

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-32
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND	34-35
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	37-39
GENERAL FUND EXPENDITURES	40-41
INVESTMENTS	42
TAXES LEVIED AND RECEIVABLE	43-44
LONG-TERM DEBT SERVICE REQUIREMENTS	45-47
CHANGE IN LONG-TERM BOND DEBT	48-49
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	50-53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	54-55

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Reid Road Municipal Utility District No. 1 (the "District") as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2023, and the respective changes in financial position 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. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with generally accepted auditing standards, 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and Special Revenue Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Reid Road Municipal Utility District No. 1

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 19, 2023

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

Management's discussion and analysis of Reid Road Municipal Utility District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 31, 2023. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Fund accounts for financial resources collected and administered by the District for the operations of a regional wastewater treatment plant. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund and the Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,366,498 as of March 31, 2023.

A portion of the District's net position reflects its net investment in capital assets (e.g. buildings and the water and wastewater facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 12,180,089	\$ 12,142,683	\$ 37,406
Capital Assets (Net of Accumulated Depreciation)	<u>7,232,592</u>	<u>7,656,709</u>	<u>(424,117)</u>
Total Assets	<u>\$ 19,412,681</u>	<u>\$ 19,799,392</u>	<u>\$ (386,711)</u>
Deferred Outflows of Resources	<u>\$ 110,121</u>	<u>\$ 128,450</u>	<u>\$ (18,329)</u>
Bonds Payable	<u>\$ 6,688,047</u>	<u>\$ 7,183,301</u>	<u>\$ 495,254</u>
Other Liabilities	<u>810,634</u>	<u>855,190</u>	<u>44,556</u>
Total Liabilities	<u>\$ 7,498,681</u>	<u>\$ 8,038,491</u>	<u>\$ 539,810</u>
Deferred Inflows of Resources	<u>\$ 1,657,623</u>	<u>\$ 1,616,953</u>	<u>\$ (40,670)</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,088,196	\$ 3,067,758	\$ 20,438
Restricted	668,418	694,428	(26,010)
Unrestricted	<u>6,609,884</u>	<u>6,510,212</u>	<u>99,672</u>
Total Net Position	<u>\$ 10,366,498</u>	<u>\$ 10,272,398</u>	<u>\$ 94,100</u>

The following table provides a summary of the District's operations for the years ended March 31, 2023, and March 31, 2022. The District's net position increased by \$94,100, accounting for a 0.9% increase in net position.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,597,308	\$ 1,487,582	\$ 109,726
Charges for Services	2,768,190	2,670,776	97,414
Other Revenues	<u>611,116</u>	<u>410,718</u>	<u>200,398</u>
Total Revenues	<u>\$ 4,976,614</u>	<u>\$ 4,569,076</u>	<u>\$ 407,538</u>
Expenses for Services	<u>4,882,514</u>	<u>4,450,898</u>	<u>(431,616)</u>
Change in Net Position	\$ 94,100	\$ 118,178	\$ (24,078)
Net Position, Beginning of Year	<u>10,272,398</u>	<u>10,154,220</u>	<u>118,178</u>
Net Position, End of Year	<u>\$ 10,366,498</u>	<u>\$ 10,272,398</u>	<u>\$ 94,100</u>

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2023, were \$9,727,985, an increase of \$33,055 from the prior year.

The General Fund fund balance increased by \$96,979, primarily due to service and tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$31,554, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance decreased by \$32,370, primarily due to capital costs from a previous year's bond proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the General Fund budget for the year ended March 31, 2023 to increase projected contracted services and repairs and maintenance costs and decrease projected purchased wastewater costs. For the General Fund, actual revenues were \$380,343 more than budgeted revenues. Actual expenditures were \$746,884 less than budgeted expenditures. This resulted in a positive budget variance of \$1,127,227. See the budget to actual comparison on page 34 for further information.

CAPITAL ASSETS

Capital assets as of March 31, 2023, total \$7,232,592 (net of accumulated depreciation). These capital assets include land and buildings as well as the water and wastewater systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 880,035	\$ 880,035	\$
Construction in Progress	95,309		95,309
Capital Assets, Net of Accumulated Depreciation:			
Buildings	141,363	147,902	(6,539)
Water System	2,507,119	2,754,977	(247,858)
Wastewater System	3,424,272	3,682,532	(258,260)
Drainage System	184,494	191,263	(6,769)
Total Net Capital Assets	\$ 7,232,592	\$ 7,656,709	\$ (424,117)

Additional information on the District's capital assets can be found in Note 6 of this report.

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$6,685,000.

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

Bond Debt Payable, April 1, 2022	\$ 7,180,000
Less: Bond Principal Paid	<u>495,000</u>
Bond Debt Payable, March 31, 2023	<u>\$ 6,685,000</u>

The District's Series 2015 bonds carry an underlying rating of "A" from Standard & Poor's. District's bonds do not carry insured ratings.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Reid Road Municipal Utility District No. 1, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2023

	General Fund	Special Revenue Fund
ASSETS		
Cash	\$ 216,406	\$ 34,812
Investments	7,556,962	
Cash with Fiscal Agent		
Receivables:		
Property Taxes	48,758	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$3,500)	190,046	
Accrued Interest	10,383	
Other	62,118	
Due from Other Funds	26,503	80,665
Prepaid Costs	36,762	
Due from Other Governmental Units		50,155
Advance for Regional Wastewater Treatment Plant Operations	32,000	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 8,179,938	\$ 165,632
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,179,938	\$ 165,632

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 151,088	\$ 468	\$ 402,774	\$	\$ 402,774
642,189	2,486,831	10,685,982		10,685,982
614,117		614,117		614,117
43,049		91,807		91,807
			35,568	35,568
		190,046		190,046
377		10,760		10,760
		62,118		62,118
1,463		108,631	(108,631)	
		36,762		36,762
		50,155		50,155
		32,000	(32,000)	
			880,035	880,035
			95,309	95,309
			6,257,248	6,257,248
<u>\$ 1,452,283</u>	<u>\$ 2,487,299</u>	<u>\$ 12,285,152</u>	<u>\$ 7,127,529</u>	<u>\$ 19,412,681</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 110,121</u>	<u>\$ 110,121</u>
<u>\$ 1,452,283</u>	<u>\$ 2,487,299</u>	<u>\$ 12,285,152</u>	<u>\$ 7,237,650</u>	<u>\$ 19,522,802</u>

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

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2023

	General Fund	Special Revenue Fund
LIABILITIES		
Accounts Payable	\$ 216,195	\$ 115,632
Accrued Interest Payable		
Due to Developer	42,792	
Due to Other Funds	82,128	
Due to Taxpayers		
Security Deposits	286,005	
Advance for Regional Wastewater Treatment Plant Operations		50,000
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 627,120	\$ 165,632
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 963,585	\$ -0-
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 36,762	\$
For Regional Wastewater Treatment Plant Operations	32,000	
Restricted for Authorized Construction		
Restricted for Debt Service		
Unassigned	6,520,471	
TOTAL FUND BALANCES	\$ 6,589,233	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,179,938	\$ 165,632
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 31,319	\$ 363,146	\$	\$ 363,146
			94,117	94,117
		42,792		42,792
4,053	22,450	108,631	(108,631)	
6,574		6,574		6,574
		286,005		286,005
		50,000	(32,000)	18,000
			520,000	520,000
			<u>6,168,047</u>	<u>6,168,047</u>
<u>\$ 10,627</u>	<u>\$ 53,769</u>	<u>\$ 857,148</u>	<u>\$ 6,641,533</u>	<u>\$ 7,498,681</u>
<u>\$ 736,434</u>	<u>\$ -0-</u>	<u>\$ 1,700,019</u>	<u>\$ (42,396)</u>	<u>\$ 1,657,623</u>
\$	\$	\$ 36,762	\$ (36,762)	\$
		32,000	(32,000)	
	2,433,530	2,433,530	(2,433,530)	
705,222		705,222	(705,222)	
		<u>6,520,471</u>	<u>(6,520,471)</u>	
<u>\$ 705,222</u>	<u>\$ 2,433,530</u>	<u>\$ 9,727,985</u>	<u>\$ (9,727,985)</u>	<u>\$ - 0 -</u>
<u>\$ 1,452,283</u>	<u>\$ 2,487,299</u>	<u>\$ 12,285,152</u>		
			\$ 3,088,196	\$ 3,088,196
			668,418	668,418
			<u>6,609,884</u>	<u>6,609,884</u>
			<u>\$ 10,366,498</u>	<u>\$ 10,366,498</u>

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

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2023

Total Fund Balances - Governmental Funds	\$	9,727,985
--	----	-----------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		110,121
--	--	---------

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		7,232,592
---	--	-----------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District.		77,964
--	--	--------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (94,117)	
Bonds Payable	<u>(6,688,047)</u>	<u>(6,782,164)</u>

Total Net Position - Governmental Activities	\$	<u>10,366,498</u>
--	----	-------------------

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

THIS PAGE INTENTIONALLY LEFT BLANK

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2023

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 916,701	\$
Water Service	465,355	
Wastewater Service	809,642	901,099
Regional Water Authority Fees	1,075,128	
Sales Tax Revenues	282,732	
Penalty and Interest	34,355	
Tap Connection and Inspection Fees	17,629	
Investment Revenues	170,440	
Miscellaneous Revenues	76,183	
TOTAL REVENUES	\$ 3,848,165	\$ 901,099
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 148,585	\$ 106,749
Contracted Services	598,864	56,737
Purchased Water Service		490
Purchased Wastewater Service	549,665	
Utilities	199,529	153,928
Regional Water Authority Assessment	1,117,493	
Repairs and Maintenance	836,934	237,586
Depreciation		
Other	300,116	345,609
Capital Outlay		
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 3,751,186	\$ 901,099
NET CHANGE IN FUND BALANCES	\$ 96,979	\$ -0-
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2022	6,492,254	
FUND BALANCES/NET POSITION - MARCH 31, 2023	\$ 6,589,233	\$ -0-

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 676,692	\$	\$ 1,593,393	\$ 3,915	\$ 1,597,308
		465,355	(490)	464,865
		1,710,741	(549,665)	1,161,076
		1,075,128		1,075,128
		282,732		282,732
16,108		50,463	(971)	49,492
		17,629		17,629
15,066	63,484	248,990		248,990
3,211		79,394		79,394
<u>\$ 711,077</u>	<u>\$ 63,484</u>	<u>\$ 5,523,825</u>	<u>\$ (547,211)</u>	<u>\$ 4,976,614</u>
\$ 2,528	\$	\$ 257,862	\$	\$ 257,862
43,514		699,115		699,115
		490	(490)	
		549,665	(549,665)	
		353,457		353,457
		1,117,493		1,117,493
		1,074,520		1,074,520
			519,426	519,426
8,062	545	654,332		654,332
	95,309	95,309	(95,309)	
495,000		495,000	(495,000)	
193,527		193,527	12,782	206,309
<u>\$ 742,631</u>	<u>\$ 95,854</u>	<u>\$ 5,490,770</u>	<u>\$ (608,256)</u>	<u>\$ 4,882,514</u>
\$ (31,554)	\$ (32,370)	\$ 33,055	\$ (33,055)	\$
			94,100	94,100
<u>736,776</u>	<u>2,465,900</u>	<u>9,694,930</u>	<u>577,468</u>	<u>10,272,398</u>
<u>\$ 705,222</u>	<u>\$ 2,433,530</u>	<u>\$ 9,727,985</u>	<u>\$ 638,513</u>	<u>\$ 10,366,498</u>

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

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$	33,055
--	----	--------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		3,915
--	--	-------

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(971)
---	--	-------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(519,426)
--	--	-----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		95,309
---	--	--------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		495,000
---	--	---------

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(12,782)
---	--	----------

Change in Net Position - Governmental Activities	\$	<u>94,100</u>
--	----	---------------

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

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1. CREATION OF DISTRICT

Reid Road Municipal Utility District No. 1 of Harris County, Texas (the “District”) was created effective May 13, 1974 by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. To date, the District has not chosen to exercise these powers. The Board of Directors held its first meeting on July 1, 1974, and the first bonds were sold on October 18, 1976.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units. The District participates in the joint venture for the operation of a regional wastewater treatment plant. Since the District exercises oversight responsibility over the plant, it is accounted for as a joint venture of the District in the Special Revenue Fund, see Note 8 for additional disclosure.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- * Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- * Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- * Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current period revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District’s fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has four governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Special Revenue Fund – To account for financial activities of the regional wastewater treatment plant.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the 2021 tax levy collections during the period October 1, 2021, to March 31, 2023, and taxes collected from April 1, 2022, to March 31, 2023, for the 2020 and prior tax levies. The 2022 tax levy has been fully deferred.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$20,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District’s Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The original General Fund and Special Revenue Fund budgets for the current year were amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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 assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	<u>Series 2015</u>	<u>Refunding Series 2016</u>
Amount Outstanding – March 31, 2023	\$ 4,825,000	\$ 1,860,000
Interest Rates	2.50% - 3.50%	2.02%
Maturity Dates – Serially Beginning/Ending	April 1, 2023/2035	April 1, 2023/2029
Interest Payment Dates	April 1/October 1	April 1/October 1
Callable Dates	April 1, 2023*	April 1, 2022*

* Or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Series 2016 Refunding Bonds are private placement bonds. The Series 2016 Refunding term bonds maturing on April 1, 2029 are subject to mandatory redemption beginning on April 1, 2017.

The following is a summary of transactions regarding long-term liabilities for the year ended March 31, 2023:

	<u>April 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2023</u>
Bonds Payable	\$ 7,180,000	\$	\$ 495,000	\$ 6,685,000
Unamortized Premiums	<u>3,301</u>	<u></u>	<u>254</u>	<u>3,047</u>
Bonds Payable, net	<u>\$ 7,183,301</u>	<u>\$ -0-</u>	<u>\$ 495,254</u>	<u>\$ 6,688,047</u>
		Amount Due Within One Year		\$ 520,000
		Amount Due After One Year		<u>6,168,047</u>
		Bonds Payable, net		<u>\$ 6,688,047</u>

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 520,000	\$ 182,335	\$ 702,335
2025	530,000	170,409	700,409
2026	555,000	157,702	712,702
2027	580,000	144,013	724,013
2028	600,000	129,328	729,328
2029-2033	2,490,000	421,695	2,911,695
2034-2036	1,410,000	75,775	1,485,775
	<u>\$ 6,685,000</u>	<u>\$ 1,281,257</u>	<u>\$ 7,966,257</u>

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

During the year ended March 31, 2023, the District levied an ad valorem debt service tax rate of \$0.1885 per \$100 of assessed valuation, which resulted in a tax levy of \$714,689 on the adjusted taxable valuation of \$379,145,035 for the 2022 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the 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.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The Bond Orders state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risks, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however; that at any time while any contractor engaged in construction work shall be fully responsible therefore, the District shall not be required to carry such insurance.

At March 31, 2023, the District has physical damage coverage of \$10,114,000, boiler and machinery coverage of \$10,114,000, general liability coverage with a maximum limit of \$3,000,000, automobile liability coverage with a maximum limit of \$1,000,000, umbrella liability coverage with a maximum limit of \$1,000,000 and pollution liability coverage of \$1,000,000.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$1,354,063 and the bank balance was \$1,381,019. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2023, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 216,406	\$ 841,469	\$ 1,057,875
SPECIAL REVENUE FUND	34,812		34,812
DEBT SERVICE FUND	151,088	109,820	260,908
CAPITAL PROJECTS FUND	468		468
TOTAL DEPOSITS	\$ 402,774	\$ 951,289	\$ 1,354,063

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool and TexSTAR, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Investors, Inc. manages the daily operations of the TexPool under a contract with the Comptroller. First Southwest Asset Management, Inc. and JPMorgan Chase manage the daily operations of TexSTAR. TexPool and TexSTAR meet the criteria established in GASB Statement No. 79 and measure all of their portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool and TexSTAR at amortized cost for financial reporting purposes.

The District records certificates of deposit at acquisition cost.

As of March 31, 2023, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,126,597	\$ 1,126,597
TexSTAR	5,588,896	5,588,896
Certificates of Deposit	841,469	841,469
<u>DEBT SERVICE FUND</u>		
TexSTAR	532,369	532,369
Certificates of Deposit	109,820	109,820
<u>CAPITAL PROJECTS FUND</u>		
TexPool	1,046,617	1,046,617
TexSTAR	1,440,214	1,440,214
TOTAL INVESTMENTS	<u><u>\$ 10,685,982</u></u>	<u><u>\$ 10,685,982</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2023, the District's investment in TexPool and TexSTAR were rated AAAM by Standard and Poor's. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage and having pledged collateral for amounts above the FDIC coverage limit.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the wastewater treatment plant operations.

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase or rehabilitation of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2023:

	April 1, 2022	Increases	Decreases	March 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 880,035	\$	\$	\$ 880,035
Construction in Progress		95,309		95,309
Total Capital Assets Not Being Depreciated	<u>\$ 880,035</u>	<u>\$ 95,309</u>	<u>\$ -0-</u>	<u>\$ 975,344</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 347,827		\$	\$ 347,827
Water System	6,636,122			6,636,122
Wastewater System	9,206,670			9,206,670
Drainage System	304,001			304,001
Total Capital Assets Subject to Depreciation	<u>\$ 16,494,620</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,494,620</u>
Accumulated Depreciation				
Buildings	\$ 199,925	\$ 6,539	\$	\$ 206,464
Water System	3,881,145	247,858		4,129,003
Wastewater System	5,524,138	258,260		5,782,398
Drainage System	112,738	6,769		119,507
Total Accumulated Depreciation	<u>\$ 9,717,946</u>	<u>\$ 519,426</u>	<u>\$ -0-</u>	<u>\$ 10,237,372</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,776,674</u>	<u>\$ (519,426)</u>	<u>\$ -0-</u>	<u>\$ 6,257,248</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,656,709</u>	<u>\$ (424,117)</u>	<u>\$ -0-</u>	<u>\$ 7,232,592</u>

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 7. MAINTENANCE TAX

On August 14, 1976, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and sanitary sewer system. During the year ended March 31, 2023, the District levied an ad valorem maintenance tax rate of \$0.2487 per \$100 of assessed valuation, which resulted in a tax levy of \$942,934 on the adjusted taxable valuation of \$379,145,035 for the 2022 tax year.

NOTE 8. JOINT VENTURE FOR REGIONAL WASTE TREATMENT PLANT

On April 1, 1983, the District entered into a forty-year contract with Reid Road Municipal Utility District No. 2 (“District No. 2”) for the construction, operation and maintenance of a regional waste treatment plant. On June 1, 1987, the agreement was amended to provide for the financing of the acquisition, installation, operation and maintenance of an emergency power generator and certain other improvements. On February 26, 1991, a second amendment to the contract was executed relative to the installation of dechlorination equipment. Also on February 26, 1991, a third addendum to the contract was executed providing for certain revisions and additions to the original agreement further defining and outlining certain operational and administrative procedures and responsibilities between the Districts. The District manages and operates the facilities for the benefit of the participants. This contract expired on April 1, 2023. Subsequent to year end, the District and District No. 2 agreed to a one-year extension of the contract.

Construction Costs

Construction of and additions to plant facilities are to be shared on a pro rata basis based on the capacity each district acquires. The present plant capacity is as follows:

	<u>Capacity</u>	<u>Percentage of Ownership</u>
Reid Road Municipal Utility District No. 1	1,030,000	58.86%
Reid Road Municipal Utility District No. 2	<u>720,000</u>	<u>41.14%</u>
	<u>1,750,000</u>	<u>100.00%</u>

Operating Costs

On March 18, 1992, a fourth amendment was executed defining an equivalent single family connection (ESFC) for residential and non-residential connections as total gallons of water billed, divided by 10,000 gallons. The computed ESFCs would be added to active single family residential unites to be used in the allocation of variable monthly costs between the two participants.

The Districts are billed monthly for operating charges. The monthly billing to each District is comprised of fixed and variable costs. Fixed costs are to be shared based on each District’s pro rata share of plant capacity. Variable costs are billed on the basis of ESFCs within each District.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 8. JOINT VENTURE FOR REGIONAL WASTE TREATMENT PLANT
(Continued)

Transactions for the current year are summarized as follows:

	Reid Road Municipal Utility District No. 1	Reid Road Municipal Utility District No. 2	Total
Due from participants, April 1, 2022	\$ 98,739	\$ 68,419	\$ 167,158
Current year billings to participants	549,665	351,434	901,099
Current year collections	<u>567,739</u>	<u>369,698</u>	<u>937,437</u>
Due from participants March 31, 2023	<u>\$ 80,665</u>	<u>\$ 50,155</u>	<u>\$ 130,820</u>
Reserve balances at March 31, 2023	<u>\$ 32,000</u>	<u>\$ 18,000</u>	<u>\$ 50,000</u>

Current year billings were \$549,665 for operating costs.

NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS

Reid Road Municipal Utility District No. 2

On May 20, 1998, the District executed the Amended and Restated Emergency Water Supply Agreement with District No. 2. The agreement supersedes previous agreements dated July 12, 1979, December 1, 1983, June 1, 1987, and June 21, 1995. The agreement provides for the acquisition and installation of an emergency generator at the District's water plant. The ownership and cost of the generator will be based on each District's pro rata share of currently projected ultimate number of connections within each District. This number was calculated at 55.94% for the District and 44.06% for District No. 2. During normal operations of the Districts, the operation costs of the generator shall be split 50/50 by each District. Operating costs have been deemed to be fuel costs and operator charges, including routine maintenance such as oil and filter changes and regular exercising of motors and equipment. Maintenance costs, which shall be deemed to be all other operation and maintenance costs, including but not limited to repairs and replacements, shall be shared on the ownership basis. During a single district emergency, costs will be based on the same allocations of those during normal operations.

On April 19, 2000, the District executed a First Amendment to the May 20, 1998 Agreement amending the rates to be charged for water and on May 18, 2016, the District executed a Second Amendment amending the rates. The rate to be paid to the supplying District for emergency water supplied during a temporary period shall be \$1.00 per 1,000 gallons of water consumed plus the pro-rata share of the cost incurred by the supplying District by virtue of the supplying District's inclusion in the North Harris County Regional Water Authority, from the effective date of the contract until the third anniversary date.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS (Continued)

Reid Road Municipal Utility District No. 2 (Continued)

During a joint emergency, the emergency generator will be utilized to provide a source of electrical power to provide a water supply for both Districts. During a joint emergency, the District shall make charges and render bills to both Districts on the basis of any joint emergency operation and maintenance costs incurred during a joint emergency. In the case of either a single district emergency or a joint district emergency, if a district does not have the financial ability to make payments as required by the contract, each district has the option of providing payment to the other district in kind. The term of the contract shall be for 40 years.

Emerald Forest Utility District

On September 18, 1996, the District entered into an Emergency Supply Agreement with Emerald Forest Utility District. This agreement calls for the District to maintain the facilities previously installed to interconnect the two Districts. The costs of maintenance on these facilities is to be shared equally between the Districts. The rate to be charged by each District will be \$0.50 per 1,000 gallons of water supplied. The term of this agreement is 20 years.

On June 21, 2000, the District executed a First Amendment to the Agreement of to increase the rate charged by each District to \$1.00 per 1,000 gallons of water supplied plus the per gallon pumpage fees charged by the North Harris County Water Authority.

On May 18, 2016, the District executed a Second Amendment to the Agreement to extend the term of the Agreement for 20 years from this date.

Any billing for water supplied in accordance with the above agreements is made by the District's Operator and the revenue is included in water revenue of the District.

White Oak Bend Municipal Utility District

On February 20, 1991, the District executed an Emergency Water Supply Agreement with White Oak Bend Municipal Utility District (White Oak Bend). Each District agreed to provide water to the other during an emergency. The rate to be charged for water will be \$0.80 per 1,000 gallons of water supplied. This rate will remain in effect until the third anniversary date of the agreement. After the third anniversary date through the 15th anniversary date the rate shall be at a rate agreed to by both parties.

On June 21, 2000, the District executed the First Amendment to the Emergency Water Supply Agreement. This agreement provides that from the effective date of the agreement and for three years thereafter, the rate for water through the interconnect will be \$0.80 per 1,000 gallons of water plus the pro rata share of the cost incurred by virtue of the supplying district's inclusion in the North Harris County Regional Water Authority. From the third anniversary of the agreement the cost of water is to be based upon a mutually agreed upon amount by both parties. The term of the agreement is 15 years, with automatic three year renewals thereafter.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS (Continued)

White Oak Bend Municipal Utility District (Continued)

On May 17, 2006, the District executed the Second Amendment to the Emergency Water Supply Agreement. In accordance with this amendment, the rate was increased to \$1.00 per 1,000 gallons of water plus the pro rata share of the cost incurred by virtue of the supplying district's inclusion in the North Harris County Regional Water Authority.

On August 17, 2016, the District executed the Third Amendment to the Emergency Water Supply Agreement to update addresses and notices instructions.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The District is required to convert its water supply to surface water over a period of time. On July 21, 2021, the District acknowledged the Authority's intent to convert the District's water disinfection system to chloramines which requires the Authority to fund and construct the necessary facilities which will allow the future delivery of surface water.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The fee charged as of the end of the current fiscal year was \$4.10 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$1,117,493 for fees assessed during the year ended March 31, 2023.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective June 18, 2004, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The Agreement was amended on December 19, 2011 and December 19, 2016. The Agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and the Act, the City shall annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. The District retains all rights to assess and levy ad valorem taxes on taxable property within the Tract. Upon the limited-purpose annexation of the Tract, the City’s municipal courts shall have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and State laws. Provisions of the Regulatory Plan adopted by the City will be applicable to the District and the Tract of land within the District. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of this agreement.

After the Tract is annexed for limited purposes by the City, the qualified voters of the Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts with 30 days of the City receiving the funds from the State Comptroller’s office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement. During the year ended March 31, 2023, the District recorded revenue of \$282,732 in accordance with this agreement.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 13. LAW ENFORCEMENT AGREEMENT

The District has entered into Agreement for Law Enforcement Services (the “Agreement”) with Harris County (the “County”). The County agrees to provide two deputies to devote 70 percent of their working time to provide law enforcement services within the District’s geographical area, as further defined in Exhibit A of the Agreement. For the period March 1, 2022 to September 30, 2022, the District agreed to pay the County \$13,198 monthly for the service. For the period October 1, 2022 to September 30, 2023, the District agreed to pay the County \$12,933 monthly for the service.

On April 20, 2005, the District and Reid Road Municipal Utility District No. 2 (District No. 2) approved a letter agreement noting District No. 2’s participation in the Agreement between the District and the County. A portion of District No. 2 will be receiving security services in accordance with the Agreement-specifically 96 active connections within Harvest Bend-The Meadows. District No. 2 agrees to pay its pro-rata share of the Agreement. District No. 2’s share for the period March 1, 2022, to February 28, 2023, was \$9,371.

NOTE 14. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

As of March 31, 2023, the District had the following interfund liabilities: the General Fund owed the Debt Service Fund \$1,463 for an excess transfer of maintenance tax collections; the Debt Service Fund owed the General Fund \$378 for bond issuance costs and \$3,675 for arbitrage costs; the Capital Projects Fund owed the General Fund \$22,450 for the fluoride improvements at water plant no. 1; and the General Fund owed the Special Revenue Fund \$80,665 for wastewater treatment plant operating costs.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2023

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 863,322	\$ 863,322	\$ 916,701	\$ 53,379
Water Service	525,000	525,000	465,355	(59,645)
Wastewater Service	720,000	720,000	809,642	89,642
Regional Water Authority Fee	950,000	950,000	1,075,128	125,128
Sales Tax Revenues	285,000	285,000	282,732	(2,268)
Penalty and Interest	45,000	45,000	34,355	(10,645)
Tap Connection and Inspection Fees	17,500	17,500	17,629	129
Investment Revenues	12,000	12,000	170,440	158,440
Miscellaneous Revenues	50,000	50,000	76,183	26,183
TOTAL REVENUES	<u>\$ 3,467,822</u>	<u>\$ 3,467,822</u>	<u>\$ 3,848,165</u>	<u>\$ 380,343</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 179,500	\$ 179,500	\$ 148,585	\$ 30,915
Contracted Services	545,500	648,000	598,864	49,136
Purchased Wastewater Service	1,569,900	1,140,420	549,665	590,755
Utilities	185,000	185,000	199,529	(14,529)
Regional Water Authority Assessment	960,000	960,000	1,117,493	(157,493)
Repairs and Maintenance	913,000	1,171,900	836,934	334,966
Other	213,250	213,250	300,116	(86,866)
TOTAL EXPENDITURES	<u>\$ 4,566,150</u>	<u>\$ 4,498,070</u>	<u>\$ 3,751,186</u>	<u>\$ 746,884</u>
NET CHANGE IN FUND BALANCE	\$ (1,098,328)	\$ (1,030,248)	\$ 96,979	\$ 1,127,227
FUND BALANCE - APRIL 1, 2022	<u>6,492,254</u>	<u>6,492,254</u>	<u>6,492,254</u>	<u>_____</u>
FUND BALANCE - MARCH 31, 2023	<u>\$ 5,393,926</u>	<u>\$ 5,462,006</u>	<u>\$ 6,589,233</u>	<u>\$ 1,127,227</u>

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
SPECIAL REVENUE FUND – WASTEWATER TREATMENT PLANT
FOR THE YEAR ENDED MARCH 31, 2023

	Original Budget	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Wastewater Service	\$ 2,616,500	\$ 1,900,700	\$ 901,099	\$ (999,601)
EXPENDITURES				
Legal	\$ 10,000	\$ 10,000	\$ 5,999	\$ 4,001
Audit Fees	5,000	5,000	4,900	100
Engineering	85,000	140,000	95,850	44,150
Bookkeeping	6,000	6,000	6,000	
Operator	27,000	27,000	30,426	(3,426)
Security	12,000	53,200	20,311	32,889
Utilities	135,000	145,000	153,928	(8,928)
Purchased Water Service	1,000	1,000	490	510
Repairs and Maintenance	2,031,000	1,179,000	237,586	941,414
Insurance	13,000	13,000	17,347	(4,347)
Chemicals	2,500	2,500	4,750	(2,250)
Laboratory Costs	65,000	65,000	70,802	(5,802)
Office Costs	1,000	1,000	1,138	(138)
Permit Fees	13,000	13,000	12,798	202
Sludge Disposal	205,000	235,000	229,578	5,422
Other	5,000	5,000	9,196	(4,196)
TOTAL EXPENDITURES	<u>\$ 2,616,500</u>	<u>\$ 1,900,700</u>	<u>\$ 901,099</u>	<u>\$ 999,601</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - APRIL 1, 2022	<u>50,000</u>			
FUND BALANCE - MARCH 31, 2023	<u>\$ 50,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MARCH 31, 2023

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
<u> X </u>	Parks/Recreation	_____	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
<u> X </u>	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 3/4" METER (OR EQUIVALENT):

Based on the rate order effective February 15, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 12.25	3,000	N	\$ 0.50 \$ 0.75 \$ 1.50 \$ 2.00	3,001 to 16,000 16,001 to 25,000 25,001 to 50,000 50,001 and up
WASTEWATER:	\$ 32.50		Y		
SURCHARGE:					
Solid Waste/Garbage Commission	Included in wastewater fees				
Regulatory Assessments					
Regional Water Authority Fees		1,000	N	\$ 4.76	1,001 and up
Other (Name)					

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$15.75 Wastewater: \$32.50 Surcharge: \$47.60 Total \$95.85

See accompanying independent auditor's report.

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>1,514</u>	<u>1,492</u>	x 1.0	<u>1,492</u>
1"	<u>18</u>	<u>18</u>	x 2.5	<u>45</u>
1½"	<u>7</u>	<u>7</u>	x 5.0	<u>35</u>
2"	<u>42</u>	<u>42</u>	x 8.0	<u>336</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"	<u>3</u>	<u>3</u>	x 25.0	<u>75</u>
6"	_____	_____	x 50.0	_____
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>1,587</u></u>	<u><u>1,565</u></u>		<u><u>2,093</u></u>
Total Wastewater Connections	<u><u>1,575</u></u>	<u><u>1,555</u></u>	x 1.0	<u><u>1,555</u></u>

3. TOTAL WATER CONSUMPTION DURING THE YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	249,170,000	Water Accountability Ratio: 95.4 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	210,721,000	
Gallons applied to leaks and flushing:	60,000	
Gallons sold:	26,862,000	To: Reid Road Municipal Utility District No. 2 and White Oak Bend Municipal Utility District

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2023

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2023

PROFESSIONAL FEES:	
Auditing	\$ 16,750
Engineering	69,405
Legal	<u>62,430</u>
TOTAL PROFESSIONAL FEES	<u>\$ 148,585</u>
 PURCHASED SERVICES FOR RESALE:	
Purchased Wastewater Service	<u>\$ 549,665</u>
 CONTRACTED SERVICES:	
Bookkeeping	\$ 30,885
Operations and Billing	118,633
Security	133,865
Solid Waste Disposal	<u>315,481</u>
TOTAL CONTRACTED SERVICES	<u>\$ 598,864</u>
 UTILITIES	<u>\$ 199,529</u>
 REPAIRS AND MAINTENANCE	<u>\$ 836,934</u>
 ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 34,500
Dues	750
Insurance	18,122
Office Supplies and Postage	47,141
Payroll Taxes	2,753
Travel and Meetings	13,166
Regional Water Authority Assessment	<u>1,117,493</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 1,233,925</u>

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2023

PARKS AND RECREATION	<u>\$ 104,013</u>
OTHER EXPENDITURES:	
Chemicals	\$ 25,986
Laboratory Fees	18,838
Permit Fees	5,666
Inspection Fees	1,093
Regulatory Assessment	6,118
Other	<u>21,970</u>
TOTAL OTHER EXPENDITURES	<u>\$ 79,671</u>
TOTAL EXPENDITURES	<u><u>\$ 3,751,186</u></u>

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
INVESTMENTS
MARCH 31, 2023

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 1,126,597	\$
TexSTAR	XXXX2220	Varies	Daily	5,588,896	
Certificate of Deposit	XXXX3846	2.05%	06/28/23	240,000	3,721
Certificate of Deposit	XXXX9452	1.25%	06/30/23	240,000	2,252
Certificate of Deposit	XXXX6833	2.50%	09/09/23	225,340	3,133
Certificate of Deposit	XXXX7206	1.25%	06/30/23	136,129	1,277
TOTAL GENERAL FUND				<u>\$ 7,556,962</u>	<u>\$ 10,383</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3330	Varies	Daily	\$ 532,369	\$
Certificate of Deposit	XXXX1560	0.35%	04/07/23	109,820	377
TOTAL DEBT SERVICE FUND				<u>\$ 642,189</u>	<u>\$ 377</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 1,046,617	\$
TexSTAR	XXXX1890	Varies	Daily	1,440,214	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 2,486,831</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 10,685,982</u>	<u>\$ 10,760</u>

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2023

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2022	\$	45,621	\$	40,921
Adjustments to Beginning				
Balance		<u>(11,296)</u>	\$	<u>32,572</u>
		\$	34,325	
Original 2022 Tax Levy	\$	850,273	\$	644,457
Adjustment to 2022 Tax Levy		<u>92,661</u>	<u>942,934</u>	<u>714,689</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	977,259	\$
				747,261
TAX COLLECTIONS:				
Prior Years	\$	13,674	\$	10,827
Current Year		<u>914,827</u>	<u>928,501</u>	<u>704,212</u>
TAXES RECEIVABLE -				
MARCH 31, 2023		<u>\$</u>	<u>48,758</u>	<u>\$</u>
				<u>43,049</u>
TAXES RECEIVABLE BY				
YEAR:				
2022	\$	28,107	\$	21,304
2021		4,736		3,493
2020		3,516		2,641
2019		3,351		2,652
2018		1,816		1,816
2017 and prior		<u>7,232</u>		<u>11,143</u>
TOTAL	\$	<u>48,758</u>	\$	<u>43,049</u>

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROPERTY VALUATIONS:				
Land	\$ 107,506,580	\$ 108,113,239	\$ 93,271,794	\$ 69,808,959
Improvements	345,333,366	286,782,268	279,588,650	266,792,134
Personal Property	15,327,343	13,203,152	13,693,817	13,508,739
Exemptions	<u>(89,022,254)</u>	<u>(62,374,319)</u>	<u>(58,742,471)</u>	<u>(54,790,719)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 379,145,035</u>	<u>\$ 345,724,340</u>	<u>\$ 327,811,790</u>	<u>\$ 295,319,113</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.1885	\$ 0.1985	\$ 0.2025	\$ 0.220
Maintenance	<u>0.2487</u>	<u>0.2692</u>	<u>0.2696</u>	<u>0.278</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.4372</u>	<u>\$ 0.4677</u>	<u>\$ 0.4721</u>	<u>\$ 0.498</u>
ADJUSTED TAX LEVY*	<u>\$ 1,657,623</u>	<u>\$ 1,616,953</u>	<u>\$ 1,547,600</u>	<u>\$ 1,470,689</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.02 %</u>	<u>99.49 %</u>	<u>99.60 %</u>	<u>99.59 %</u>

* Based upon the adjusted tax levy at the time of the audit for the period in which the tax was levied.

Maintenance Tax – Maximum tax rate in an unlimited amount per \$100 of assessed valuation approved by voters on August 14, 1976.

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending March 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2024	\$ 270,000	\$ 147,288	\$ 417,288
2025	280,000	140,412	420,412
2026	295,000	132,856	427,856
2027	315,000	124,469	439,469
2028	330,000	115,188	445,188
2029	345,000	105,062	450,062
2030	365,000	94,413	459,413
2031	385,000	83,162	468,162
2032	405,000	70,806	475,806
2033	425,000	56,788	481,788
2034	445,000	41,562	486,562
2035	470,000	25,550	495,550
2036	495,000	8,663	503,663
	\$ 4,825,000	\$ 1,146,219	\$ 5,971,219

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

REFUNDING SERIES - 2016

Due During Fiscal Years Ending March 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2024	\$ 250,000	\$ 35,047	\$ 285,047
2025	250,000	29,997	279,997
2026	260,000	24,846	284,846
2027	265,000	19,544	284,544
2028	270,000	14,140	284,140
2029	280,000	8,585	288,585
2030	285,000	2,879	287,879
2031			
2032			
2033			
2034			
2035			
2036			
	<u>\$ 1,860,000</u>	<u>\$ 135,038</u>	<u>\$ 1,995,038</u>

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2023

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 520,000	\$ 182,335	\$ 702,335
2025	530,000	170,409	700,409
2026	555,000	157,702	712,702
2027	580,000	144,013	724,013
2028	600,000	129,328	729,328
2029	625,000	113,647	738,647
2030	650,000	97,292	747,292
2031	385,000	83,162	468,162
2032	405,000	70,806	475,806
2033	425,000	56,788	481,788
2034	445,000	41,562	486,562
2035	470,000	25,550	495,550
2036	495,000	8,663	503,663
	<u>\$ 6,685,000</u>	<u>\$ 1,281,257</u>	<u>\$ 7,966,257</u>

See accompanying independent auditor's report.

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2023**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2022
Reid Road Municipal Utility District No. 1 Unlimited Tax Bonds - Series 2015	\$ 5,550,000	\$ 5,080,000
Reid Road Municipal Utility District No. 1 Unlimited Tax Refunding Bonds - Series 2016	<u>2,935,000</u>	<u>2,100,000</u>
TOTAL	<u><u>\$ 8,485,000</u></u>	<u><u>\$ 7,180,000</u></u>

Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 31,225,000	\$ 15,000,000
Amount Issued	<u>23,575,000</u>	<u>6,920,000</u>
Remaining to be Issued	<u><u>\$ 7,650,000</u></u>	<u><u>\$ 8,080,000</u></u>

Debt Service Fund cash, investments and cash with paying agent balances as of
March 31, 2023: \$ 1,407,394

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 612,789

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 255,000	\$ 153,531	\$ 4,825,000	Regions Bank Houston, TX
	<u>240,000</u>	<u>39,996</u>	<u>1,860,000</u>	Regions Bank Houston, TX
<u>\$ - 0 -</u>	<u>\$ 495,000</u>	<u>\$ 193,527</u>	<u>\$ 6,685,000</u>	

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 916,701	\$ 848,538	\$ 800,578
Water Service	465,355	452,594	463,355
Wastewater Service	809,642	766,337	745,264
Regional Water Authority Fee	1,075,128	972,870	988,321
Sales Tax Revenues	282,732	310,787	275,401
Penalty and Interest	34,355	48,532	28,363
Tap Connection and Inspection Fees	17,629	35,510	63,518
Investment Revenues	170,440	6,585	26,403
Miscellaneous Revenues	76,183	90,065	57,388
TOTAL REVENUES	\$ 3,848,165	\$ 3,531,818	\$ 3,448,591
EXPENDITURES			
Professional Fees	\$ 148,585	\$ 157,914	\$ 166,798
Contracted Services	598,864	547,811	523,128
Purchased Wastewater Service	549,665	546,134	416,427
Utilities	199,529	170,633	140,855
Regional Water Authority Assessment	1,117,493	913,141	861,894
Repairs and Maintenance	836,934	547,346	386,631
Other	300,116	328,417	365,729
Capital Outlay			74,125
TOTAL EXPENDITURES	\$ 3,751,186	\$ 3,211,396	\$ 2,935,587
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 96,979	\$ 320,422	\$ 513,004
OTHER FINANCING SOURCES (USES)			
Transfer In	\$ -0-	\$ 64,750	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 96,979	\$ 385,172	\$ 513,004
BEGINNING FUND BALANCE	6,492,254	6,107,082	5,594,078
ENDING FUND BALANCE	\$ 6,589,233	\$ 6,492,254	\$ 6,107,082

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2020	2019	2023	2022	2021	2020	2019
\$ 663,781	\$ 637,782	23.9 %	24.0 %	23.2 %	19.6 %	20.3 %
543,145	447,404	12.1	12.8	13.4	16.0	14.3
750,625	739,287	21.0	21.7	21.6	22.1	23.7
850,499	764,158	27.9	27.5	28.7	25.1	24.5
252,078	265,935	7.3	8.8	8.0	7.4	8.5
34,454	29,973	0.9	1.4	0.8	1.0	1.0
111,213	15,369	0.5	1.0	1.8	3.3	0.5
115,150	96,036	4.4	0.2	0.8	3.4	3.1
71,253	129,317	2.0	2.6	1.7	2.1	4.1
<u>\$ 3,392,198</u>	<u>\$ 3,125,261</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 167,224	\$ 160,389	3.9 %	4.5 %	4.8 %	4.9 %	5.1 %
503,819	499,371	15.6	15.5	15.2	14.9	16.0
388,885	348,794	14.3	15.5	12.1	11.5	11.2
117,702	108,476	5.2	4.8	4.1	3.5	3.5
866,812	730,201	29.0	25.9	25.0	25.6	23.4
471,733	406,911	21.7	15.5	11.2	13.9	13.0
352,766	260,371	7.8	9.3	10.6	10.4	8.3
38,531				2.1	1.1	
<u>\$ 2,907,472</u>	<u>\$ 2,514,513</u>	<u>97.5 %</u>	<u>91.0 %</u>	<u>85.1 %</u>	<u>85.8 %</u>	<u>80.5 %</u>
<u>\$ 484,726</u>	<u>\$ 610,748</u>	<u>2.5 %</u>	<u>9.0 %</u>	<u>14.9 %</u>	<u>14.2 %</u>	<u>19.5 %</u>
<u>\$ -0-</u>	<u>\$ -0-</u>					
\$ 484,726	\$ 610,748					
<u>5,109,352</u>	<u>4,498,604</u>					
<u>\$ 5,594,078</u>	<u>\$ 5,109,352</u>					

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 676,692	\$ 634,531	\$ 633,554
Penalty and Interest	16,108	13,190	12,776
Interest on Investments	15,066	1,143	5,032
Miscellaneous Revenues	<u>3,211</u>		
TOTAL REVENUES	<u>\$ 711,077</u>	<u>\$ 648,864</u>	<u>\$ 651,362</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 53,298	\$ 55,885	\$ 48,189
Debt Service Principal	495,000	470,000	455,000
Debt Service Interest and Fees	<u>194,333</u>	<u>204,349</u>	<u>216,570</u>
TOTAL EXPENDITURES	<u>\$ 742,631</u>	<u>\$ 730,234</u>	<u>\$ 719,759</u>
NET CHANGE IN FUND BALANCE	\$ (31,554)	\$ (81,370)	\$ (68,397)
BEGINNING FUND BALANCE	<u>736,776</u>	<u>818,146</u>	<u>886,543</u>
ENDING FUND BALANCE	<u>\$ 705,222</u>	<u>\$ 736,776</u>	<u>\$ 818,146</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,565</u>	<u>1,562</u>	<u>1,565</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,555</u>	<u>1,545</u>	<u>1,548</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2020	2019	2023	2022	2021	2020	2019
\$ 663,887	\$ 693,505	95.1 %	97.8 %	97.2 %	95.6 %	95.6 %
13,296	20,207	2.3	2.0	2.0	1.9	2.8
16,362	11,870	2.1	0.2	0.8	2.4	1.6
429		0.5			0.1	
<u>\$ 693,974</u>	<u>\$ 725,582</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 46,291	\$ 47,793	7.5 %	8.6 %	7.4 %	6.7 %	6.6 %
295,000	285,000	69.6	72.4	69.9	42.5	39.3
<u>226,474</u>	<u>235,418</u>	<u>27.3</u>	<u>31.5</u>	<u>33.2</u>	<u>32.6</u>	<u>32.4</u>
<u>\$ 567,765</u>	<u>\$ 568,211</u>	<u>104.4 %</u>	<u>112.5 %</u>	<u>110.5 %</u>	<u>81.8 %</u>	<u>78.3 %</u>
\$ 126,209	\$ 157,371	<u>(4.4) %</u>	<u>(12.5) %</u>	<u>(10.5) %</u>	<u>18.2 %</u>	<u>21.7 %</u>
<u>760,334</u>	<u>602,963</u>					
<u>\$ 886,543</u>	<u>\$ 760,334</u>					
<u>1,557</u>	<u>1,558</u>					
<u>1,538</u>	<u>1,538</u>					

See accompanying independent auditor's report.

**REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2023**

District Mailing Address - Reid Road Municipal Utility District No. 1
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2023	Expense reimbursements for the year ended March 31, 2023	Title
Patrick L. Cieslewitz	05/2022 05/2026 (Elected)	\$ 7,200	\$ 803	President
Carla Christensen	05/2020 05/2024 (Elected)	\$ 7,200	\$ 125	Vice President
Robert Sumpter	05/2022 05/2026 (Elected)	\$ 6,750	\$ 41	Secretary
Karen Brengel	12/2021 05/2024 (Appointed)	\$ 6,600	\$ 374	Treasurer
Edwin Swannie	08/2020 05/2024 (Appointed)	\$ 7,200	\$ 41	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: May 31, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on August 20, 2003. Fees of Office are the amounts actually paid to a Director during the District's current year.

See accompanying independent auditor's report.

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2023

Consultants:	Date Hired	District Fees for the year ended March 31, 2023	Special Revenue Fund Fees for the year ended March 31, 2023	Title
Smith, Murdaugh, Little & Bonham, LLP	09/22/83	\$ 63,930	\$ 5,999	Attorney
McCall Gibson Swedlund Barfoot PLLC	08/15/90	\$ 16,750	\$ 4,900	Auditor
Myrtle Cruz, Inc.	Prior to 10/01/83	\$ 33,125	\$ 6,658	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/17/96	\$ 2,528	\$ -0-	Delinquent Tax Attorney
Cobb Fendley & Associates, Inc.	10/21/20	\$ 164,714	\$ 95,850	Engineer
Masterson Advisors LLC	05/16/18	\$ -0-	\$ -0-	Financial Advisor
Municipal Operations & Consulting, Inc.	06/01/12	\$ 538,445	\$ 161,961	Operator
Harris County	03/30/05	\$ 123,182	\$ -0-	Security
Bob Leared, RTA	05/01/84	\$ 37,204	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

