




**Harris County Municipal
Utility District No. 345
Harris County, Texas**

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

January 31, 2026



Harris County Municipal Utility District No. 345
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January 31, 2026

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 345
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. 345 (District), as of and for the year ended January 31, 2026, 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 January 31, 2026, 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 schedules, 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
June 5, 2026**

**Harris County Municipal Utility District No. 345
Management's Discussion and Analysis
Year Ended January 31, 2026**

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 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 total 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.

**Harris County Municipal Utility District No. 345
Management's Discussion and Analysis
Year Ended January 31, 2026**

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 total 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 past two years are summarized as follows, based on the information included in the government-wide financial statements:

Summary of Net Position

	<u>2026</u>	<u>2025</u>
Current and other assets	\$ 11,737,611	\$ 10,725,528
Capital assets	5,181,550	4,516,923
Total assets	<u>\$ 16,919,161</u>	<u>\$ 15,242,451</u>
Other liabilities	<u>\$ 1,844,770</u>	<u>\$ 809,842</u>
Deferred inflows of resources	<u>1,174,693</u>	<u>1,174,372</u>
Net position		
Net investment in capital assets	4,586,161	4,469,981
Restricted	373,259	608,443
Unrestricted	<u>8,940,278</u>	<u>8,179,813</u>
Total net position	<u>\$ 13,899,698</u>	<u>\$ 13,258,237</u>

**Harris County Municipal Utility District No. 345
Management’s Discussion and Analysis
Year Ended January 31, 2026**

The total net position of the District increased by \$641,461, or approximately 5%. The majority of the increase in net position is related to property taxes and charges for services revenues and investment income exceeding service operation expenses.

Summary of Changes in Net Position

	<u>2026</u>	<u>2025</u>
Revenues		
Property taxes	\$ 1,175,003	\$ 1,137,751
Sales tax rebates	143,496	132,347
Charges for services	2,065,838	2,223,826
Other revenues	<u>539,598</u>	<u>489,010</u>
Total revenues	<u>3,923,935</u>	<u>3,982,934</u>
Expenses		
Services	3,044,412	3,211,472
Depreciation	<u>238,062</u>	<u>218,156</u>
Total expenses	<u>3,282,474</u>	<u>3,429,628</u>
Change in net position	641,461	553,306
Net position, beginning of year	<u>13,258,237</u>	<u>12,704,931</u>
Net position, end of year	<u>\$ 13,899,698</u>	<u>\$ 13,258,237</u>

Financial Analysis of the District’s Funds

The District’s combined fund balances as of the end of the fiscal year ended January 31, 2026 were \$8,853,115, an increase of \$119,276 from the prior year.

The general fund’s fund balance increased by \$354,460 primarily due to property taxes, sales tax rebates, and services revenues and investment income exceeding service operations expenditures.

The water plant fund’s fund balance decreased by \$275,241 due to a decrease in the District’s share of the operating reserve.

The wastewater treatment plant fund’s fund balance increased by \$40,057 due to an increase in the District’s share of the operating reserve.

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 water service and surface water conversion revenues and groundwater reduction fee, repairs and maintenance, and capital outlay expenditures being less than expected and tap connection and inspection fees revenues, investment income, purchased services expenditures, and interfund transfers being greater than expected. The fund balance as of January 31, 2026 was expected to be \$2,482,041, and the actual end-of-year fund balance was \$8,479,856.

**Harris County Municipal Utility District No. 345
Management’s Discussion and Analysis
Year Ended January 31, 2026**

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 as follows:

Capital Assets (Net of Accumulated Depreciation)

	<u>2026</u>	<u>2025</u>
Land and improvements	\$ 911,430	\$ 911,430
Construction in progress	1,151,206	584,835
Water facilities	961,724	1,032,486
Wastewater facilities	1,996,008	1,819,774
Drainage facilities	<u>161,182</u>	<u>168,398</u>
 Total capital assets	 <u>\$ 5,181,550</u>	 <u>\$ 4,516,923</u>

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

Construction in progress and engineering fees related to remote water well and water plant improvements and engineering fees related to wastewater treatment plant rehabilitation	\$ 834,501
Wastewater treatment plant improvements including dewatering tank, sludge pumps, blower nos. 1 and 2, addition of lift station emergency generators, and rehabilitation of aeration basin	<u>68,188</u>
 Total additions to capital assets	 <u>\$ 902,689</u>

Debt

At January 31, 2026, the District had \$7,905,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District.

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, except as noted as follows.

Strategic Partnership Agreement

In April 2013, the District entered into a Strategic Partnership Agreement (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 Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years following the date of the Agreement, at which time the City has the option to annex the District if it chooses to do so.

Harris County Municipal Utility District No. 345
Statement of Net Position and Governmental Funds Balance Sheet
January 31, 2026

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 923,222	\$ 504,520	\$ 275,024	\$ 1,702,766	\$ -	\$ 1,702,766
Certificates of deposit	2,620,000	-	-	2,620,000	-	2,620,000
Short-term investments	6,622,097	-	-	6,622,097	-	6,622,097
Receivables						
Property taxes	136,642	-	-	136,642	-	136,642
Service accounts, net of allowance of \$19,800	153,105	-	-	153,105	-	153,105
Sales tax rebates	22,225	-	-	22,225	11,900	34,125
Accrued interest	42,414	-	-	42,414	-	42,414
Interfund receivables	-	679,267	25,630	704,897	(704,897)	-
Due from participants	-	238,202	95,616	333,818	-	333,818
Due from others	37,736	-	-	37,736	-	37,736
Operating reserve	54,908	-	-	54,908	-	54,908
Capital assets (net of accumulated depreciation)						
Land and improvements	-	-	-	-	911,430	911,430
Construction in progress	-	-	-	-	1,151,206	1,151,206
Infrastructure	-	-	-	-	3,118,914	3,118,914
Total Assets	\$ 10,612,349	\$ 1,421,989	\$ 396,270	\$ 12,430,608	\$ 4,488,553	\$ 16,919,161

Harris County Municipal Utility District No. 345
Statement of Net Position and Governmental Funds Balance Sheet
January 31, 2026

(Continued)

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 161,216	\$ 713,116	\$ 28,820	\$ 903,152	\$ 161,158	\$ 1,064,310
Customer deposits	77,396	-	-	77,396	-	77,396
Operating deposits	-	353,002	244,317	597,319	-	597,319
Interfund payables	704,897	-	-	704,897	(704,897)	-
Retainage payable	-	105,745	-	105,745	-	105,745
Total Liabilities	943,509	1,171,863	273,137	2,388,509	(543,739)	1,844,770
Deferred Inflows of Resources						
Deferred property tax revenues	1,188,984	-	-	1,188,984	(14,291)	1,174,693
Fund Balances/Net Position						
Fund balances						
Committed						
Water production and distribution	-	250,126	-	250,126	(250,126)	-
Wastewater collection and treatment	-	-	123,133	123,133	(123,133)	-
Assigned						
Operating reserve	54,908	-	-	54,908	(54,908)	-
Future expenditures	5,213,237	-	-	5,213,237	(5,213,237)	-
Unassigned	3,211,711	-	-	3,211,711	(3,211,711)	-
Total fund balances	8,479,856	250,126	123,133	8,853,115	(8,853,115)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,612,349	\$ 1,421,989	\$ 396,270	\$ 12,430,608		
Net position						
Net investment in capital assets					4,586,161	4,586,161
Restricted for plant operations					373,259	373,259
Unrestricted					8,940,278	8,940,278
Total net position					\$ 13,899,698	\$ 13,899,698

Harris County Municipal Utility District No. 345
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended January 31, 2026

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,168,187	\$ -	\$ -	\$ 1,168,187	\$ 6,816	\$ 1,175,003
Sales tax rebates	131,596	-	-	131,596	11,900	143,496
Water service	369,365	-	-	369,365	-	369,365
Sewer service	278,960	-	-	278,960	-	278,960
Surface water conversion	666,807	-	-	666,807	-	666,807
Water service fees	-	2,266,558	-	2,266,558	(1,918,912)	347,646
Sewer service fees	-	-	595,760	595,760	(305,982)	289,778
Service to other districts	113,282	-	-	113,282	-	113,282
Penalty and interest	27,260	-	-	27,260	-	27,260
Tap connection and inspection fees	137,129	-	-	137,129	-	137,129
Investment income	370,432	4,146	348	374,926	-	374,926
Other income	283	-	-	283	-	283
Total Revenues	3,263,301	2,270,704	596,108	6,130,113	(2,206,178)	3,923,935
Expenditures/Expenses						
Service operations						
Purchased services	1,682,915	-	-	1,682,915	(1,075,971)	606,944
Groundwater reduction fee	493,913	747,844	-	1,241,757	(493,913)	747,844
Professional fees	170,631	5,094	3,391	179,116	-	179,116
Contracted services	157,482	30,021	57,450	244,953	-	244,953
Solid waste	-	-	10,820	10,820	-	10,820
Utilities	2,782	77,832	30,886	111,500	-	111,500
Repairs and maintenance	389,999	189,495	309,212	888,706	-	888,706
Other expenditures	110,640	20,128	24,411	155,179	-	155,179
Tap connections	99,350	-	-	99,350	-	99,350
Capital outlay	36,313	1,200,290	159,938	1,396,541	(1,396,541)	-
Depreciation	-	-	-	-	238,062	238,062
Total Expenditures/Expenses	3,144,025	2,270,704	596,108	6,010,837	(2,728,363)	3,282,474
Excess of Revenues Over Expenditures	119,276	-	-	119,276	522,185	
Other Financing Sources (Uses)						
Interfund transfers in (out)	235,184	(275,241)	40,057	-	-	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	354,460	(275,241)	40,057	119,276	(119,276)	
Change in Net Position					641,461	641,461
Fund Balances/Net Position						
Beginning of year	8,125,396	525,367	83,076	8,733,839	-	13,258,237
End of year	<u>\$ 8,479,856</u>	<u>\$ 250,126</u>	<u>\$ 123,133</u>	<u>\$ 8,853,115</u>	<u>\$ -</u>	<u>\$ 13,899,698</u>

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

Harris County Municipal Utility District No. 345 (District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (Commission), effective January 5, 1989, 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 (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.

The District is a participant in the Green Trails Municipal Utility District (Green Trails) regional sewage treatment plant as further described in Note 7. The Board of Green Trails has the responsibility of approving budgets, setting rates, and determining the day-to-day operations. The District retains an ongoing financial interest and responsibility. Additional financial information for the facilities may be obtained from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056.

The District is also a participant in regional water and wastewater treatment plants which were formed to maintain and operate production facilities on behalf of all participants, as further described in Note 7. The Board of the District has the responsibility of approving budgets, setting rates, and determining the day-to-day operations. The District retains an ongoing financial interest and responsibility. All financial transactions of the facilities are included in the water plant and wastewater treatment plant funds. Additional financial information for the facilities may be obtained from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056.

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 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. 345
Notes to Financial Statements
January 31, 2026

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.

Water Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is water service revenues.

Wastewater Treatment Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is sewer service revenues.

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

Harris County Municipal Utility District No. 345
Notes to Financial Statements
January 31, 2026

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 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.

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.

Harris County Municipal Utility District No. 345
Notes to Financial Statements
January 31, 2026

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. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2025 on the 2024 levy.

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 January 31, 2026, the tax levied in October 2025 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending January 31, 2026. 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:

Water production and distribution facilities	10-45 years
Wastewater collection and treatment facilities	10-45 years
Drainage facilities	10-45 years

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 premiums and discounts on bonds 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.

Harris County Municipal Utility District No. 345
Notes to Financial Statements
January 31, 2026

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.

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.	\$ 5,181,550
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	14,291
Sales tax rebates are not receivable in the current period and are not reported in the funds.	11,900
Accounts payable amounts that are not payable in the current period are not reported in the funds.	<u>(161,158)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 5,046,583</u></u>

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

Change in fund balances.	\$ 119,276
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 capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	503,469
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.	<u>18,716</u>
Change in net position of governmental activities.	<u><u>\$ 641,461</u></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 and is more stringent than required by 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 January 31, 2026, none of the District’s bank balances were exposed to custodial credit risk.

Investments

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

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

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

At January 31, 2026, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1–5	6–10	More Than 10
Texas CLASS	\$ 6,622,097	\$ 6,622,097	\$ -	\$ -	\$ -

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.

Harris County Municipal Utility District No. 345
Notes to Financial Statements
January 31, 2026

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At January 31, 2026, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheet at January 31, 2026 as follows:

Carrying value	
Deposits	\$ 4,322,766
Investments	<u>6,622,097</u>
Total	<u>\$ 10,944,863</u>

Included in the following statement of net position captions:

Cash	\$ 1,702,766
Certificates of deposit	2,620,000
Short-term investments	<u>6,622,097</u>
Total	<u>\$ 10,944,863</u>

Investment Income

Investment income of \$374,926 for the year ended January 31, 2026 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of January 31, 2026:

- Pooled investments of \$6,622,097 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 January 31, 2026 is presented below:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable				
Land and improvements	\$ 911,430	\$ -	\$ -	\$ 911,430
Construction in progress	<u>584,835</u>	<u>834,501</u>	<u>(268,130)</u>	<u>1,151,206</u>
Total capital assets, non-depreciable	<u>1,496,265</u>	<u>834,501</u>	<u>(268,130)</u>	<u>2,062,636</u>

Harris County Municipal Utility District No. 345
Notes to Financial Statements
January 31, 2026

<u>Governmental Activities (Continued)</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Balances, End of Year</u>
Capital assets, depreciable				
Water production and distribution facilities	\$ 3,147,441	\$ -	\$ -	\$ 3,147,441
Wastewater collection and treatment facilities	4,909,432	68,188	268,130	5,245,750
Drainage facilities	324,711	-	-	324,711
Total capital assets, depreciable	<u>8,381,584</u>	<u>68,188</u>	<u>268,130</u>	<u>8,717,902</u>
Less accumulated depreciation				
Water production and distribution facilities	(2,114,955)	(70,762)	-	(2,185,717)
Wastewater collection and treatment facilities	(3,089,658)	(160,084)	-	(3,249,742)
Drainage facilities	(156,313)	(7,216)	-	(163,529)
Total accumulated depreciation	<u>(5,360,926)</u>	<u>(238,062)</u>	<u>-</u>	<u>(5,598,988)</u>
Total governmental activities, net	<u>\$ 4,516,923</u>	<u>\$ 664,627</u>	<u>\$ -</u>	<u>\$ 5,181,550</u>

Note 4. Long-Term Liabilities

Bonds voted	\$ 22,200,000
Bonds sold	14,295,000
Refunding bonds voted	16,000,000
Refunding bond authorization used	975,315*

*The District has issued \$14,100,000 of refunding bonds. Of this amount \$975,315 was applied to the voter-authorized bonds, and the remaining \$13,124,685 was issued pursuant to Chapter 1207 of the Texas Government Code.

Note 5. Maintenance Taxes

At an election held August 11, 1990, 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 January 31, 2026, the District levied an ad valorem maintenance tax at the rate of \$0.1539 per \$100 of assessed valuation, which resulted in a tax levy of \$1,174,693 on the taxable valuation of \$763,287,698 for the 2025 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 6. Groundwater Reduction Plan Agreement

The District is within the boundaries of the Harris-Galveston Subsidence District (Subsidence District) which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to an annual permit issued by the Subsidence District. The Groundwater Reduction Plan Agreement between the

Harris County Municipal Utility District No. 345
Notes to Financial Statements
January 31, 2026

District and the City of Houston fulfills the District's submittal requirement to the Subsidence District. The agreement is effective upon the District's original permit renewal date of May 1, 2003.

Note 7. Contracts With Other Districts

Waste Disposal

On January 5, 1990, as supplemented January 8 and September 1, 1991 and April 1, 1992, the District agreed to purchase capacity in Green Trails wastewater treatment facility (Plant). Currently, the Plant has a total of 990,000 gallons-per-day (gpd) capacity and the District has purchased 625,000 gpd of capacity, for a total purchase price of \$814,141, plus interest.

Under the terms of the agreement, Green Trails is the operator of the Plant. Monthly operating and maintenance costs are shared based on the participants' pro rata share of capacity owned. In addition, the District pays an administrative charge equal to 10% of monthly charges. During the year ended January 31, 2026, the District incurred costs of \$327,958.

The following table represents condensed audited financial information of the Plant as of and for the year ended June 30, 2025, which was audited by another certified public accounting firm:

	Plant General Fund
Total assets	<u>\$ 195,214</u>
Total liabilities	\$ 180,004
Total fund balance	<u>15,210</u>
Total liabilities and fund balance	<u>\$ 195,214</u>
Total revenues	\$ 582,901
Total expenditures	<u>(582,901)</u>
Excess revenues	<u>\$ -</u>

The District's portion of the financial data above is 63.13%. The District has also advanced \$54,908 for its share of an operating reserve.

Green Trails constructed trunklines to convey waste to the Plant and sold capacity in the trunklines to the District for a price of \$200,000, plus interest. Under an agreement dated May 29, 1991, the District agreed to sell capacity in the trunklines to Harris County Municipal Utility District No. 346 (District No. 346). The price for the trunkline capacity was \$88,000 plus interest.

Service to Other Districts

On May 29, 1991, supplemented April 1, 1992, the District entered into an agreement with District No. 346 to sell sewer capacity that the District purchased from Green Trails. District No. 346 purchased 275,000 gpd of capacity. District No. 346 shares in operating costs for the Plant based on its pro rata share of ownership. During the current year, the District billed District No. 346 \$113,282 for its share of operating costs.

Harris County Municipal Utility District No. 345
Notes to Financial Statements
January 31, 2026

Permanent Water Supply

On August 22, 1991, the District entered into an Interim and Permanent Water Supply Agreement with District No. 346. The agreement provides for the construction of a permanent water plant (Water Plant) sufficient to serve 1,250 equivalent connections. The District paid 80.00% of the construction costs. The Water Plant became operational in August 1993. The District holds title to and operates the Water Plant on behalf of the participants.

On July 31, 1997, the construction of Phase Two of the Water Plant was completed. Construction costs were shared 53.65% by District No. 346 and 46.35% by the District. Operating and maintenance costs are shared, as follows:

<u>Participants</u>	<u>Percentage</u>
The District	67.00
District No. 346	33.00
Totals	<u>100.00</u>

Operations of the water plant are accounted for in the water plant fund. Transactions for the current year are summarized as follows:

	<u>The District</u>	<u>District No. 346</u>	<u>Total</u>
Receivables, beginning of year	\$ 146,385	\$ 151,977	\$ 298,362
Participant billings	1,531,403	735,155	2,266,558
Collections	<u>(998,521)</u>	<u>(648,930)</u>	<u>(1,647,451)</u>
Receivables, end of year	<u>\$ 679,267</u>	<u>\$ 238,202</u>	<u>\$ 917,469</u>

Permanent Waste Disposal Agreement

On December 22, 1994, the District entered into a 40-year agreement with Baker Road Municipal Utility District (Baker Road) and Longhorn Town Utility District (Longhorn) to construct and operate permanent wastewater treatment facilities (wastewater treatment plant) to serve customers in the participating districts. The District also has a separate agreement with a property owner outside the District to provide to the property owner part of its share of the wastewater treatment plant capacity. The wastewater treatment plant became operational on December 1, 1997, and operating costs are being shared pro rata based on each district's relative share of total capacity, as follows:

<u>Participants</u>	<u>GPD Capacity</u>	<u>Percentage</u>
The District	237,882	33.51
Baker Road	165,343	23.29
Longhorn	<u>306,775</u>	<u>43.20</u>
Totals	<u>710,000</u>	<u>100.00</u>

Off-Site Temporary Sanitary Sewer Agreement

On December 22, 1994, the District also entered into a 40-year agreement with Baker Road and Longhorn to construct and operate certain off-site sanitary sewer facilities (Sewer Facilities). Construction was completed in a

Harris County Municipal Utility District No. 345
Notes to Financial Statements
January 31, 2026

prior year. Construction costs were shared pro rata based on each entity's share of the Sewer Facilities. Operating costs are shared based on each participant's percentage of ownership in the Sewer Facilities.

The District operates the Sewer Facilities. Operations of both Sewer Facilities are accounted for in the wastewater treatment plant fund. Transactions for the current year are summarized as follows.

	<u>The District</u>	<u>Longhorn</u>	<u>Baker Road</u>	<u>Total</u>
Receivables, beginning of year	\$ 28,585	\$ 59,347	\$ 54,558	\$ 142,490
Participant billings	199,639	257,368	138,753	595,760
Collections	<u>(202,594)</u>	<u>(267,349)</u>	<u>(147,061)</u>	<u>(617,004)</u>
Receivables, end of year	<u>\$ 25,630</u>	<u>\$ 49,366</u>	<u>\$ 46,250</u>	<u>\$ 121,246</u>

Emergency Water Supply

On August 16, 2004, District No. 346 and Harris County Municipal Utility District No. 216 (District No. 216) entered into an Emergency Water Supply Contract to provide emergency water supply service to each other. On August 8, 2005, District No. 346, District No. 216, and the District entered into the first amendment to the contract, to provide for permanent water service and to add the District as a party to the contract. On April 15, 2019, the districts entered into the second amendment to the contract to clarify the calculations for the payments to be made by the District to District No. 216 for the supply of water outside of emergencies. The District shall pay District No. 216 annually for water supplied during the previous calendar year, with such amount being a minimum of 30,000,000 gallons of water, at a flat rate of \$1.00 per 1,000 gallons with an annual increase of 2% to properly account for inflation. During the current year, the District was billed \$278,986 for water supplied in accordance with the contract.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District participates along with other entities in the Texas Municipal League's Intergovernmental Risk Pool (Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 9. Strategic Partnership Agreement

In April 2013, the District and the City of Houston (City) entered into a Strategic Partnership Agreement (Agreement) under which the City annexed a tract of land (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 City 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 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 \$143,496 in revenues related to the Agreement.

Required Supplementary Information

**Harris County Municipal Utility District No. 345
 Budgetary Comparison Schedule – General Fund
 Year Ended January 31, 2026**

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,139,100	\$ 1,168,187	\$ 29,087
Sales tax rebates	135,700	131,596	(4,104)
Water service	442,400	369,365	(73,035)
Sewer service	329,160	278,960	(50,200)
Surface water conversion	746,514	666,807	(79,707)
Service to other districts	151,700	113,282	(38,418)
Penalty and interest	16,800	27,260	10,460
Tap connection and inspection fees	2,000	137,129	135,129
Investment income	233,900	370,432	136,532
Other income	-	283	283
Total Revenues	<u>3,197,274</u>	<u>3,263,301</u>	<u>66,027</u>
Expenditures			
Service operations			
Purchased services	801,178	1,682,915	(881,737)
Groundwater reduction fee	746,514	493,913	252,601
Professional fees	179,500	170,631	8,869
Contracted services	131,660	157,482	(25,822)
Utilities	2,450	2,782	(332)
Repairs and maintenance	531,330	389,999	141,331
Other expenditures	91,700	110,640	(18,940)
Tap connections	-	99,350	(99,350)
Capital outlay	5,770,219	36,313	5,733,906
Total Expenditures	<u>8,254,551</u>	<u>3,144,025</u>	<u>5,110,526</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,057,277)	119,276	5,176,553
Other Financing Sources (Uses)			
Interfund transfers in (out)	(586,078)	235,184	821,262
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(5,643,355)	354,460	5,997,815
Fund Balance, Beginning of Year	<u>8,125,396</u>	<u>8,125,396</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,482,041</u>	<u>\$ 8,479,856</u>	<u>\$ 5,997,815</u>

**Harris County Municipal Utility District No. 345
 Budgetary Comparison Schedule – Water Plant Fund
 Year Ended January 31, 2026**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Service fees			
The District	\$ 6,052,577	\$ 1,531,403	\$ (4,521,174)
District No. 346	2,118,013	735,155	(1,382,858)
Investment income	1,200	4,146	2,946
Total Revenues	<u>8,171,790</u>	<u>2,270,704</u>	<u>(5,901,086)</u>
Expenditures			
Service operations			
Groundwater reduction fee	1,114,200	747,844	366,356
Audit fees	3,000	3,000	-
Legal fees	-	2,094	(2,094)
Bookkeeping fees	19,700	15,431	4,269
Operator fees	13,000	14,590	(1,590)
Utilities	101,100	79,033	22,067
Repairs and maintenance	74,000	132,042	(58,042)
Laboratory	32,000	-	32,000
Chemicals	35,000	51,134	(16,134)
Administrative expense	1,800	-	1,800
Office supplies and postage	1,630	373	1,257
Insurance	11,200	11,954	(754)
Permit fees	100	360	(260)
Security	6,300	6,240	60
Mowing	3,400	6,319	(2,919)
Capital outlay	6,755,360	1,200,290	5,555,070
Total Expenditures	<u>8,171,790</u>	<u>2,270,704</u>	<u>5,901,086</u>
Excess of Revenues Over Expenditures	-	-	-
Other Financing Uses			
Interfund transfers out	-	(275,241)	(275,241)
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	(275,241)	(275,241)
Fund Balance, Beginning of Year	<u>525,367</u>	<u>525,367</u>	-
Fund Balance, End of Year	<u>\$ 525,367</u>	<u>\$ 250,126</u>	<u>\$ (275,241)</u>

Harris County Municipal Utility District No. 345
Budgetary Comparison Schedule – Wastewater Treatment Plant Fund
Year Ended January 31, 2026

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Service fees			
The District	\$ 492,530	\$ 199,639	\$ (292,891)
Baker Road	342,316	138,753	(203,563)
Longhorn	634,954	257,368	(377,586)
Investment income	-	348	348
Total Revenues	<u>1,469,800</u>	<u>596,108</u>	<u>(873,692)</u>
Expenditures			
Service operations			
Audit fees	3,000	3,000	-
Legal fees	1,300	391	909
Bookkeeping fees	17,500	14,271	3,229
Operator fees	40,700	43,179	(2,479)
Utilities	28,700	31,592	(2,892)
Solid waste	10,600	10,820	(220)
Repairs and maintenance	250,000	220,894	29,106
Sludge removal	38,400	37,442	958
Mowing	12,200	9,263	2,937
Chemicals	15,000	23,189	(8,189)
Laboratory	20,400	18,424	1,976
Office supplies and postage	600	437	163
Insurance	12,200	13,029	(829)
Permit fees	5,600	3,999	1,601
Security	6,300	6,240	60
Capital outlay	1,007,300	159,938	847,362
Total Expenditures	<u>1,469,800</u>	<u>596,108</u>	<u>873,692</u>
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	40,057	40,057
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	40,057	40,057
Fund Balance, Beginning of Year	<u>83,076</u>	<u>83,076</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 83,076</u></u>	<u><u>\$ 123,133</u></u>	<u><u>\$ 40,057</u></u>

Harris County Municipal Utility District No. 345
Notes to Required Supplementary Information
January 31, 2026

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general fund, water plant, and wastewater treatment plant by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the General Fund, Water Plant Fund, and Wastewater Treatment Plant Fund were not amended during fiscal 2026.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund, Water Plant Fund, and Wastewater Treatment Plant Fund present 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. 345
Other Schedules Included Within This Report
January 31, 2026**

(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 10–20
- [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 – Not Applicable
- [X] Changes in Long-Term Bonded Debt – Not Applicable
- [X] Comparative Schedule of Revenues and Expenditures – General Fund – Five Years
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 345
Schedule of Services and Rates
Year Ended January 31, 2026

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 type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other _____ | | |

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 10.50	10,000	N	\$ 1.50	10,001 to 20,000
				\$ 3.00	20,001 to 30,000
				\$ 4.00	30,001 to No Limit
Wastewater:	\$ 16.50	0	Y		
Regional water fee:	\$ 2.95	1	N	\$ 2.95	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 \$ 40.00 Wastewater \$ 16.50

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"	1,298	1,297	x1.0	1,297
1"	14	14	x2.5	35
1 1/2"	4	4	x5.0	20
2"	21	21	x8.0	168
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	2	2	x50.0	100
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	1,341	1,340		1,715
Total wastewater	1,284	1,283	x1.0	1,283

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

Gallons pumped into the system:	287,021
Gallons billed to customers:	269,099
Water accountability ratio (gallons billed/gallons pumped):	93.76%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 345
Schedule of General Fund Expenditures
Year Ended January 31, 2026

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	21,600	
Legal		98,081	
Engineering		50,950	
Financial advisor		-	170,631
Purchased Services for Resale			
Bulk water and wastewater service purchases			1,682,915
Regional Water Fee			493,913
Contracted Services			
Bookkeeping		59,835	
General manager		-	
Appraisal district		8,488	
Tax collector		25,089	
Security		-	
Other contracted services		64,070	157,482
Utilities			2,782
Repairs and Maintenance			389,999
Administrative Expenditures			
Directors' fees		11,049	
Office supplies		23,320	
Insurance		9,366	
Other administrative expenditures		66,905	110,640
Capital Outlay			
Capitalized assets		36,313	
Expenditures not capitalized		-	36,313
Tap Connection Expenditures			99,350
Solid Waste Disposal			-
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
Total Expenditures		\$	<u><u>3,144,025</u></u>

Harris County Municipal Utility District No. 345
Schedule of Temporary Investments
January 31, 2026

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Certificates of Deposit				
No. 440067592	4.00%	02/22/26	\$ 240,000	\$ 4,235
No. 6550138493	4.15%	03/20/26	235,000	8,470
No. 2000000497	4.09%	04/05/26	235,000	7,926
No. 108979	4.07%	05/20/26	240,000	6,851
No. 4205563	4.00%	05/24/26	240,000	6,628
No. 91300012403062	3.67%	07/12/26	240,000	434
No. 609498	4.13%	08/18/26	235,000	4,414
No. 3031001195	3.50%	10/14/26	235,000	293
No. 4376003	4.00%	12/02/26	240,000	1,578
No. 6000028446	3.75%	12/08/26	240,000	1,332
No. 3959	3.85%	01/21/27	240,000	253
Texas CLASS	3.83%	Demand	4,251,682	-
Texas CLASS	3.83%	Demand	2,370,415	-
Totals			<u>\$ 9,242,097</u>	<u>\$ 42,414</u>

**Harris County Municipal Utility District No. 345
 Analysis of Taxes Levied and Receivable
 Year Ended January 31, 2026**

	Maintenance Taxes
Receivable, Beginning of Year	\$ 113,283
Additions and corrections to prior years' taxes	631
Adjusted Receivable, Beginning of Year	<u>113,914</u>
2025 Original Tax Levy	1,155,843
Additions and corrections	18,850
Adjusted tax levy	<u>1,174,693</u>
Total to Be Accounted For	1,288,607
Tax collections: Current year	(1,052,342)
Prior years	<u>(99,623)</u>
Receivable, End of Year	<u><u>\$ 136,642</u></u>
Receivable, by Years	
2025	\$ 122,351
2024	7,232
2023	3,918
2022	1,993
2021	841
2020	138
2019	64
2018	60
2017	45
Receivable, End of Year	<u><u>\$ 136,642</u></u>

**Harris County Municipal Utility District No. 345
 Analysis of Taxes Levied and Receivable
 Year Ended January 31, 2026**

(Continued)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Property Valuations				
Land	\$ 147,675,729	\$ 147,537,552	\$ 148,948,282	\$ 132,548,012
Improvements	621,128,796	601,639,550	561,019,812	512,554,448
Personal property	13,787,813	11,977,218	12,766,694	10,544,994
Exemptions	<u>(19,304,640)</u>	<u>(17,876,465)</u>	<u>(17,469,168)</u>	<u>(17,354,289)</u>
Total Property Valuations	<u>\$ 763,287,698</u>	<u>\$ 743,277,855</u>	<u>\$ 705,265,620</u>	<u>\$ 638,293,165</u>
Tax Rates per \$100 Valuation				
Maintenance tax rates*	<u>\$ 0.1539</u>	<u>\$ 0.1580</u>	<u>\$ 0.1650</u>	<u>\$ 0.1750</u>
Tax Levy	<u>\$ 1,174,693</u>	<u>\$ 1,174,372</u>	<u>\$ 1,163,682</u>	<u>\$ 1,117,007</u>
Percent of Taxes Collected to Taxes Levied**	<u>90%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on August 11, 1990

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

Harris County Municipal Utility District No. 345
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended January 31,

	Amounts				
	2026	2025	2024	2023	2022
General Fund					
Revenues					
Property taxes	\$ 1,168,187	\$ 1,136,679	\$ 1,114,496	\$ 1,011,920	\$ 1,030,842
Sales tax rebates	131,596	132,347	134,917	117,119	102,041
Water service	369,365	414,706	445,655	419,158	316,044
Sewer service	278,960	309,635	280,701	278,402	267,463
Surface water conversion	666,807	643,893	607,102	305,051	218,809
Service to other districts	113,282	147,535	96,305	83,194	70,754
Penalty and interest	27,260	31,258	32,168	24,684	15,865
Tap connection and inspection fees	137,129	1,643	492	1,938	7,170
Investment income	370,432	454,280	456,179	151,828	16,774
Other income	283	170	50	114	111
Total Revenues	<u>3,263,301</u>	<u>3,272,146</u>	<u>3,168,065</u>	<u>2,393,408</u>	<u>2,045,873</u>
Expenditures					
Service operations					
Purchased services	1,682,915	1,685,328	1,065,051	651,456	1,166,518
Groundwater reduction fee	493,913	680,286	238,932	241,251	169,616
Professional fees	170,631	158,499	156,425	120,677	92,638
Contracted services	157,482	161,960	145,141	121,119	106,275
Utilities	2,782	2,401	815	1,085	1,584
Repairs and maintenance	389,999	442,489	467,649	378,614	359,432
Other expenditures	110,640	140,972	85,441	79,452	67,289
Tap connections	99,350	-	-	-	-
Capital outlay	36,313	164,590	108,803	111,374	69,373
Total Expenditures	<u>3,144,025</u>	<u>3,436,525</u>	<u>2,268,257</u>	<u>1,705,028</u>	<u>2,032,725</u>
Excess (Deficiency) of Revenues Over Expenditures	119,276	(164,379)	899,808	688,380	13,148
Other Financing Sources (Uses)					
Interfund transfers in (out)	235,184	(464,832)	(44,331)	105,438	(22,297)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	354,460	(629,211)	855,477	793,818	(9,149)
Fund Balance, Beginning of Year	<u>8,125,396</u>	<u>8,754,607</u>	<u>7,899,130</u>	<u>7,105,312</u>	<u>7,114,461</u>
Fund Balance, End of Year	<u>\$ 8,479,856</u>	<u>\$ 8,125,396</u>	<u>\$ 8,754,607</u>	<u>\$ 7,899,130</u>	<u>\$ 7,105,312</u>
Total Active Retail Water Connections	<u>1,340</u>	<u>1,336</u>	<u>1,338</u>	<u>1,338</u>	<u>1,338</u>
Total Active Retail Wastewater Connections	<u>1,283</u>	<u>1,280</u>	<u>1,282</u>	<u>1,283</u>	<u>1,292</u>

Percent of Fund Total Revenues

<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
35.8 %	34.7 %	35.2 %	42.3 %	50.4 %
4.0	4.0	4.2	4.9	5.0
11.3	12.7	14.1	17.5	15.4
8.6	9.4	8.9	11.6	13.1
20.4	19.7	19.2	12.8	10.7
3.5	4.5	3.0	3.5	3.5
0.8	1.0	1.0	1.0	0.8
4.2	0.1	0.0	0.1	0.3
11.4	13.9	14.4	6.3	0.8
0.0	0.0	0.0	0.0	0.0
100.0	100.0	100.0	100.0	100.0
51.6	51.5	33.6	27.2	57.0
15.1	20.8	7.6	10.1	8.3
5.2	4.8	4.9	5.0	4.5
4.8	5.0	4.6	5.5	5.3
0.1	0.1	0.0	0.1	0.1
11.9	13.5	14.8	15.4	17.6
3.4	4.3	2.7	3.3	3.2
3.1	-	-	-	-
1.1	5.0	3.4	4.6	3.4
96.3	105.0	71.6	71.2	99.4
3.7 %	(5.0) %	28.4 %	28.8 %	0.6 %

**Harris County Municipal Utility District No. 345
Board Members, Key Personnel, and Consultants
Year Ended January 31, 2026**

Complete District mailing address:	Harris County Municipal Utility District No. 345 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):	June 12, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Everett M. Dalton	Elected 05/22– 05/26	\$ 2,431	\$ -	President
Keith Wright	Elected 05/24– 05/28	1,547	-	Vice President
Aaron Pichon	Elected 05/24– 05/28	2,873	-	Secretary
Michael Fitzgerald	Elected 05/24– 05/28	2,652	-	Assistant Secretary
David Vinzant	Elected 05/22– 05/26	1,547	-	Assistant Secretary

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

**Harris County Municipal Utility District No. 345
Board Members, Key Personnel, and Consultants
Year Ended January 31, 2026**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Forvis Mazars, LLP	01/11/91	\$ 28,200	Auditor
Harris Central Appraisal District	Legislative Action	8,488	Appraiser
Inframark, LLC	03/07/90	1,196,734	Operator
Masterson Advisors LLC	06/18/18	-	Financial Advisor
Municipal Accounts & Consulting, L.P.	01/25/90	94,718	Bookkeeper
Pape-Dawson Consulting Engineers, LLC	09/05/91	255,472	Engineer
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	01/27/97	4,524	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	01/25/90	108,695	General Counsel
Wheeler & Associates, Inc.	03/07/90	25,089	Tax Assessor/ Collector
Investment Officers			
Mark M. Burton and Ghia Lewis	03/28/03	N/A	Bookkeepers