275	\$ 326,275
2025	225,000	94,525	319,525
2026	225,000	87,775	312,775
2027	220,000	81,100	301,100
2028	380,000	72,100	452,100
2029	385,000	62,550	447,550
2030	380,000	54,900	434,900
2031	385,000	47,250	432,250
2032	390,000	39,500	429,500
2033	390,000	31,700	421,700
2034	415,000	23,650	438,650
2035	415,000	15,350	430,350
2036	195,000	9,250	204,250
2037	185,000	5,450	190,450
2038	180,000	1,800	181,800
Totals	\$ 4,595,000	\$ 728,175	\$ 5,323,175

Harris County Municipal Utility District No. 391
Schedule of Long-term Debt Service Requirements by Years (Continued)
May 31, 2023

Due During Fiscal Years Ending May 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 3,070,000	\$ 1,387,251	\$ 4,457,251
2025	3,125,000	1,291,576	4,416,576
2026	3,195,000	1,190,202	4,385,202
2027	3,245,000	1,089,502	4,334,502
2028	3,305,000	991,327	4,296,327
2029	3,355,000	892,901	4,247,901
2030	3,425,000	793,627	4,218,627
2031	3,510,000	690,277	4,200,277
2032	2,990,000	592,027	3,582,027
2033	3,020,000	499,615	3,519,615
2034	2,520,000	414,596	2,934,596
2035	2,545,000	337,976	2,882,976
2036	1,730,000	272,826	2,002,826
2037	1,720,000	219,761	1,939,761
2038	1,720,000	166,305	1,886,305
2039	1,565,000	113,593	1,678,593
2040	1,325,000	66,136	1,391,136
2041	1,330,000	22,209	1,352,209
Totals	\$ 46,695,000	\$ 11,031,707	\$ 57,726,707

Harris County Municipal Utility District No. 391
Changes in Long-term Bonded Debt
Year Ended May 31, 2023

	Bond		
	Refunding Series 2013	Refunding Series 2014	Series 2014A
Interest rates	2.125% to 2.625%	3.00%	2.00% to 4.00%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2023	September 1, 2023/2029	September 1, 2023/2038
Bonds outstanding, beginning of current year	\$ 395,000	\$ 2,545,000	\$ 1,900,000
Retirements, principal	195,000	275,000	115,000
Bonds outstanding, end of current year	\$ 200,000	\$ 2,270,000	\$ 1,785,000
Interest paid during current year	\$ 7,688	\$ 72,225	\$ 58,334

Paying agent's name and address:

Series 2013 - US Bank N.A., Houston, Texas
Series 2014 - US Bank N.A., Houston, Texas
Series 2014A - US Bank N.A., Houston, Texas
Series 2014B - US Bank N.A., Houston, Texas
Series 2015 - US Bank N.A., Houston, Texas
Series 2015A - US Bank N.A., Houston, Texas
Series 2016 - US Bank N.A., Houston, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 81,500,000	\$ 6,000,000	\$ 32,600,000
Amount issued	\$ 66,310,000	\$ 4,900,000	\$ 2,211,202
Remaining to be issued	\$ 15,190,000	\$ 1,100,000	\$ 30,388,798

Debt service fund cash and temporary investment balances as of May 31, 2023: \$ 5,701,359

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,207,039

Issues

Series 2014B	Refunding Series 2015	Series 2015A	Refunding Series 2016
2.00% to 4.00%	2.00% to 4.00%	2.00% to 4.00%	2.00% to 4.00%
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
September 1, 2023/2038	September 1, 2023/2034	September 1, 2023/2040	September 1, 2023/2034
\$ 2,260,000	\$ 7,735,000	\$ 7,480,000	\$ 4,875,000
135,000	615,000	200,000	280,000
<u>\$ 2,125,000</u>	<u>\$ 7,120,000</u>	<u>\$ 7,280,000</u>	<u>\$ 4,595,000</u>
<u>\$ 69,399</u>	<u>\$ 251,300</u>	<u>\$ 258,388</u>	<u>\$ 180,700</u>

Harris County Municipal Utility District No. 391
Changes in Long-term Bonded Debt (Continued)
Year Ended May 31, 2023

	Bond		
	Series 2016A	Series 2017	Refunding Series 2019
Interest rates	3.00% to 3.75%	2.000% to 3.375%	3.00%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2023/2040	September 1, 2023/2040	September 1, 2023/2034
Bonds outstanding, beginning of current year	\$ 1,350,000	\$ 4,200,000	\$ 5,535,000
Retirements, principal	<u>70,000</u>	<u>200,000</u>	<u>390,000</u>
Bonds outstanding, end of current year	<u>\$ 1,280,000</u>	<u>\$ 4,000,000</u>	<u>\$ 5,145,000</u>
Interest paid during current year	<u>\$ 43,788</u>	<u>\$ 123,438</u>	<u>\$ 160,200</u>

Paying agent's name and address:

Series 2016A - US Bank N.A., Houston, Texas

Series 2017 - US Bank N.A., Houston, Texas

Series 2019 - US Bank N.A., Houston, Texas

Series 2020 - US Bank N.A., Houston, Texas

Series 2021 - US Bank N.A., Houston, Texas

Issues

Series 2020	Refunding Series 2021	Totals
2.00% to 3.00%	2.00% to 3.00%	
September 1/ March 1	September 1/ March 1	
September 1, 2023/2040	September 1, 2023/2037	
\$ 6,625,000	\$ 4,820,000	\$ 49,720,000
<u>325,000</u>	<u>225,000</u>	<u>3,025,000</u>
<u>\$ 6,300,000</u>	<u>\$ 4,595,000</u>	<u>\$ 46,695,000</u>
<u>\$ 139,469</u>	<u>\$ 108,025</u>	<u>\$ 1,472,954</u>

Harris County Municipal Utility District No. 391
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended May 31,

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 2,778,715	\$ 2,612,947	\$ 2,606,902	\$ 2,531,267	\$ 2,581,454
City of Houston rebates	212,890	201,054	171,164	141,194	141,547
Water service	570,797	495,988	541,155	493,898	502,921
Sewer service	914,862	916,545	950,928	842,755	836,164
Regional water fee	1,722,583	1,529,218	1,479,440	1,426,596	1,120,270
Penalty and interest	48,477	51,362	28,126	38,484	39,160
Tap connection and inspection fees	184,461	142,050	78,932	170,984	127,561
Investment income	290,643	8,882	6,162	86,207	97,690
Other income	4,571	-	4,571	4,502	71,572
Total revenues	<u>6,727,999</u>	<u>5,958,046</u>	<u>5,867,380</u>	<u>5,735,887</u>	<u>5,518,339</u>
Expenditures					
Service operations:					
Regional water fees	1,700,756	1,571,406	1,500,286	1,370,950	1,038,068
Professional fees	149,146	149,827	192,010	162,399	144,499
Contracted services	650,381	642,124	647,455	625,581	611,624
Solid waste	622,697	592,344	554,600	526,433	454,338
Utilities	271,367	295,844	279,723	267,755	261,691
Repairs and maintenance	1,264,675	1,269,437	1,289,549	1,175,471	1,134,442
Other expenditures	188,432	170,131	137,325	141,475	121,669
Tap connections	54,702	48,228	38,445	95,063	37,275
Capital outlay	183,608	124,122	244,551	1,028,618	206,590
Total expenditures	<u>5,085,764</u>	<u>4,863,463</u>	<u>4,883,944</u>	<u>5,393,745</u>	<u>4,010,196</u>
Excess of Revenues Over Expenditures	1,642,235	1,094,583	983,436	342,142	1,508,143
Other Financing Sources (Uses)					
Interfund transfers in (out)	-	26,493	-	-	(10,263)
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	1,642,235	1,121,076	983,436	342,142	1,497,880
Fund Balance, Beginning of Year	<u>7,870,075</u>	<u>6,748,999</u>	<u>5,765,563</u>	<u>5,423,421</u>	<u>3,925,541</u>
Fund Balance, End of Year	<u>\$ 9,512,310</u>	<u>\$ 7,870,075</u>	<u>\$ 6,748,999</u>	<u>\$ 5,765,563</u>	<u>\$ 5,423,421</u>
Total Active Retail Water Connections	<u>2,681</u>	<u>2,673</u>	<u>2,659</u>	<u>2,599</u>	<u>2,531</u>
Total Active Retail Wastewater Connections	<u>2,625</u>	<u>2,616</u>	<u>2,603</u>	<u>2,433</u>	<u>2,482</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
41.3 %	43.8 %	44.4 %	44.1 %	46.8 %
3.2	3.4	2.9	2.4	2.6
8.5	8.3	9.2	8.6	9.1
13.6	15.4	16.2	14.7	15.1
25.6	25.6	25.2	24.9	20.3
0.7	0.9	0.5	0.7	0.7
2.7	2.4	1.4	3.0	2.3
4.3	0.2	0.1	1.5	1.8
0.1	-	0.1	0.1	1.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
25.3	26.4	25.6	23.9	18.8
2.2	2.5	3.3	2.8	3.1
9.7	10.8	11.0	10.9	11.1
9.3	9.9	9.4	9.2	8.2
4.0	5.0	4.8	4.7	4.7
18.8	21.3	22.0	20.7	20.6
2.8	2.8	2.3	2.4	2.2
0.8	0.8	0.6	1.5	0.7
2.7	2.1	4.2	17.9	3.3
<u>75.6</u>	<u>81.6</u>	<u>83.2</u>	<u>94.0</u>	<u>72.7</u>
<u><u>24.4 %</u></u>	<u><u>18.4 %</u></u>	<u><u>16.8 %</u></u>	<u><u>6.0 %</u></u>	<u><u>27.3 %</u></u>

Harris County Municipal Utility District No. 391
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended May 31,

	Amounts				
	2023	2022	2021	2020	2019
Debt Service Fund					
Revenues					
Property taxes	\$ 4,437,705	\$ 4,626,939	\$ 4,437,017	\$ 3,922,984	\$ 4,086,029
Penalty and interest	41,346	28,865	33,553	20,521	29,550
Investment income	138,711	5,709	4,099	67,544	98,006
Total revenues	<u>4,617,762</u>	<u>4,661,513</u>	<u>4,474,669</u>	<u>4,011,049</u>	<u>4,213,585</u>
Expenditures					
Current:					
Professional fees	8,034	5,730	7,836	9,088	6,886
Contracted services	90,442	86,721	83,428	81,793	79,695
Other expenditures	9,108	7,151	7,898	7,415	7,173
Debt service:					
Principal retirement	3,025,000	2,945,000	2,575,000	2,505,000	2,460,000
Interest and fees	1,479,651	1,525,607	1,652,103	1,557,218	1,747,885
Debt issuance costs	-	179,810	-	222,464	1,155
Debt defeasance	-	52,500	-	94,000	-
Total expenditures	<u>4,612,235</u>	<u>4,802,519</u>	<u>4,326,265</u>	<u>4,476,978</u>	<u>4,302,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,527</u>	<u>(141,006)</u>	<u>148,404</u>	<u>(465,929)</u>	<u>(89,209)</u>
Other Financing Sources (Uses)					
General obligation bonds issued	-	4,820,000	-	6,005,000	-
Premium on debt issued	-	196,884	-	188,142	-
Deposit with escrow agent	-	(4,832,731)	-	(5,966,784)	-
Total other financing sources	<u>0</u>	<u>184,153</u>	<u>0</u>	<u>226,358</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>5,527</u>	<u>43,147</u>	<u>148,404</u>	<u>(239,571)</u>	<u>(89,209)</u>
Fund Balance, Beginning of Year	<u>5,768,553</u>	<u>5,725,406</u>	<u>5,577,002</u>	<u>5,816,573</u>	<u>5,905,782</u>
Fund Balance, End of Year	<u>\$ 5,774,080</u>	<u>\$ 5,768,553</u>	<u>\$ 5,725,406</u>	<u>\$ 5,577,002</u>	<u>\$ 5,816,573</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
96.1 %	99.3 %	99.2 %	97.8 %	97.0 %
0.9	0.6	0.7	0.5	0.7
3.0	0.1	0.1	1.7	2.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.1	0.2	0.2	0.1
2.0	1.9	1.9	2.0	1.9
0.2	0.1	0.2	0.2	0.2
65.5	63.2	57.5	62.5	58.4
32.0	32.7	36.9	38.8	41.5
-	3.9	-	5.6	0.0
<u>-</u>	<u>1.1</u>	<u>-</u>	<u>2.3</u>	<u>-</u>
<u>99.9</u>	<u>103.0</u>	<u>96.7</u>	<u>111.6</u>	<u>102.1</u>
<u>0.1 %</u>	<u>(3.0) %</u>	<u>3.3 %</u>	<u>(11.6) %</u>	<u>(2.1) %</u>

Harris County Municipal Utility District No. 391
Board Members, Key Personnel and Consultants
Year Ended May 31, 2023

Complete District mailing address:	Harris County Municipal Utility District No. 391 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 9, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
George W. Porter Jr.	Appointed 12/21- 05/24	\$ 2,550	\$ 2,061	President
John Sachs	Elected 05/22- 05/26	1,200	346	Vice President
Catherine Shook	Elected 05/22- 05/26	3,600	2,445	Secretary
Kevin J. Force	Elected 05/22- 05/26	1,200	304	Assistant Vice President
William Blackwell	Appointed 10/21- 05/24	2,850	3,113	Assistant Secretary

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

Harris County Municipal Utility District No. 391
Board Members, Key Personnel and Consultants (Continued)
Year Ended May 31, 2023

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/28/03	\$ 72,847	General Counsel
Bob Leared Interests	02/06/03	48,689	Tax Assessor/ Collector
FORVIS, LLP	04/22/04	22,200	Auditor
Harris County Appraisal District	Legislative Action	53,004	Appraiser
Inframark, LLC	07/28/05	1,063,970	Operator
Masterson Advisors LLC	05/14/18	0	Financial Advisor
McLennan & Associates, LP	04/22/04	29,673	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/25/04	8,034	Delinquent Tax Attorney
R.G. Miller Engineers, Inc.	02/06/03	74,977	Engineer
Investment Officer			
Jorge Diaz	01/09/17	N/A	Bookkeeper