

**NORTHEAST HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 1**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2021

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Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Northeast Harris County Municipal Utility District No. 1
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Northeast Harris County Municipal Utility District No. 1, as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

***Board of Directors
Northeast Harris County Municipal Utility District No. 1
Harris County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northeast Harris County Municipal Utility District No. 1, as of May 31, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other 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 Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

W. G. G. & Co., P.C.

Houston, Texas
October 4, 2021

Management's Discussion and Analysis

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***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2021***

Using this Annual Report

Within this section of the financial report of Northeast Harris County Municipal Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2021***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at May 31, 2021, was negative \$6,045,572. A comparative summary of the District's overall financial position, as of May 31, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	\$ 5,283,919	\$ 4,594,187
Capital assets	18,486,711	16,554,986
Total assets	<u>23,770,630</u>	<u>21,149,173</u>
Total deferred outflows of resources	<u>109,418</u>	<u>116,257</u>
Current liabilities	3,093,923	3,134,067
Long-term liabilities	26,831,697	24,272,286
Total liabilities	<u>29,925,620</u>	<u>27,406,353</u>
Net position		
Net investment in capital assets	(8,696,216)	(7,944,539)
Restricted	1,500,544	1,276,357
Unrestricted	1,150,100	527,259
Total net position	<u>\$ (6,045,572)</u>	<u>\$ (6,140,923)</u>

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2021***

The total net position of the District increased during the current fiscal year by \$95,351. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2021</u>	<u>2020</u>
Revenues		
Property taxes, penalties and interest	\$ 2,598,067	\$ 2,152,124
Water and sewer service	821,286	702,347
Other	183,363	119,738
Total revenues	<u>3,602,716</u>	<u>2,974,209</u>
Expenses		
Current service operations	1,881,383	2,089,642
Debt interest and fees	782,679	685,285
Developer interest	228,704	331,753
Debt issuance costs	361,952	387,603
Depreciation and amortization	394,811	350,026
Total expenses	<u>3,649,529</u>	<u>3,844,309</u>
Change in net position before other item	(46,813)	(870,100)
Other item		
Easement proceeds	<u>142,164</u>	<u> </u>
Change in net position	95,351	(870,100)
Net position, beginning of year	<u>(6,140,923)</u>	<u>(5,270,823)</u>
Net position, end of year	<u>\$ (6,045,572)</u>	<u>\$ (6,140,923)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2021, were \$4,782,837, which consists of \$1,608,643 in the General Fund, \$1,643,342 in the Debt Service Fund, and \$1,530,852 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Total assets	<u>\$ 1,902,852</u>	<u>\$ 1,419,812</u>
Total liabilities	\$ 263,212	\$ 264,963
Total deferred inflows	30,997	29,489
Total fund balance	<u>1,608,643</u>	<u>1,125,360</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,902,852</u>	<u>\$ 1,419,812</u>

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2021***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2021</u>	<u>2020</u>
Total revenues	\$ 2,324,297	\$ 1,894,406
Total expenditures	<u>(1,841,014)</u>	<u>(1,926,032)</u>
Revenues over/(under) expenditures	<u>\$ 483,283</u>	<u>\$ (31,626)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Total assets	<u>\$ 1,692,010</u>	<u>\$ 1,466,225</u>
Total liabilities	\$ 968	\$ 1,077
Total deferred inflows	47,700	42,571
Total fund balance	<u>1,643,342</u>	<u>1,422,577</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,692,010</u>	<u>\$ 1,466,225</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	<u>2021</u>	<u>2020</u>
Total revenues	\$ 1,269,878	\$ 1,047,339
Total expenditures	<u>(1,049,113)</u>	<u>(878,590)</u>
Revenues over expenditures	<u>\$ 220,765</u>	<u>\$ 168,749</u>

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2021***

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 1,689,057</u>	<u>\$ 1,708,150</u>
Total liabilities	\$ 158,205	\$ 29,236
Total fund balance	<u>1,530,852</u>	<u>1,678,914</u>
Total liabilities and fund balance	<u>\$ 1,689,057</u>	<u>\$ 1,708,150</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2021	2020
Total revenues	\$ 1,905	\$ 5,399
Total expenditures	<u>(3,453,041)</u>	<u>(2,203,775)</u>
Revenues under expenditures	(3,451,136)	(2,198,376)
Other changes in fund balance	<u>3,303,074</u>	<u>3,811,411</u>
Net change in fund balance	<u>\$ (148,062)</u>	<u>\$ 1,613,035</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2020 Unlimited Tax Bonds and Series 2020 Bond Anticipation Note in the current year and proceeds from the issuance of its Series 2019 Unlimited Tax Bonds and Series 2019 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$340,941 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2021***

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The Developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at May 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Capital assets not being depreciated		
Land and improvements	\$ 4,108,843	\$ 4,053,870
Construction in progress	299,953	
	<u>4,408,796</u>	<u>4,053,870</u>
Capital assets being depreciated/amortized		
Infrastructure	15,326,685	13,529,975
Interest in joint facilities	1,590,834	1,415,934
Landscaping improvements	238,008	238,008
	<u>17,155,527</u>	<u>15,183,917</u>
Less accumulated depreciation/amortization		
Infrastructure	(2,727,260)	(2,384,712)
Interest in joint facilities	(286,884)	(250,488)
Landscaping improvements	(63,468)	(47,601)
	<u>(3,077,612)</u>	<u>(2,682,801)</u>
Depreciable capital assets, net	<u>14,077,915</u>	<u>12,501,116</u>
Capital assets, net	<u>\$ 18,486,711</u>	<u>\$ 16,554,986</u>

Capital asset additions during the current year include utilities to serve Sheldon Ridge, Section 6 and Edgewood Village, Section 7.

The District's construction in progress is for the construction of the Wastewater Treatment Plant Expansion.

Long-Term Debt and Related Liabilities

As of May 31, 2021, the District owes approximately \$6,504,364 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$3,115,171 for projects under construction. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2021***

the developer is reimbursed.

At May 31, 2021 and 2020, the District had total bonded debt outstanding as shown below:

Series	2021	2020
2014	\$ 2,380,000	\$ 2,410,000
2015	1,275,000	1,300,000
2016	1,625,000	1,650,000
2017	2,635,000	2,685,000
2017 Refunding	2,665,000	2,765,000
2018	3,460,000	3,500,000
2019	3,150,000	3,150,000
2020	3,500,000	
	<u>\$ 20,690,000</u>	<u>\$ 17,460,000</u>

During the current year, the District issued \$3,500,000 in unlimited tax bonds. At May 31, 2021, the District had \$146,225,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds and \$14,000,000 for parks and recreational facilities and the refunding of such bonds.

During the current year, the District issued a \$2,190,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2021 Actual	2022 Budget
Total revenues	\$ 2,324,297	\$ 2,202,467
Total expenditures	(1,841,014)	(2,002,644)
Revenues over expenditures	483,283	199,823
Beginning fund balance	1,125,360	1,608,643
Ending fund balance	<u>\$ 1,608,643</u>	<u>\$ 1,808,466</u>

*Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2021*

Property Taxes

The District's property tax base increased approximately \$635,000 for the 2021 tax year from \$187,680,014 to \$188,315,145. This increase was primarily due to increased property values. For the 2021 tax year, the District will levy a maintenance tax rate of \$0.68 per \$100 of assessed value and a debt service tax rate of \$0.66 per \$100 of assessed value, for a total combined tax rate of \$1.34 per \$100. Tax rates for the 2020 tax year were \$0.69 per \$100 for maintenance and operations and \$0.66 per \$100 for debt service for a combined total of \$1.35 per \$100 of assessed value.

Basic Financial Statements

Northeast Harris County Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ -	\$ 46,301	\$ 100	\$ 46,401	\$ -	\$ 46,401
Investments	1,696,312	1,609,707	1,738,957	5,044,976		5,044,976
Taxes receivable	30,997	47,700		78,697		78,697
Customer service receivables, net	104,773			104,773		104,773
Internal balances	61,698	(11,698)	(50,000)			
Operating reserve - joint repressurization plant	9,072			9,072		9,072
Capital assets not being depreciated					4,408,796	4,408,796
Capital assets, net					14,077,915	14,077,915
Total Assets	\$ 1,902,852	\$ 1,692,010	\$ 1,689,057	\$ 5,283,919	18,486,711	23,770,630
Deferred Outflows of Resources						
Deferred difference on refunding					109,418	109,418
Liabilities						
Accounts payable	\$ 168,034	\$ -	\$ 148,405	\$ 316,439		316,439
Cash overdraft	6,874			6,874		6,874
Retainage payable			9,800	9,800		9,800
Other payables	3,675	968		4,643		4,643
Customer deposits	74,525			74,525		74,525
Due to other governments	10,104			10,104		10,104
Accrued interest payable					201,538	201,538
Bond anticipation note payable					2,190,000	2,190,000
Due to developer					6,504,364	6,504,364
Long-term debt						
Due within one year					280,000	280,000
Due after one year					20,327,333	20,327,333
Total Liabilities	263,212	968	158,205	422,385	29,503,235	29,925,620
Deferred Inflows of Resources						
Deferred property taxes	30,997	47,700		78,697	(78,697)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	9,072			9,072	(9,072)	
Restricted		1,643,342	1,530,852	3,174,194	(3,174,194)	
Unassigned	1,599,571			1,599,571	(1,599,571)	
Total Fund Balances	1,608,643	1,643,342	1,530,852	4,782,837	(4,782,837)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,902,852	\$ 1,692,010	\$ 1,689,057	\$ 5,283,919		
Net Position						
Net investment in capital assets					(8,696,216)	(8,696,216)
Restricted for debt service					1,500,544	1,500,544
Unrestricted					1,150,100	1,150,100
Total Net Position					\$ (6,045,572)	\$ (6,045,572)

See notes to basic financial statements.

Northeast Harris County Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 344,739	\$ -	\$ -	\$ 344,739	\$ -	\$ 344,739
Sewer service	476,547			476,547		476,547
Property taxes	1,314,740	1,257,410		2,572,150	3,103	2,575,253
Penalties and interest	8,388	10,893		19,281	3,533	22,814
Tap connection and inspection	150,088			150,088		150,088
Miscellaneous	28,587	390		28,977		28,977
Investment earnings	1,208	1,185	1,905	4,298		4,298
Total Revenues	2,324,297	1,269,878	1,905	3,596,080	6,636	3,602,716
Expenditures/Expenses						
Current service operations						
Purchased services	642,025			642,025		642,025
Professional fees	265,062			265,062		265,062
Contracted services	452,391	35,648		488,039		488,039
Repairs and maintenance	385,700			385,700		385,700
Utilities	23,459			23,459		23,459
Administrative	58,820	4,625	96	63,541		63,541
Other	13,557			13,557		13,557
Capital outlay			2,839,728	2,839,728	(2,839,728)	
Debt service						
Principal		270,000		270,000	(270,000)	
Interest and fees		738,840	22,561	761,401	21,278	782,679
Developer interest			228,704	228,704		228,704
Debt issuance costs			361,952	361,952		361,952
Depreciation and amortization					394,811	394,811
Total Expenditures/Expenses	1,841,014	1,049,113	3,453,041	6,343,168	(2,693,639)	3,649,529
Revenues Over/(Under) Expenditures	483,283	220,765	(3,451,136)	(2,747,088)	2,700,275	(46,813)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			3,500,000	3,500,000	(3,500,000)	
Proceeds from bond anticipation note			2,190,000	2,190,000	(2,190,000)	
Repayment of bond anticipation note			(2,380,000)	(2,380,000)	2,380,000	
Repayment of developer advances			(149,090)	(149,090)	149,090	
Other Item						
Easement proceeds			142,164	142,164		142,164
Net Change in Fund Balances	483,283	220,765	(148,062)	555,986	(555,986)	
Change in Net Position					95,351	95,351
Fund Balance/Net Position						
Beginning of the year	1,125,360	1,422,577	1,678,914	4,226,851	(10,367,774)	(6,140,923)
End of the year	\$ 1,608,643	\$ 1,643,342	\$ 1,530,852	\$ 4,782,837	\$ (10,828,409)	\$ (6,045,572)

See notes to basic financial statements.

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Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Northeast Harris County Municipal Utility District No. 1 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated July 18, 1978, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 26, 2006, and the first bonds were issued on February 18, 2010.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2021, an allowance of \$4,000 was provided for possible uncollectible water/sewer accounts. An allowance for possible uncollectible property taxes was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years
Interest in joint facilities	45 years [max]
Landscaping improvements	15 years

The District’s detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of operating reserves paid to Harris County Municipal Utility District No. 421 for the joint repressurization plant.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$ 4,782,837
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 21,564,323	
Less accumulated depreciation/amortization	<u>(3,077,612)</u>	
Change due to capital assets		18,486,711

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

109,418

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(20,607,333)	
Bond anticipation note payable	(2,190,000)	
Interest payable on bonds	<u>(201,538)</u>	
Change due to long-term debt		(22,998,871)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position*.

(6,504,364)

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	57,781	
Penalty and interest receivable	<u>20,916</u>	
Change due to property taxes		78,697

Total net position - governmental activities	<u><u>\$ (6,045,572)</u></u>
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Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net change in fund balances - total governmental funds	\$	555,986
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.

		6,636
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Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 2,839,728	
Depreciation and amortization	(394,811)	
		2,444,917

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Proceeds from sale of bonds	(3,500,000)	
Proceeds from bond anticipation note	(2,190,000)	
Principal payments	270,000	
Retirement of bond anticipation note	2,380,000	
Interest expense accrual	(21,278)	
		(3,061,278)

Amounts repaid to the developer for operating advances use current financial resources in the governmental funds but reduce the liability in the *Statement of Net Position*.

		149,090
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Change in net position of governmental activities	\$	95,351
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Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or 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, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of May 31, 2021, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,696,312		
	Debt Service	1,609,707		
	Capital Projects	1,738,957		
Total		<u>\$ 5,044,976</u>	AAAm	32 days

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at May 31, 2021, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 11,698	Maintenance tax collections not remitted as of year end.
General Fund	Capital Projects Fund	50,000	Bond application fees paid by the General Fund.

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2021, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 4,053,870	\$ 54,973	\$ 4,108,843
Construction in progress		299,953	299,953
	<u>4,053,870</u>	<u>354,926</u>	<u>4,408,796</u>
Capital assets being depreciated/amortized			
Infrastructure	13,529,975	1,796,710	15,326,685
Interest in joint facilities	1,415,934	174,900	1,590,834
Landscaping improvements	238,008		238,008
	<u>15,183,917</u>	<u>1,971,610</u>	<u>17,155,527</u>
Less accumulated depreciation/amortization			
Infrastructure	(2,384,712)	(342,548)	(2,727,260)
Interest in joint facilities	(250,488)	(36,396)	(286,884)
Landscaping improvements	(47,601)	(15,867)	(63,468)
	<u>(2,682,801)</u>	<u>(394,811)</u>	<u>(3,077,612)</u>
Subtotal depreciable capital assets, net	<u>12,501,116</u>	<u>1,576,799</u>	<u>14,077,915</u>
Capital assets, net	<u>\$ 16,554,986</u>	<u>\$ 1,931,725</u>	<u>\$ 18,486,711</u>

Depreciation/amortization expense for the current year was \$394,811.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Wastewater treatment plant expansion	\$ 1,097,900	\$ 80,568	\$ 1,017,332

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,380,000. This BAN was repaid on June 2, 2020, with proceeds from the issuance of the District's Series 2020 Unlimited Tax Bonds.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 6 – Bond Anticipation Note (continued)

On October 13, 2020, the District issued a \$2,190,000 BAN with an interest rate of 0.80%, which is due on October 12, 2021. This BAN was repaid subsequent to year end. See Note 13 for additional information.

The effect of these transactions on the District’s short-term obligations are as follows:

Beginning balance	\$ 2,380,000
Amounts borrowed	2,190,000
Amounts repaid	<u>(2,380,000)</u>
Ending balance	<u><u>\$ 2,190,000</u></u>

Note 7 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer and drainage facilities, and parks and recreational facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District’s developer has also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developer during the year is as follows:

Due to developer, beginning of year	\$ 7,166,646
Developer reimbursements	(2,539,775)
Developer funded construction and adjustments	2,026,583
Repayment of operating advances	<u>(149,090)</u>
Due to developer, end of year	<u><u>\$ 6,504,364</u></u>

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 7 – Due to Developer (continued)

In addition, the District will owe the developer approximately \$3,115,171, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Edgewood Village, Phase III - detention	\$ 759,397	\$ 432,113	\$ 327,284
Sheldon Ridge, Section 7 - utilities	321,200	290,795	30,405
Edgewood Village, Section 8 - utilities	575,999		575,999
Edgewood Village, Section 7 - park facilities	699,917	575,750	124,167
Boomerang detention and grading to serve Terra Grezza	528,385	118,934	409,451
Sheldon Ridge, Sections 11, 12, 13 and Phase III detention - clearing and grubbing	230,273	207,246	23,027
	<u>\$ 3,115,171</u>	<u>\$ 1,624,838</u>	<u>\$ 1,490,333</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 20,690,000
Unamortized discounts	(198,051)
Unamortized premium	115,384
	<u>\$ 20,607,333</u>
Due within one year	<u>\$ 280,000</u>

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at May 31, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	\$ 2,380,000	\$ 2,500,000	2.00% - 4.40%	September 1, 2017/2042	September 1, March 1	September 1, 2021
2015	1,275,000	1,370,000	2.00% - 4.125%	September 1, 2017/2044	September 1, March 1	September 1, 2022
2016	1,625,000	1,700,000	2.00% - 3.625%	September 1, 2018/2046	September 1, March 1	September 1, 2023
2017	2,635,000	2,730,000	3.00% - 5.50%	September 1, 2019/2046	September 1, March 1	September 1, 2024
2017 Refunding	2,665,000	2,850,000	2.00% - 4.00%	September 1, 2018/2038	September 1, March 1	September 1, 2024
2018	3,460,000	3,500,000	4.00% - 6.50%	September 1, 2020/2048	September 1, March 1	September 1, 2023
2019	3,150,000	3,150,000	2.00% - 3.00%	September 1, 2022/2049	September 1, March 1	September 1, 2024
2020	3,500,000	3,500,000	3.00%	September 1, 2022/2050	September 1, March 1	September 1, 2025
	<u>\$ 20,690,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At May 31, 2021, the District had authorized but unissued bonds in the amount of \$146,225,000 for water, sewer and drainage facilities and the refunding of such bonds and \$14,000,000 for park and recreational facilities and the refunding of such bonds.

On June 2, 2020, the District issued its \$3,500,000 Series 2020 Unlimited Tax Bonds at a net effective interest rate of 3.135814%. Proceeds of the bonds were used to (1) reimburse its developer for the cost of capital assets constructed within the District and operating advances plus interest expense at the net effective interest rate of the bonds and (2) to repay a \$2,380,000 BAN issued in the previous fiscal year.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 8 – Long-Term Debt (continued)

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 17,460,000
Bonds issued	3,500,000
Bonds retired	<u>(270,000)</u>
Bonds payable, end of year	<u>\$ 20,690,000</u>

As of May 31, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ 280,000	\$ 748,231	\$ 1,028,231
2023	395,000	735,845	1,130,845
2024	410,000	721,381	1,131,381
2025	425,000	706,181	1,131,181
2026	440,000	690,420	1,130,420
2027	455,000	674,150	1,129,150
2028	475,000	657,163	1,132,163
2029	495,000	639,587	1,134,587
2030	510,000	621,363	1,131,363
2031	530,000	602,112	1,132,112
2032	550,000	581,842	1,131,842
2033	575,000	561,117	1,136,117
2034	595,000	540,166	1,135,166
2035	620,000	518,313	1,138,313
2036	640,000	495,384	1,135,384
2037	665,000	471,407	1,136,407
2038	695,000	446,292	1,141,292
2039	720,000	420,142	1,140,142
2040	750,000	392,453	1,142,453
2041	780,000	362,981	1,142,981
2042	810,000	332,158	1,142,158
2043	840,000	299,990	1,139,990
2044	875,000	267,200	1,142,200
2045	910,000	233,658	1,143,658
2046	945,000	199,657	1,144,657
2047	980,000	165,404	1,145,404
2048	1,020,000	128,231	1,148,231
2049	1,060,000	87,921	1,147,921
2050	1,110,000	50,700	1,160,700
2051	1,135,000	17,025	1,152,025
	<u>\$ 20,690,000</u>	<u>\$ 13,368,474</u>	<u>\$ 34,058,474</u>

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 9 – Property Taxes

On May 12, 2007, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$1.35 per \$100 of assessed value, of which \$0.69 was allocated to maintenance and operations and \$0.66 was allocated to debt service. The resulting tax levy was \$2,533,680 on the adjusted taxable value of \$187,680,014.

Property taxes receivable, at May 31, 2021, consisted of the following:

Current year taxes receivable	\$ 31,056
Prior years taxes receivable	<u>26,725</u>
	57,781
Penalty and interest receivable	<u>20,916</u>
Property taxes receivable	<u><u>\$ 78,697</u></u>

Note 10 – Agreement for Water Supply Facilities

The District and Harris County Municipal Utility District No. 421 (“MUD 421”) have entered into and Agreement for Payment of Costs and Use of Joint Facilities (the “Agreement”) for the design and construction of facilities to serve both districts with treated surface water purchased from the City of Houston. The facilities were designed and constructed so as to serve 2,100 equivalent single family connections with MUD 421 receiving 1,150 connections and the District receiving 950. The Agreement shall continue for an unlimited duration. The water supply under this Agreement is intended to serve the portion of the District known as Edgewood Village.

On July 25, 2008, the District and MUD 421 amended the agreement to redistribute the number of equivalent single family connections with MUD 421 receiving 830 connection and the District receiving 1,270. The new pro-rata share of connections reflects the interest and costs associated with the facilities.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 10 – Agreement for Water Supply Facilities (continued)

MUD 421 holds title to the facilities and the District owns an equitable interest (based on its prorate share of equivalent single family connections). MUD 421 is responsible for the operation, maintenance and repair of the facilities, subject to pro-rata payments by the District for its share of these costs. During the current fiscal year, the District recorded \$104,876 in expenditures for water purchased from MUD 421. The District has also paid an operating reserve, which is based on its prorate share of a month's worth of MUD 421's budgeted operating expenses, which is \$9,072.

Note 11 – Utility Functions and Services Allocation Agreement with Sheldon Road Municipal Utility District

The District and Sheldon Road Municipal Utility District ("Sheldon Road MUD") have entered into a Utility Functions and Services Allocation Agreement, as amended on August 6, 2018, and March 4, 2019, (the "Utility Agreement") for the purposes of supplying an area of the District known as Sheldon Ridge with water and wastewater services from Sheldon Road MUD. The initial stages of development in the District will be served through Sheldon Road MUD's existing capacity. The District recorded \$537,149 in expenditures to Sheldon Road MUD pursuant to the terms of this Utility Agreement during the fiscal year.

On February 24, 2011, the District executed the first supplement to the agreement to include an emergency preparedness plan that Sheldon Road MUD has filed with the TCEQ. Sheldon Road MUD agrees to provide the District with emergency operations during extended power outages resulting from natural disasters.

At such time as Sheldon Road MUD's existing facilities reach 75% capacity, the District and Sheldon Road MUD will determine the extent of expansion required and the general design criteria. The District shall be responsible for the cost of the expansion.

In the previous year, the District amended the agreement to increase its water connection/capacity from 500 ESFCs to 569 ESFCs. In consideration for the additional capacity, the District agreed to cover the cost of certain improvements to the Sheldon Road MUD system.

Sheldon Road MUD may obtain additional capacity from North Channel Water Authority in order to meet the surface water requirements of the Harris-Galveston Coast Subsidence District. The District agrees to pay its pro-rata share of the capital cost to obtain such additional capacity.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Northeast Harris County Municipal Utility District No. 1
Notes to Basic Financial Statements
May 31, 2021

Note 13 – Subsequent Event

On June 30, 2021, the District issued its \$2,510,000 Series 2021 Unlimited Tax Refunding Bonds at a net effective rate of 2.301975%. Proceeds from the bonds were used to refund \$2,310,000 of the District's Series 2014 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$558,285 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$417,212.

On September 2, 2021, the District issued its \$4,000,000 Series 2021 Unlimited Tax Bonds at a net effective rate of 2.499836%. Proceeds from the bonds were used to reimburse the District's developer for construction projects and to retire the Series 2020 BAN.

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Required Supplementary Information

*Northeast Harris County Municipal Utility District No. 1
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended May 31, 2021*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 320,304	\$ 344,739	\$ 24,435
Sewer service	416,340	476,547	60,207
Property taxes	1,049,433	1,314,740	265,307
Penalties and interest	15,600	8,388	(7,212)
Tap connection and inspection	71,652	150,088	78,436
Miscellaneous	1,395	28,587	27,192
Investment earnings	14,256	1,208	(13,048)
Total Revenues	<u>1,888,980</u>	<u>2,324,297</u>	<u>435,317</u>
Expenditures			
Current service operations			
Purchased services	623,160	642,025	(18,865)
Professional fees	143,400	265,062	(121,662)
Contracted services	327,547	452,391	(124,844)
Repairs and maintenance	552,059	385,700	166,359
Utilities	12,600	23,459	(10,859)
Administrative	51,708	58,820	(7,112)
Other	36,164	13,557	22,607
Total Expenditures	<u>1,746,638</u>	<u>1,841,014</u>	<u>(94,376)</u>
Revenues Over Expenditures	142,342	483,283	340,941
Fund Balance			
Beginning of the year	<u>1,125,360</u>	<u>1,125,360</u>	
End of the year	<u>\$ 1,267,702</u>	<u>\$ 1,608,643</u>	<u>\$ 340,941</u>

Northeast Harris County Municipal Utility District No. 1
Notes to Required Supplementary Information
May 31, 2021

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Northest Harris County Municipal Utility District No. 1
TSI-1. Services and Rates
May 31, 2021

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 29.00	6,000	N	\$ 1.75	6,001 to 10,000
				\$ 2.00	10,001 to 15,000
				\$ 2.25	15,001 to 20,000
				\$ 2.50	20,001 to no limit
Wastewater:	\$ 40.50	6,000	N	\$ 1.50	6,001 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 36.00 Wastewater \$ 46.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	972	962	x 1.0	962
1"	1	1	x 2.5	3
1.5"			x 5.0	
2"	3	3	x 8.0	24
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	976	966		989
Total Wastewater	965	955	x 1.0	955

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-1. Services and Rates
May 31, 2021

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>37,344,000</u>	From Sheldon Road MUD/ Harris County MUD 421
Gallons billed to customers:	<u>37,319,000</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped) <u>99.93%</u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditor's report.

*Northeast Harris County Municipal Utility District No. 1
TSI-2 General Fund Expenditures
For the Year Ended May 31, 2021*

Purchased services	<u>\$ 642,025</u>
Professional fees	
Legal	101,665
Audit	12,000
Engineering	<u>151,397</u>
	<u>265,062</u>
Contracted services	
Bookkeeping	17,815
Operator	66,186
Garbage collection	198,976
Tap connection and inspection	96,722
Sludge removal	<u>72,692</u>
	<u>452,391</u>
Repairs and maintenance	<u>385,700</u>
Utilities	<u>23,459</u>
Administrative	
Directors fees	9,000
Printing and office supplies	21,146
Insurance	6,390
Other	<u>22,284</u>
	<u>58,820</u>
Other	<u>13,557</u>
Total expenditures	<u><u>\$ 1,841,014</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	241,344 kWh	\$ 23,459
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-3. Investments
May 31, 2021

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 1,696,312
Debt Service			
TexPool	Variable	N/A	1,609,707
Capital Projects			
TexPool	Variable	N/A	1,738,957
Total - All Funds			<u>\$ 5,044,976</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-4. Taxes Levied and Receivable
May 31, 2021

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 29,489	\$ 25,187	\$ 54,676	
Adjustments	21,555	20,319	41,874	
Adjusted Receivable	<u>51,044</u>	<u>45,506</u>	<u>96,550</u>	
2020 Original Tax Levy	1,111,274	1,062,958	2,174,232	
Adjustments	183,718	175,730	359,448	
Adjusted Tax Levy	<u>1,294,992</u>	<u>1,238,688</u>	<u>2,533,680</u>	
Total to be accounted for	<u>1,346,036</u>	<u>1,284,194</u>	<u>2,630,230</u>	
Tax collections:				
Current year	1,279,119	1,223,505	2,502,624	
Prior years	35,920	33,905	69,825	
Total Collections	<u>1,315,039</u>	<u>1,257,410</u>	<u>2,572,449</u>	
Taxes Receivable, End of Year	<u>\$ 30,997</u>	<u>\$ 26,784</u>	<u>\$ 57,781</u>	
Taxes Receivable, By Years				
2020	\$ 15,873	\$ 15,183	\$ 31,056	
2019	5,053	4,764	9,817	
2018	1,262	1,352	2,614	
2017 and prior	8,809	5,485	14,294	
Taxes Receivable, End of Year	<u>\$ 30,997</u>	<u>\$ 26,784</u>	<u>\$ 57,781</u>	
	2020	2019	2018	2017
Property Valuations				
Land	\$ 54,064,600	\$ 44,768,279	\$ 26,082,196	\$ 22,971,357
Improvements	136,024,910	116,019,991	99,068,772	89,642,127
Personal Property	1,271,870	1,317,022	996,708	943,725
Exemptions	(3,681,366)	(2,990,424)	(1,473,198)	(3,197,254)
Total Property Valuations	<u>\$ 187,680,014</u>	<u>\$ 159,114,868</u>	<u>\$ 124,674,478</u>	<u>\$ 110,359,955</u>
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.69	\$ 0.70	\$ 0.70	\$ 0.80
Debt service tax rates	0.66	0.66	0.75	0.65
Total Tax Rates per \$100 Valuation	<u>\$ 1.35</u>	<u>\$ 1.36</u>	<u>\$ 1.45</u>	<u>\$ 1.45</u>
Adjusted Tax Levy	<u>\$ 2,533,680</u>	<u>\$ 2,163,962</u>	<u>\$ 1,807,780</u>	<u>\$ 1,600,219</u>
Percentage of Taxes Collected to Taxes Levied **	<u>98.77%</u>	<u>99.55%</u>	<u>99.86%</u>	<u>99.86%</u>

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 12, 2007

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

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
May 31, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ 30,000	\$ 99,175	\$ 129,175
2023	40,000	98,250	138,250
2024	35,000	97,175	132,175
2025	40,000	96,000	136,000
2026	40,000	94,670	134,670
2027	45,000	93,225	138,225
2028	50,000	91,547	141,547
2029	45,000	89,814	134,814
2030	50,000	87,993	137,993
2031	50,000	85,992	135,992
2032	60,000	83,793	143,793
2033	60,000	81,332	141,332
2034	60,000	78,813	138,813
2035	65,000	76,188	141,188
2036	70,000	73,353	143,353
2037	75,000	70,251	145,251
2038	80,000	66,880	146,880
2039	80,000	63,400	143,400
2040	320,000	54,700	374,700
2041	340,000	40,260	380,260
2042	360,000	24,860	384,860
2043	385,000	8,470	393,470
	<u>\$ 2,380,000</u>	<u>\$ 1,656,141</u>	<u>\$ 4,036,141</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
May 31, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ 25,000	\$ 50,031	\$ 75,031
2023	25,000	49,282	74,282
2024	25,000	48,531	73,531
2025	25,000	47,781	72,781
2026	25,000	47,000	72,000
2027	25,000	46,156	71,156
2028	25,000	45,266	70,266
2029	25,000	44,344	69,344
2030	25,000	43,406	68,406
2031	25,000	42,438	67,438
2032	25,000	41,437	66,437
2033	25,000	40,437	65,437
2034	25,000	39,437	64,437
2035	25,000	38,437	63,437
2036	25,000	37,438	62,438
2037	25,000	36,437	61,437
2038	25,000	35,437	60,437
2039	25,000	34,438	59,438
2040	25,000	33,437	58,437
2041	25,000	32,437	57,437
2042	25,000	31,438	56,438
2043	25,000	30,422	55,422
2044	350,000	22,688	372,688
2045	375,000	7,734	382,734
	<u>\$ 1,275,000</u>	<u>\$ 925,889</u>	<u>\$ 2,200,889</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
May 31, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ 25,000	\$ 56,250	\$ 81,250
2023	25,000	55,750	80,750
2024	25,000	55,125	80,125
2025	25,000	54,375	79,375
2026	25,000	53,625	78,625
2027	25,000	52,875	77,875
2028	25,000	52,125	77,125
2029	25,000	51,375	76,375
2030	25,000	50,625	75,625
2031	25,000	49,828	74,828
2032	25,000	48,984	73,984
2033	25,000	48,141	73,141
2034	25,000	47,297	72,297
2035	25,000	46,438	71,438
2036	25,000	45,562	70,562
2037	25,000	44,688	69,688
2038	25,000	43,813	68,813
2039	25,000	42,936	67,936
2040	25,000	42,063	67,063
2041	25,000	41,187	66,187
2042	25,000	40,313	65,313
2043	25,000	39,422	64,422
2044	25,000	38,515	63,515
2045	25,000	37,609	62,609
2046	500,000	28,094	528,094
2047	525,000	9,516	534,516
	<u>\$ 1,625,000</u>	<u>\$ 1,176,531</u>	<u>\$ 2,801,531</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
May 31, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ 55,000	\$ 94,450	\$ 149,450
2023	50,000	91,563	141,563
2024	55,000	88,675	143,675
2025	55,000	85,650	140,650
2026	60,000	83,238	143,238
2027	65,000	81,363	146,363
2028	65,000	79,413	144,413
2029	75,000	77,313	152,313
2030	75,000	75,063	150,063
2031	80,000	72,738	152,738
2032	80,000	70,238	150,238
2033	85,000	67,557	152,557
2034	95,000	64,632	159,632
2035	95,000	61,544	156,544
2036	100,000	58,250	158,250
2037	100,000	54,750	154,750
2038	110,000	51,006	161,006
2039	120,000	46,837	166,837
2040	125,000	42,397	167,397
2041	125,000	37,866	162,866
2042	130,000	33,244	163,244
2043	130,000	28,532	158,532
2044	210,000	22,369	232,369
2045	215,000	14,531	229,531
2046	140,000	7,875	147,875
2047	140,000	2,625	142,625
	<u>\$ 2,635,000</u>	<u>\$ 1,493,719</u>	<u>\$ 4,128,719</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2017 Refunding--by Years
May 31, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ 105,000	\$ 100,625	\$ 205,625
2023	105,000	97,475	202,475
2024	115,000	94,175	209,175
2025	115,000	90,725	205,725
2026	120,000	86,600	206,600
2027	125,000	81,700	206,700
2028	130,000	76,600	206,600
2029	135,000	71,300	206,300
2030	140,000	65,800	205,800
2031	150,000	60,000	210,000
2032	150,000	54,000	204,000
2033	160,000	47,800	207,800
2034	165,000	41,300	206,300
2035	175,000	34,500	209,500
2036	180,000	27,400	207,400
2037	195,000	19,900	214,900
2038	195,000	12,100	207,100
2039	205,000	4,100	209,100
	<u>\$ 2,665,000</u>	<u>\$ 1,066,100</u>	<u>\$ 3,731,100</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
May 31, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ 40,000	\$ 153,544	\$ 193,544
2023	50,000	150,619	200,619
2024	50,000	147,369	197,369
2025	50,000	144,119	194,119
2026	55,000	140,706	195,706
2027	55,000	137,200	192,200
2028	60,000	133,606	193,606
2029	55,000	130,081	185,081
2030	65,000	126,481	191,481
2031	65,000	122,581	187,581
2032	65,000	118,681	183,681
2033	70,000	115,331	185,331
2034	65,000	112,631	177,631
2035	70,000	109,931	179,931
2036	70,000	107,131	177,131
2037	75,000	104,231	179,231
2038	75,000	101,231	176,231
2039	75,000	98,231	173,231
2040	80,000	95,131	175,131
2041	85,000	91,831	176,831
2042	85,000	88,378	173,378
2043	90,000	84,769	174,769
2044	95,000	80,953	175,953
2045	95,000	77,034	172,034
2046	100,000	73,013	173,013
2047	100,000	68,888	168,888
2048	790,000	50,531	840,531
2049	830,000	17,121	847,121
	<u>\$ 3,460,000</u>	<u>\$ 2,981,353</u>	<u>\$ 6,441,353</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
May 31, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ -	\$ 89,156	\$ 89,156
2023	50,000	88,656	138,656
2024	50,000	87,656	137,656
2025	50,000	86,656	136,656
2026	50,000	85,656	135,656
2027	50,000	84,656	134,656
2028	50,000	83,656	133,656
2029	75,000	82,360	157,360
2030	75,000	80,720	155,720
2031	75,000	78,985	153,985
2032	75,000	77,109	152,109
2033	75,000	75,094	150,094
2034	75,000	73,031	148,031
2035	75,000	70,875	145,875
2036	75,000	68,625	143,625
2037	75,000	66,375	141,375
2038	75,000	64,125	139,125
2039	100,000	61,500	161,500
2040	100,000	58,500	158,500
2041	100,000	55,500	155,500
2042	100,000	52,500	152,500
2043	100,000	49,500	149,500
2044	100,000	46,500	146,500
2045	100,000	43,500	143,500
2046	100,000	40,500	140,500
2047	100,000	37,500	137,500
2048	100,000	34,500	134,500
2049	100,000	31,500	131,500
2050	1,000,000	15,000	1,015,000
	<u>\$ 3,150,000</u>	<u>\$ 1,869,891</u>	<u>\$ 5,019,891</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
May 31, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ -	\$ 105,000	\$ 105,000
2023	50,000	104,250	154,250
2024	55,000	102,675	157,675
2025	65,000	100,875	165,875
2026	65,000	98,925	163,925
2027	65,000	96,975	161,975
2028	70,000	94,950	164,950
2029	60,000	93,000	153,000
2030	55,000	91,275	146,275
2031	60,000	89,550	149,550
2032	70,000	87,600	157,600
2033	75,000	85,425	160,425
2034	85,000	83,025	168,025
2035	90,000	80,400	170,400
2036	95,000	77,625	172,625
2037	95,000	74,775	169,775
2038	110,000	71,700	181,700
2039	90,000	68,700	158,700
2040	75,000	66,225	141,225
2041	80,000	63,900	143,900
2042	85,000	61,425	146,425
2043	85,000	58,875	143,875
2044	95,000	56,175	151,175
2045	100,000	53,250	153,250
2046	105,000	50,175	155,175
2047	115,000	46,875	161,875
2048	130,000	43,200	173,200
2049	130,000	39,300	169,300
2050	110,000	35,700	145,700
2051	1,135,000	17,025	1,152,025
	<u>\$ 3,500,000</u>	<u>\$ 2,198,850</u>	<u>\$ 5,698,850</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ 280,000	\$ 748,231	\$ 1,028,231
2023	395,000	735,845	1,130,845
2024	410,000	721,381	1,131,381
2025	425,000	706,181	1,131,181
2026	440,000	690,420	1,130,420
2027	455,000	674,150	1,129,150
2028	475,000	657,163	1,132,163
2029	495,000	639,587	1,134,587
2030	510,000	621,363	1,131,363
2031	530,000	602,112	1,132,112
2032	550,000	581,842	1,131,842
2033	575,000	561,117	1,136,117
2034	595,000	540,166	1,135,166
2035	620,000	518,313	1,138,313
2036	640,000	495,384	1,135,384
2037	665,000	471,407	1,136,407
2038	695,000	446,292	1,141,292
2039	720,000	420,142	1,140,142
2040	750,000	392,453	1,142,453
2041	780,000	362,981	1,142,981
2042	810,000	332,158	1,142,158
2043	840,000	299,990	1,139,990
2044	875,000	267,200	1,142,200
2045	910,000	233,658	1,143,658
2046	945,000	199,657	1,144,657
2047	980,000	165,404	1,145,404
2048	1,020,000	128,231	1,148,231
2049	1,060,000	87,921	1,147,921
2050	1,110,000	50,700	1,160,700
2051	1,135,000	17,025	1,152,025
	<u>\$ 20,690,000</u>	<u>\$ 13,368,474</u>	<u>\$ 34,058,474</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-6. Change in Long-Term Bonded Debt
May 31, 2021

	Bond Issue			
	Series 2014	Series 2015	Series 2016	Series 2017
Interest rate	2.00% - 4.40%	2.00% - 4.125%	2.00% - 3.625%	3.00% - 5.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/17 - 9/1/42	9/1/17 - 9/1/44	9/1/18 - 9/1/46	9/1/19 - 9/1/46
Beginning bonds outstanding	\$ 2,410,000	\$ 1,300,000	\$ 1,650,000	\$ 2,685,000
Bonds issued				
Bonds retired	(30,000)	(25,000)	(25,000)	(50,000)
Ending bonds outstanding	<u>\$ 2,380,000</u>	<u>\$ 1,275,000</u>	<u>\$ 1,625,000</u>	<u>\$ 2,635,000</u>
Interest paid during fiscal year	<u>\$ 99,887</u>	<u>\$ 50,657</u>	<u>\$ 56,750</u>	<u>\$ 97,337</u>
Paying agent's name and city	Wells Fargo Bank, N.A., Dallas, Texas			
Series 2011	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
All other series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
Bond Authority	Water, Sewer and Drainage and Refunding Bonds	Park and Recreational Facilities and Refunding Bonds		
Amount Authorized by Voters	\$ 168,000,000	\$ 14,000,000		
Amount Issued	(21,775,000)			
Remaining To Be Issued	<u>\$ 146,225,000</u>	<u>\$ 14,000,000</u>		

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of May 31, 2021: \$ 1,656,008

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,135,282

See accompanying auditor's report.

Bond Issue

Series 2017 Refunding	Series 2018	Series 2019	Series 2020	Total
2.00% - 4.00% 9/1; 3/1 9/1/18 - 9/1/38	4.00% - 6.50% 9/1; 3/1 9/1/20 - 9/1/48	2.00% - 3.00% 9/1; 3/1 9/1/22 - 9/1/49	3.00% 9/1; 3/1 9/1/22 - 9/1/50	
\$ 2,765,000	\$ 3,500,000	\$ 3,150,000	\$ -	\$ 17,460,000
			3,500,000	3,500,000
(100,000)	(40,000)			(270,000)
<u>\$ 2,665,000</u>	<u>\$ 3,460,000</u>	<u>\$ 3,150,000</u>	<u>\$ 3,500,000</u>	<u>\$ 20,690,000</u>
<u>\$ 103,700</u>	<u>\$ 156,144</u>	<u>\$ 89,156</u>	<u>\$ 78,750</u>	<u>\$ 732,381</u>

Northeast Harris County Municipal Utility District No. 1
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Water service	\$ 344,739	\$ 314,716	\$ 291,394	\$ 245,768	\$ 221,337
Sewer service	476,547	387,631	394,820	334,234	290,816
Property taxes	1,314,740	1,080,316	878,939	876,201	732,238
Penalties and interest	8,388	14,454	14,983	13,873	16,745
Tap connection and inspection	150,088	80,396	67,519	115,692	80,182
Miscellaneous	28,587	1,205	1,040	1,455	1,449
Investment earnings	1,208	15,688	18,194	9,254	2,258
Total Revenues	2,324,297	1,894,406	1,666,889	1,596,477	1,345,025
Expenditures					
Current service operations					
Purchased services	642,025	531,676	473,169	423,119	303,827
Professional fees	265,062	126,733	179,511	149,772	153,389
Contracted services	452,391	352,626	318,130	257,332	221,284
Repairs and maintenance	385,700	803,245	406,011	373,248	299,475
Utilities	23,459	15,934	15,073	12,101	12,676
Administrative	58,820	52,795	47,654	40,406	41,083
Other	13,557	43,023	17,809	11,506	16,400
Total Expenditures	1,841,014	1,926,032	1,457,357	1,267,484	1,048,134
Revenues Over/(Under) Expenditures	\$ 483,283	\$ (31,626)	\$ 209,532	\$ 328,993	\$ 296,891
Total Active Retail Water Connections	966	859	779	731	620
Total Active Retail Wastewater Connections	955	854	774	727	617

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2021	2020	2019	2018	2017
15%	17%	17%	15%	17%
21%	20%	24%	21%	22%
57%	57%	53%	55%	54%
*	1%	1%	1%	1%
6%	4%	4%	7%	6%
1%	*	*	*	*
*	1%	1%	1%	*
100%	100%	100%	100%	100%
28%	28%	28%	27%	23%
11%	7%	11%	9%	11%
19%	19%	19%	16%	16%
17%	42%	24%	23%	22%
1%	1%	1%	1%	1%
3%	3%	3%	3%	3%
1%	2%	1%	1%	1%
80%	102%	87%	80%	77%
20%	(2%)	13%	20%	23%

Northeast Harris County Municipal Utility District No. 1
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 1,257,410	\$ 1,019,485	\$ 937,847	\$ 711,653	\$ 574,211
Penalties and interest	10,893	10,804	15,920	10,423	7,825
Accrued interest on bonds sold					4,672
Miscellaneous	390				
Investment earnings	1,185	17,050	20,065	9,159	3,069
Total Revenues	<u>1,269,878</u>	<u>1,047,339</u>	<u>973,832</u>	<u>731,235</u>	<u>589,777</u>
Expenditures					
Tax collection services	40,273	35,201	31,316	26,741	22,523
Debt service					
Principal	270,000	220,000	190,000	120,000	65,000
Interest and fees	738,840	623,389	471,554	397,153	360,646
Debt issuance costs				161,794	
Total Expenditures	<u>1,049,113</u>	<u>878,590</u>	<u>692,870</u>	<u>705,688</u>	<u>448,169</u>
Revenues Over Expenditures	<u>\$ 220,765</u>	<u>\$ 168,749</u>	<u>\$ 280,962</u>	<u>\$ 25,547</u>	<u>\$ 141,608</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2021	2020	2019	2018	2017
99%	97%	96%	98%	97%
1%	1%	2%	1%	1%
				1%
*				
*	2%	2%	1%	1%
100%	100%	100%	100%	100%
3%	3%	3%	4%	4%
21%	21%	20%	16%	11%
58%	60%	48%	54%	61%
			22%	
82%	84%	71%	96%	76%
18%	16%	29%	4%	24%

***Northeast Harris County Municipal Utility District No. 1
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2021***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 4, 2020
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Jim Moffatt	5/18 - 5/22	\$ 1,950	\$ 9	President
Keith Jaehne	5/18 - 5/22	1,800	14	Vice President
Ellen Crocker	5/18 - 5/22	2,100	21	Secretary
Tonya Nunez	5/20 - 5/24	1,200	35	Assistant Vice President
Ted Gaylord	5/20 - 5/24	1,950	6	Assistant Secretary
Consultants				
Allen Boone Humphries Robinson, LLP <i>General legal fees</i> <i>Bond counsel</i>	2007	<u>Amounts Paid</u> \$ 99,431 128,037		Attorney
Municipal Operations & Consulting, Inc.	2016	433,511		Operator
McLennan & Associates, LP	2007	24,690		Bookkeeper
Bob Leared Interests, Inc.	2008	14,270		Tax Collector
Harris County Appraisal District	Legislation	17,747		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2010	3,431		Delinquent Tax Attorney
IDS Engineering Group	2007	155,954		Engineer
McGrath & Co., PLLC	2011	24,750		Auditor
Rathmann & Associates, L.P.	2008	93,400		Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
 See accompanying auditor's report.