

Harris County Water Control and Improvement District No. 158

Harris County, Texas

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

May 31, 2025

Harris County Water Control and Improvement District No. 158

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May 31, 2025

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Independent Auditor's Report

Board of Directors
Harris County Water Control and Improvement District No. 158
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 158 (District), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Forvis Mazars, LLP

Houston, Texas
October 8, 2025

Harris County Water Control and Improvement District No. 158
Management's Discussion and Analysis
Year Ended May 31, 2025

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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Management's Discussion and Analysis
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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 drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2025	2024
Current and other assets	\$ 4,396,575	\$ 2,632,934
Capital assets	<u>44,536,804</u>	<u>30,921,271</u>
 Total assets	 <u>\$ 48,933,379</u>	 <u>\$ 33,554,205</u>
Long-term liabilities	\$ 65,930,108	\$ 42,513,643
Other liabilities	<u>759,661</u>	<u>420,203</u>
 Total liabilities	 <u>66,689,769</u>	 <u>42,933,846</u>
 Net position		
Net investment in capital assets	(7,157,173)	(4,345,553)
Restricted	1,347,120	354,688
Unrestricted	<u>(11,946,337)</u>	<u>(5,388,776)</u>
 Total net position	 <u>\$ (17,756,390)</u>	 <u>\$ (9,379,641)</u>

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Management's Discussion and Analysis
Year Ended May 31, 2025

The total net position of the District decreased by \$8,376,749, or about 89%. The majority of the decrease in net position is related to conveyance of capital assets to another governmental entity. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2025	2024
Revenues		
Property taxes	\$ 3,253,850	\$ 1,710,540
Other revenues	151,221	505,306
 Total revenues	 3,405,071	 2,215,846
Expenses		
Services	2,217,667	1,691,858
Conveyance of capital assets	6,534,204	-
Depreciation	164,650	154,443
Debt service	2,865,299	1,621,594
 Total expenses	 11,781,820	 3,467,895
Change in net position	(8,376,749)	(1,252,049)
 Net position, beginning of year	 (9,379,641)	 (8,127,592)
 Net position, end of year	 <u>\$ (17,756,390)</u>	 <u>\$ (9,379,641)</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, 2025 were \$4,095,010, an increase of \$1,623,951 from the prior year.

The general fund's fund balance decreased by \$25,350 due to service operations expenditures exceeding property tax revenues, investment income, and developer advances received.

The debt service fund's fund balance increased by \$1,002,051 due to property tax revenues and proceeds received from the sale of bonds exceeding bond principal and interest requirements.

The capital projects fund's fund balance increased by \$647,250 due to proceeds received from the sale of bonds exceeding capital outlay expenditures, repayment of developer advances, and debt issuance costs.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues and purchased services expenditures being greater than anticipated and professional fees expenditures being less than anticipated. In addition, capital outlay expenditures were not included in the current year budget. The fund balance as of May 31, 2025 was expected to be \$633,617, and the actual end-of-year fund balance was \$608,267.

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Management's Discussion and Analysis
Year Ended May 31, 2025

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2025	2024
Land improvements	\$ 41,865,843	\$ 28,198,159
Drainage facilities	426,521	454,956
Recreational facilities	<u>2,244,440</u>	<u>2,268,156</u>
 Total capital assets	 <u>\$ 44,536,804</u>	 <u>\$ 30,921,271</u>

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

Upper Cypress Creek floodplain mitigation excavation and spoil disposal, Phase 7A	\$ 521,280
Bridgeland detention and spoil disposal, Phases 8 and 9	11,348,604
Rough grading west of Grand Parkway to serve Bridgeland detention pond and spoil disposal	1,797,800
Various equipment additions at irrigation pump station No. 7	<u>112,499</u>
 Total additions to capital assets	 <u>\$ 13,780,183</u>

The developer of the District has constructed detention and drainage and recreational 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, 2025, a liability for developer-constructed capital assets of \$18,809,011 was recorded in the government-wide financial statements.

Debt

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

Long-term debt payable, beginning of year	\$ 42,513,643
Increases in long-term debt	31,099,184
Decreases in long-term debt	<u>(7,682,719)</u>
 Long-term debt payable, end of year	 <u>\$ 65,930,108</u>

As of May 31, 2025, the District had \$286,095,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the drainage systems within the District and \$296,050,000 of unlimited tax bonds authorized, but unissued, for financing and constructing recreational facilities.

The District's bonds do not carry an underlying rating. The Series 2022, Series 2023, and Series 2024 Bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

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Management's Discussion and Analysis
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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 (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. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing detention and drainage and recreational facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs plus interest from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$77,090,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

As of May 31, 2025, the developer has advanced \$1,870,825 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Subsequent Events

On September 16, 2025, the District awarded the sale of its \$17,985,000 Unlimited Tax Bonds, Series 2025, at a net effective interest rate of approximately 4.67%. The bonds were sold to repay the District's developer for drainage facilities constructed in the District.

Also on September 16, 2025, the District awarded the sale of its \$11,305,000 Unlimited Tax Park Bonds, Series 2025A, at a net effective interest rate of approximately 4.67%. The bonds were sold to repay the District's developer for recreational facilities constructed in the District.

Harris County Water Control and Improvement District No. 158
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 3,217	\$ 166,706	\$ 295	\$ 170,218	\$ -	\$ 170,218
Short-term investments	783,631	2,239,231	1,128,078	4,150,940	-	4,150,940
Property taxes receivable	28,497	38,102	-	66,599	-	66,599
Interfund receivable	13,184	-	-	13,184	(13,184)	-
Prepaid expenditures	8,818	-	-	8,818	-	8,818
Capital assets (net of accumulated depreciation)						
Land and improvements	-	-	-	-	41,865,843	41,865,843
Infrastructure	-	-	-	-	426,521	426,521
Recreational facilities	-	-	-	-	2,244,440	2,244,440
Total Assets	\$ 837,347	\$ 2,444,039	\$ 1,128,373	\$ 4,409,759	\$ 44,523,620	\$ 48,933,379

Harris County Water Control and Improvement District No. 158
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

(Continued)

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 200,583	\$ 32,125	\$ 2,258	\$ 234,966	\$ -	\$ 234,966
Accrued interest payable	-	-	-	-	524,695	524,695
Interfund payable	-	13,184	-	13,184	(13,184)	-
Long-term liabilities						
Due within one year	-	-	-	-	490,000	490,000
Due after one year	-	-	-	-	65,440,108	65,440,108
Total Liabilities	200,583	45,309	2,258	248,150	66,441,619	66,689,769
Deferred Inflows of Resources						
Deferred property tax revenues	28,497	38,102	-	66,599	(66,599)	-
Fund Balances/Net Position						
Fund balances						
Nonspendable, prepaid expenditures	8,818	-	-	8,818	(8,818)	-
Restricted						
Unlimited tax bonds	-	2,360,628	-	2,360,628	(2,360,628)	-
Drainage facilities	-	-	1,126,115	1,126,115	(1,126,115)	-
Unassigned	599,449	-	-	599,449	(599,449)	-
Total Fund Balances	608,267	2,360,628	1,126,115	4,095,010	(4,095,010)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 837,347	\$ 2,444,039	\$ 1,128,373	\$ 4,409,759		
Net position						
Net investment in capital assets					(7,157,173)	(7,157,173)
Restricted for debt service					1,286,137	1,286,137
Restricted for capital projects					60,983	60,983
Unrestricted					(11,946,337)	(11,946,337)
Total net position					<u>\$ (17,756,390)</u>	<u>\$ (17,756,390)</u>

Harris County Water Control and Improvement District No. 158
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,331,368	\$ 1,893,294	\$ -	\$ 3,224,662	\$ 29,188	\$ 3,253,850
Penalty and interest	-	17,997	-	17,997	-	17,997
Investment income	16,990	68,287	41,885	127,162	-	127,162
Other income	-	6,062	-	6,062	-	6,062
Total Revenues	1,348,358	1,985,640	41,885	3,375,883	29,188	3,405,071
Expenditures/Expenses						
Service operations						
Purchased services	176,815	-	-	176,815	-	176,815
Professional fees	188,812	-	-	188,812	9,640	198,452
Contracted services	46,937	46,917	-	93,854	277	94,131
Utilities	33,138	-	-	33,138	-	33,138
Repairs and maintenance	1,516,168	-	-	1,516,168	2,742	1,518,910
Other expenditures	45,556	55,439	60	101,055	-	101,055
Tap connections	95,166	-	-	95,166	-	95,166
Capital outlay	115,241	-	19,428,919	19,544,160	(19,544,160)	-
Conveyance of capital assets	-	-	-	-	6,534,204	6,534,204
Depreciation	-	-	-	-	164,650	164,650
Debt service						
Principal retirement	-	295,000	-	295,000	(295,000)	-
Interest and fees	-	1,522,708	-	1,522,708	295,287	1,817,995
Debt issuance costs	-	-	1,047,304	1,047,304	-	1,047,304
Total Expenditures/Expenses	2,217,833	1,920,064	20,476,283	24,614,180	(12,832,360)	11,781,820
Excess (Deficiency) of Revenues Over Expenditures	(869,475)	65,576	(20,434,398)	(21,238,297)	12,861,548	
Other Financing Sources (Uses)						
Repayment of developer advances	-	-	(249,700)	(249,700)	249,700	
Developer advances received	844,125	-	-	844,125	(844,125)	
General obligation bonds issued	-	936,475	22,018,525	22,955,000	(22,955,000)	
Discount on debt issued	-	-	(687,177)	(687,177)	687,177	
Total Other Financing Sources	844,125	936,475	21,081,648	22,862,248	(22,862,248)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(25,350)	1,002,051	647,250	1,623,951	(1,623,951)	
Change in Net Position					(8,376,749)	(8,376,749)
Fund Balances (Deficit)/Net Position						
Beginning of year	633,617	1,358,577	478,865	2,471,059	-	(9,379,641)
End of year	\$ 608,267	\$ 2,360,628	\$ 1,126,115	\$ 4,095,010	\$ -	\$ (17,756,390)

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

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

Harris County Water Control and Improvement District No. 158 (District) was created by an order of the Texas Commission on Environmental Quality (Commission), effective August 16, 2007, in accordance with the Texas Water Code, Chapter 51. The District operates in accordance with Chapter 49 and 51 of the Texas Water Code and Article XVI, Section 59, of the Constitution of the State of Texas, and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate drainage and recreational facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds.

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

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

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental fund 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

Harris County Water Control and Improvement District No. 158

Notes to Financial Statements

May 31, 2025

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.

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

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

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

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, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

Drainage facilities	10–45 years
Park and recreational facilities	10–30 years

Debt Issuance Costs

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts 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, it is generally the District's policy to use restricted resources first.

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	\$ 44,536,804
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	66,599
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the fund financial statements.	(524,695)
Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements.	<u>(65,930,108)</u>
Adjustment to fund balance to arrive at net position.	<u>\$ (21,851,400)</u>

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

Change in fund balances.	\$ 1,623,951
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 or conveyed to another governmental entity for ownership and maintenance. This is the amount by which capital outlay expenditures exceeded depreciation expense, conveyed capital assets, and noncapitalized costs in the current period.	12,832,647
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(594,425)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	687,177
Governmental funds report proceeds from sales of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(22,660,000)

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

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.	\$ 29,188
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(295,287)</u>
Change in net position of governmental activities.	<u>\$ (8,376,749)</u>

Note 2. Deposits, Investments, and Investment Income

Deposits

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

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

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

Investments

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

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

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

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

At May 31, 2025, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years			More Than 10
		Less Than 1	1-5	6-10	
Texas CLASS	\$ 4,150,940	\$ 4,150,940	\$ -	\$ -	\$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2025, the District's investments in Texas CLASS were rated "AAAm" by Standard and 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 captions at May 31, 2025 as follows:

Carrying value			
Deposits		\$ 170,218	
Investments		<u>4,150,940</u>	
Total		\$ 4,321,158	

Investment Income

Investment income of \$127,162 for the year ended May 31, 2025 consisted of interest income.

Fair Value Measurements

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

- Pooled investments of \$4,150,940 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable			
Land and improvements	\$ 28,198,159	\$ 13,667,684	\$ 41,865,843

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable			
Drainage facilities	\$ 568,695	\$ -	\$ 568,695
Recreational facilities	2,520,173	112,499	2,632,672
Total capital assets, depreciable	<u>3,088,868</u>	<u>112,499</u>	<u>3,201,367</u>
Less accumulated depreciation			
Drainage facilities	(113,739)	(28,435)	(142,174)
Recreational facilities	(252,017)	(136,215)	(388,232)
Total accumulated depreciation	<u>(365,756)</u>	<u>(164,650)</u>	<u>(530,406)</u>
Total governmental activities, net	<u>\$ 30,921,271</u>	<u>\$ 13,615,533</u>	<u>\$ 44,536,804</u>

Note 4. Long-Term Liabilities

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

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable					
General obligation bonds	\$ 23,950,000	\$ 22,955,000	\$ 295,000	\$ 46,610,000	\$ 490,000
Less discounts on bonds	698,360	687,177	25,809	1,359,728	-
	<u>23,251,640</u>	<u>22,267,823</u>	<u>269,191</u>	<u>45,250,272</u>	<u>490,000</u>
Due to developer	17,985,603	7,987,236	7,163,828	18,809,011	-
Due to developer – advances	1,276,400	844,125	249,700	1,870,825	-
Total governmental activities long-term liabilities	<u>\$ 42,513,643</u>	<u>\$ 31,099,184</u>	<u>\$ 7,682,719</u>	<u>\$ 65,930,108</u>	<u>\$ 490,000</u>

General Obligation Bonds

	Series 2022	Series 2023
Amounts outstanding, May 31, 2025	\$13,805,000	\$9,850,000
Interest rates	4.50% to 7.00%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2025/2048	September 1, 2025/2049
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2029	September 1, 2030

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

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

	Series 2024
Amount outstanding, May 31, 2025	\$22,955,000
Interest rates	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2027/2050
Interest payment dates	March 1/September 1
Callable date*	September 1, 2030

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2025:

Year	Principal	Interest	Total
2026	\$ 490,000	\$ 2,082,081	\$ 2,572,081
2027	515,000	2,047,831	2,562,831
2028	1,055,000	1,995,144	3,050,144
2029	1,115,000	1,926,919	3,041,919
2030	1,175,000	1,861,818	3,036,818
2031–2035	6,845,000	8,399,507	15,244,507
2036–2040	8,805,000	6,745,353	15,550,353
2041–2045	11,365,000	4,596,544	15,961,544
2046–2050	13,660,000	1,778,112	15,438,112
2051	<u>1,585,000</u>	<u>31,700</u>	<u>1,616,700</u>
Total	<u>\$ 46,610,000</u>	<u>\$ 31,465,009</u>	<u>\$ 78,075,009</u>

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.

Drainage facilities bonds voted	\$ 333,000,000
Drainage facilities bonds sold	46,905,000
Recreational facilities bonds voted	296,050,000
Refunding bonds voted	314,525,000

Due to Developer

The developer of the District has constructed detention and drainage and recreational facilities on behalf of the District under terms of contracts with the District. The District has agreed to purchase these facilities from proceeds of future bond issues, subject to the approval of the Commission. As of May 31, 2025, a liability for developer-constructed capital assets of \$18,809,011 was recorded in the government-wide financial statements.

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

Note 5. Significant Bond Order and Commission Requirements

(A) The Bond Orders 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, 2025, the District levied an ad valorem debt service at the rate of \$0.2950 per \$100 of assessed valuation, which resulted in a tax levy of \$1,921,340 on the taxable valuation of \$651,301,949 for the 2024 tax year. The principal and interest requirements to be paid from the tax revenues are \$2,469,121, of which \$929,730 has been paid and \$1,539,391 is due September 1, 2025.

(B) In accordance with the Series 2022, Series 2023, and Series 2024 Bond Orders, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$ 738,215
Additions – Interest appropriated from bond proceeds, Series 2024	<u>936,475</u>
Deductions – Appropriation from bond interest paid	
Series 2022	487,663
Series 2023	250,552
Series 2024	<u>348,577</u>
	<u>1,086,792</u>
Bond interest reserve, end of year	<u>\$ 587,898</u>

Note 6. Maintenance Taxes

At an election held May 6, 2017, voters authorized a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended May 31, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.2050 per \$100 of assessed valuation, which resulted in a tax levy of \$1,335,169 on the taxable valuation of \$651,301,949 for the 2024 tax year. The maintenance tax will be used by the general fund to pay expenditures of operating the District.

Note 7. Risk Management

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

Note 8. Contingencies

The developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs plus interest from the proceeds from future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction amounts are

Harris County Water Control and Improvement District No. 158
Notes to Financial Statements
May 31, 2025

approximately \$77,090,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 9. Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

As of May 31, 2025, the developer has advanced \$1,870,825 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Note 10. Subsequent Events

On September 16, 2025, the District awarded the sale of its \$17,985,000 Unlimited Tax Bonds, Series 2025, at a net effective interest rate of approximately 4.67%. The bonds were sold to repay the District's developer for drainage facilities constructed in the District.

Also on September 16, 2025, the District awarded the sale of its \$11,305,000 Unlimited Tax Park Bonds, Series 2025A, at a net effective interest rate of approximately 4.67%. The bonds were sold to repay the District's developer for recreational facilities constructed in the District.

Required Supplementary Information

Harris County Water Control and Improvement District No. 158
Budgetary Comparison Schedule – General Fund
Year Ended May 31, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,103,441	\$ 1,314,710	\$ 1,331,368	\$ 16,658
Investment income	10,185	10,185	16,990	6,805
Total Revenues	1,113,626	1,324,895	1,348,358	23,463
Expenditures				
Service operations				
Purchased services	55,000	150,000	176,815	(26,815)
Professional fees	242,300	242,300	188,812	53,488
Contracted services	55,200	55,200	46,937	8,263
Utilities	15,500	35,500	33,138	2,362
Repairs and maintenance	1,477,000	1,523,800	1,516,168	7,632
Other expenditures	53,770	57,220	45,556	11,664
Tap connections	50,000	105,000	95,166	9,834
Capital outlay	-	-	115,241	(115,241)
Total Expenditures	1,948,770	2,169,020	2,217,833	(48,813)
Deficiency of Revenues Over Expenditures	(835,144)	(844,125)	(869,475)	(25,350)
Other Financing Sources				
Developer advances received	835,144	844,125	844,125	-
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	(25,350)	(25,350)
Fund Balance, Beginning of Year	633,617	633,617	633,617	-
Fund Balance, End of Year	\$ 633,617	\$ 633,617	\$ 608,267	\$ (25,350)

Harris County Water Control and Improvement District No. 158
Notes to Required Supplementary Information
May 31, 2025

Budgets and Budgetary Accounting

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

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

Supplementary Information

Harris County Water Control and Improvement District No. 158

Other Schedules Included Within This Report

May 31, 2025

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11–21
- [X] Schedule of Services
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel, and Consultants

Harris County Water Control and Improvement District No. 158

Schedule of Services

Year Ended May 31, 2025

1. Services to be provided by the District

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

Harris County Water Control and Improvement District No. 158
Schedule of General Fund Expenditures
Year Ended May 31, 2025

Personnel (including benefits)	\$	-
Professional Fees		
Auditing	\$ 16,300	
Legal	80,697	
Engineering	91,815	
Financial advisor	-	188,812
Purchased Services for Resale		
Bulk water and wastewater service purchases		176,815
Regional Water Fee		-
Contracted Services		
Bookkeeping	41,256	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	<u>5,681</u>	46,937
Utilities		33,138
Repairs and Maintenance		1,516,168
Administrative Expenditures		
Directors' fees	9,061	
Office supplies	4,645	
Insurance	9,911	
Other administrative expenditures	<u>21,939</u>	45,556
Capital Outlay		
Capitalized assets	20,868	
Expenditures not capitalized	<u>94,373</u>	115,241
Tap Connection Expenditures		95,166
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Lease Expenditures		-
Total Expenditures	\$	<u>2,217,833</u>

Harris County Water Control and Improvement District No. 158**Schedule of Temporary Investments****May 31, 2025**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Reivable</u>
General Fund				
Texas CLASS	4.42%	Demand	\$ 783,631	\$ -
Debt Service Fund				
Texas CLASS	4.42%	Demand	2,239,231	-
Capital Projects Fund				
Texas CLASS	4.42%	Demand	42,235	-
Texas CLASS	4.42%	Demand	1,085,843	-
			1,128,078	-
Totals			<u>\$ 4,150,940</u>	<u>\$ -</u>

Harris County Water Control and Improvement District No. 158
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2025

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 26,504	\$ 10,907
Additions and corrections to prior years' taxes	<u>(1,808)</u>	<u>(851)</u>
Adjusted Receivable, Beginning of Year	<u>24,696</u>	<u>10,056</u>
 2024 Original Tax Levy	1,127,612	1,622,661
Additions and corrections	<u>207,557</u>	<u>298,679</u>
Adjusted tax levy	<u>1,335,169</u>	<u>1,921,340</u>
Total to Be Accounted For	1,359,865	1,931,396
Tax collections: Current year	<u>(1,308,744)</u>	<u>(1,883,314)</u>
Prior years	<u>(22,624)</u>	<u>(9,980)</u>
Receivable, End of Year	<u><u>\$ 28,497</u></u>	<u><u>\$ 38,102</u></u>
 Receivable, by Years		
2024	\$ 26,425	\$ 38,026
2023	160	76
2022	<u>1,912</u>	<u>-</u>
Receivable, End of Year	<u><u>\$ 28,497</u></u>	<u><u>\$ 38,102</u></u>

Harris County Water Control and Improvement District No. 158
Analysis of Taxes Levied and Receivable
Year Ended May 31, 2025

(Continued)

	2024	2023	2022	2021
Property Valuations				
Land	\$ 272,606,811	\$ 191,327,085	\$ 99,747,007	\$ 39,899,674
Improvements	412,236,585	170,924,111	31,705,854	45,332
Personal property	2,336,142	1,028,009	25,435	10,095
Exemptions	(35,877,589)	(16,089,933)	(2,342,327)	(671,362)
Total Property Valuations	\$ 651,301,949	\$ 347,189,272	\$ 129,135,969	\$ 39,283,739
Tax Rates Per \$100 Valuation				
Debt service tax rates	\$ 0.2950	\$ 0.1600	\$ -	\$ -
Maintenance tax rates*	0.2050	0.3400	0.5000	0.5000
Total Tax Rates Per \$100 Valuation	\$ 0.5000	\$ 0.5000	\$ 0.5000	\$ 0.5000
Tax Levy	\$ 3,256,509	\$ 1,735,946	\$ 645,680	\$ 196,419
Percent of Taxes Collected to Taxes Levied**	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$0.50 on May 6, 2017

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

Harris County Water Control and Improvement District No. 158
Schedule of Long-Term Debt Service Requirements by Years
May 31, 2025

Due During Fiscal Years Ending May 31	Series 2022		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 310,000	\$ 684,106	\$ 994,106
2027	325,000	661,881	986,881
2028	340,000	638,606	978,606
2029	360,000	614,106	974,106
2030	380,000	588,206	968,206
2031	395,000	566,019	961,019
2032	415,000	547,794	962,794
2033	435,000	528,669	963,669
2034	460,000	508,531	968,531
2035	480,000	487,381	967,381
2036	505,000	465,219	970,219
2037	530,000	441,931	971,931
2038	555,000	417,519	972,519
2039	585,000	391,503	976,503
2040	615,000	363,369	978,369
2041	645,000	333,444	978,444
2042	675,000	302,094	977,094
2043	710,000	269,200	979,200
2044	745,000	234,178	979,178
2045	785,000	196,884	981,884
2046	825,000	157,125	982,125
2047	865,000	114,875	979,875
2048	910,000	70,500	980,500
2049	955,000	23,875	978,875
Totals	\$ 13,805,000	\$ 9,607,015	\$ 23,412,015

Harris County Water Control and Improvement District No. 158

Schedule of Long-Term Debt Service Requirements by Years

May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Series 2023		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ 180,000	\$ 461,500	\$ 641,500
2027	190,000	449,475	639,475
2028	200,000	436,800	636,800
2029	215,000	423,313	638,313
2030	225,000	409,012	634,012
2031	240,000	393,900	633,900
2032	255,000	377,813	632,813
2033	270,000	360,750	630,750
2034	285,000	346,275	631,275
2035	305,000	334,475	639,475
2036	320,000	321,975	641,975
2037	340,000	308,562	648,562
2038	360,000	294,125	654,125
2039	385,000	278,519	663,519
2040	405,000	261,731	666,731
2041	430,000	243,987	673,987
2042	455,000	224,897	679,897
2043	485,000	204,334	689,334
2044	515,000	182,138	697,138
2045	545,000	158,288	703,288
2046	575,000	133,087	708,087
2047	610,000	106,425	716,425
2048	650,000	78,075	728,075
2049	685,000	48,038	733,038
2050	725,000	16,312	741,312
Totals	\$ 9,850,000	\$ 6,853,806	\$ 16,703,806

Harris County Water Control and Improvement District No. 158

Schedule of Long-Term Debt Service Requirements by Years

May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Series 2024		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ -	\$ 936,475	\$ 936,475
2027	-	936,475	936,475
2028	515,000	919,738	1,434,738
2029	540,000	889,500	1,429,500
2030	570,000	864,600	1,434,600
2031	600,000	841,200	1,441,200
2032	630,000	816,600	1,446,600
2033	660,000	790,800	1,450,800
2034	690,000	763,800	1,453,800
2035	725,000	735,500	1,460,500
2036	760,000	705,800	1,465,800
2037	800,000	674,600	1,474,600
2038	840,000	641,800	1,481,800
2039	880,000	607,400	1,487,400
2040	925,000	571,300	1,496,300
2041	975,000	533,300	1,508,300
2042	1,020,000	493,400	1,513,400
2043	1,075,000	451,500	1,526,500
2044	1,125,000	407,500	1,532,500
2045	1,180,000	361,400	1,541,400
2046	1,240,000	313,000	1,553,000
2047	1,305,000	262,100	1,567,100
2048	1,370,000	208,600	1,578,600
2049	1,435,000	152,500	1,587,500
2050	1,510,000	93,600	1,603,600
2051	1,585,000	31,700	1,616,700
Totals	\$ 22,955,000	\$ 15,004,188	\$ 37,959,188

Harris County Water Control and Improvement District No. 158

Schedule of Long-Term Debt Service Requirements by Years

May 31, 2025

(Continued)

Due During Fiscal Years Ending May 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 490,000	\$ 2,082,081	\$ 2,572,081
2027	515,000	2,047,831	2,562,831
2028	1,055,000	1,995,144	3,050,144
2029	1,115,000	1,926,919	3,041,919
2030	1,175,000	1,861,818	3,036,818
2031	1,235,000	1,801,119	3,036,119
2032	1,300,000	1,742,207	3,042,207
2033	1,365,000	1,680,219	3,045,219
2034	1,435,000	1,618,606	3,053,606
2035	1,510,000	1,557,356	3,067,356
2036	1,585,000	1,492,994	3,077,994
2037	1,670,000	1,425,093	3,095,093
2038	1,755,000	1,353,444	3,108,444
2039	1,850,000	1,277,422	3,127,422
2040	1,945,000	1,196,400	3,141,400
2041	2,050,000	1,110,731	3,160,731
2042	2,150,000	1,020,391	3,170,391
2043	2,270,000	925,034	3,195,034
2044	2,385,000	823,816	3,208,816
2045	2,510,000	716,572	3,226,572
2046	2,640,000	603,212	3,243,212
2047	2,780,000	483,400	3,263,400
2048	2,930,000	357,175	3,287,175
2049	3,075,000	224,413	3,299,413
2050	2,235,000	109,912	2,344,912
2051	1,585,000	31,700	1,616,700
Totals	\$ 46,610,000	\$ 31,465,009	\$ 78,075,009

Harris County Water Control and Improvement District No. 158
Changes in Long-Term Bonded Debt
Year Ended May 31, 2025

	Bond Issues			
	Series 2022	Series 2023	Series 2024	Totals
Interest rates	4.50% to 7.00%	4.00% to 6.50%	4.00% to 6.50%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2025/2048	September 1, 2025/2049	September 1, 2027/2050	
Bonds outstanding, beginning of current year	\$ 14,100,000	\$ 9,850,000	\$ -	\$ 23,950,000
Bonds sold during the current year	-	-	22,955,000	22,955,000
Retirements, principal	295,000	-	-	295,000
Bonds outstanding, end of current year	<u>\$ 13,805,000</u>	<u>\$ 9,850,000</u>	<u>\$ 22,955,000</u>	<u>\$ 46,610,000</u>
Interest paid during the current year	<u>\$ 705,281</u>	<u>\$ 467,350</u>	<u>\$ 348,577</u>	<u>\$ 1,521,208</u>

Paying agent's name and address

Series 2022 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Series 2023 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Series 2024 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority	Tax Bonds	Recreational Bonds	Refunding Bonds
Amount authorized by voters	\$ 333,000,000	\$ 296,050,000	\$ 314,525,000
Amount issued	\$ 46,905,000	\$ -	\$ -
Remaining to be issued	\$ 286,095,000	\$ 296,050,000	\$ 314,525,000
Debt service fund cash and temporary investment balances as of May 31, 2025:			\$ 2,405,937
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 3,002,885

Harris County Water Control and Improvement District No. 158
Comparative Schedule of Revenues and Expenditures – General Fund
Four Years Ended May 31,

	Amounts			
	2025	2024	2023	2022
General Fund				
Revenues				
Property taxes	\$ 1,331,368	\$ 1,137,009	\$ 616,551	\$ 330,598
Penalty and interest	-	-	2,619	108
Investment income	16,990	11,808	1,492	2
Other income	-	383,900	21,910	665
Total Revenues	1,348,358	1,532,717	642,572	331,373
Expenditures				
Service operations				
Purchased services	176,815	47,828	-	-
Professional fees	188,812	227,259	195,804	121,161
Contracted services	46,937	50,305	56,783	30,782
Utilities	33,138	16,293	17,254	1,834
Repairs and maintenance	1,516,168	1,206,132	712,644	19,262
Other expenditures	45,556	54,688	37,914	35,442
Tap connections	95,166	42,230	40,474	40,560
Capital outlay	115,241	-	-	-
Total Expenditures	2,217,833	1,644,735	1,060,873	249,041
Excess (Deficiency) of Revenues Over Expenditures	(869,475)	(112,018)	(418,301)	82,332
Other Financing Sources				
Interfund transfers in	-	8,330	-	-
Developer advances received	844,125	843,700	183,000	59,600
Total Other Financing Sources	844,125	852,030	183,000	59,600
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(25,350)	740,012	(235,301)	141,932
Fund Balance (Deficit), Beginning of Year	633,617	(106,395)	128,906	(13,026)
Fund Balance (Deficit), End of Year	\$ 608,267	\$ 633,617	\$ (106,395)	\$ 128,906
Total Active Retail Water Connections	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A

Percent of Fund Total Revenues				
2025	2024	2023	2022	
98.7 %	74.2 %	96.0 %	99.8 %	
-	-	0.4	0.0	
1.3	0.8	0.2	0.0	
-	25.0	3.4	0.2	
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	
13.1	3.1	-	-	
14.0	14.8	30.5	36.6	
3.5	3.3	8.8	9.3	
2.5	1.1	2.7	0.6	
112.4	77.5	110.9	5.8	
3.4	4.8	5.9	10.7	
7.1	2.7	6.3	12.2	
<u>8.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>164.5</u>	<u>107.3</u>	<u>165.1</u>	<u>75.2</u>	
<u>(64.5) %</u>	<u>(7.3) %</u>	<u>(65.1) %</u>	<u>24.8 %</u>	

Harris County Water Control and Improvement District No. 158
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Three Years Ended May 31,

	Amounts		
	2025	2024	2023
Debt Service Fund			
Revenues			
Property taxes	\$ 1,893,294	\$ 544,596	\$ -
Penalty and interest	17,997	8,132	-
Investment income	68,287	70,447	33,617
Other income	<u>6,062</u>	<u>11,994</u>	<u>-</u>
Total Revenues	<u>1,985,640</u>	<u>635,169</u>	<u>33,617</u>
Expenditures			
Current			
Contracted services	46,917	25,506	-
Other expenditures	55,439	13,837	-
Debt service			
Principal retirement	295,000	-	-
Interest and fees	<u>1,522,708</u>	<u>933,155</u>	<u>206,731</u>
Total Expenditures	<u>1,920,064</u>	<u>972,498</u>	<u>206,731</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>65,576</u>	<u>(337,329)</u>	<u>(173,114)</u>
Other Financing Sources (Uses)			
Interfund transfers out	-	(8,330)	-
General obligation bonds issued	<u>936,475</u>	<u>467,350</u>	<u>1,410,000</u>
Total Other Financing Sources	<u>936,475</u>	<u>459,020</u>	<u>1,410,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>1,002,051</u>	<u>121,691</u>	<u>1,236,886</u>
Fund Balance, Beginning of Year	<u>1,358,577</u>	<u>1,236,886</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,360,628</u>	<u>\$ 1,358,577</u>	<u>\$ 1,236,886</u>

Percent of Fund Total Revenues		
2025	2024	2023
95.4 %	85.7 %	- %
0.9	1.3	-
3.4	11.1	100.0
0.3	1.9	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
2.4	4.0	-
2.8	2.2	-
14.8	-	-
<u>76.7</u>	<u>146.9</u>	<u>615.0</u>
<u>96.7</u>	<u>153.1</u>	<u>615.0</u>
<u><u>3.3</u></u> %	<u><u>(53.1)</u></u> %	<u><u>(515.0)</u></u> %

Harris County Water Control and Improvement District No. 158
Board Members, Key Personnel, and Consultants
Year Ended May 31, 2025

Complete District mailing address:	Harris County Water Control and Improvement District No. 158 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056		
District business telephone number:	713.623.4531		
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	February 20, 2024		
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
Nancy Seale	Elected 05/22– 05/26	\$ 2,431	\$ 392	President
Judy Hudson	Elected 05/24– 05/28	2,210	567	Vice President
Catherine Stellakis	Elected 05/24– 05/28	1,326	173	Secretary
Barbara Kimzey	Appointed 12/22– 05/26	663	11	Assistant Secretary
Zachary Short	Appointed 12/22– 05/26	2,431	247	Assistant Secretary

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

Harris County Water Control and Improvement District No. 158
Board Members, Key Personnel, and Consultants
Year Ended May 31, 2025

(Continued)

Consultants	Date Hired	Fees and Expense		Title
		Reimbursements	\$	
B&A Municipal Tax Services, LLC	05/19/20	\$ 80,869		Tax Assessor/Collector
BGE, Inc.	10/29/08	173,273		Engineer
Forvis Mazars, LLP	05/17/22	38,300		Auditor
Harris Central Appraisal District	Legislative Action	20,035		Appraiser
Inframark, LLC	04/20/21	350,685		Operator
Masterson Advisors LLC	04/20/18	341,084		Financial Advisor
Municipal Accounts & Consulting, L.P.	10/30/19	49,294		Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/10/21	6,004		Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	10/29/08	101,188 519,618		General Counsel Bond Counsel
Investment Officers				
Mark Burton and Ghia Lewis	10/30/19	N/A		Bookkeepers