

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

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2023

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Independent Auditor's Report

Board of Directors
Northeast Harris County 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 Northeast Harris County Municipal Utility District No. 1 (the "District"), as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northeast Harris County Municipal Utility District No. 1, as of May 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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

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 budgetary comparison information 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

***Board of Directors
Northeast Harris County Municipal Utility District No. 1
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certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas
October 2, 2023

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Management's Discussion and Analysis

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***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2023***

Using this Annual Report

Within this section of the financial report of Northeast Harris County Municipal Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2023***

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

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

Financial Analysis of the District as a Whole

The District's net position at May 31, 2023, was negative \$7,186,256. A comparative summary of the District's overall financial position, as of May 31, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 6,235,833	\$ 5,491,014
Capital assets	24,867,145	23,426,930
Total assets	<u>31,102,978</u>	<u>28,917,944</u>
 Total deferred outflows of resources	 <u>95,740</u>	 <u>102,579</u>
 Current liabilities	 4,465,179	 4,405,649
Long-term liabilities	33,919,795	31,067,933
Total liabilities	<u>38,384,974</u>	<u>35,473,582</u>
 Net position		
Net investment in capital assets	(11,650,226)	(10,077,502)
Restricted	2,249,950	1,867,651
Unrestricted	2,214,020	1,756,792
Total net position	<u>\$ (7,186,256)</u>	<u>\$ (6,453,059)</u>

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2023***

The total net position of the District decreased during the current fiscal year by \$733,197. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 3,355,874	\$ 3,008,002
Water and sewer service	900,569	892,658
Other	249,541	230,653
Total revenues	<u>4,505,984</u>	<u>4,131,313</u>
Expenses		
Current service operations	2,332,996	2,319,148
Debt interest and fees	1,093,745	887,396
Developer interest	720,547	250,521
Debt issuance costs	572,049	619,565
Depreciation and amortization	519,844	462,170
Total expenses	<u>5,239,181</u>	<u>4,538,800</u>
Change in net position	(733,197)	(407,487)
Net position, beginning of year	(6,453,059)	(6,045,572)
Net position, end of year	<u>\$ (7,186,256)</u>	<u>\$ (6,453,059)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2023, were \$5,626,371, which consists of \$2,311,200 in the General Fund, \$2,505,937 in the Debt Service Fund and \$809,234 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 2,845,559</u>	<u>\$ 2,365,017</u>
Total liabilities	\$ 495,670	\$ 311,556
Total deferred inflows	38,689	28,407
Total fund balance	2,311,200	2,025,054
Total liabilities, deferred inflows and fund balance	<u>\$ 2,845,559</u>	<u>\$ 2,365,017</u>

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2023***

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 2,553,887	\$ 2,646,387
Total expenditures	(2,267,741)	(2,229,976)
Revenues over expenditures	<u>\$ 286,146</u>	<u>\$ 416,411</u>

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

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 2,580,905</u>	<u>\$ 2,076,580</u>
Total liabilities	\$ 5,391	\$ 5,809
Total deferred inflows	69,577	47,832
Total fund balance	2,505,937	2,022,939
Total liabilities, deferred inflows and fund balance	<u>\$ 2,580,905</u>	<u>\$ 2,076,580</u>

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2023***

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

	2023	2022
Total revenues	\$ 1,894,127	\$ 1,486,021
Total expenditures	(1,411,129)	(1,306,424)
Revenues over expenditures	482,998	179,597
Other changes in fund balance		200,000
Net change in fund balance	<u>\$ 482,998</u>	<u>\$ 379,597</u>

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

During the previous year, the District issued \$2,510,000 in refunding bonds to refund \$2,310,000 of its outstanding Series 2014 bonds. This refunding will save the District \$558,285 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 809,369</u>	<u>\$ 1,049,417</u>
Total liabilities	\$ 135	\$ 486,745
Total fund balance	809,234	562,672
Total liabilities and fund balance	<u>\$ 809,369</u>	<u>\$ 1,049,417</u>

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

	2023	2022
Total revenues	\$ 25,945	\$ 1,363
Total expenditures	(5,383,583)	(5,559,293)
Revenues under expenditures	(5,357,638)	(5,557,930)
Other changes in fund balance	5,604,200	4,589,750
Net change in fund balance	<u>\$ 246,562</u>	<u>\$ (968,180)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds and Series 2022 Bond Anticipation

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2023***

Note in the current year and issuance of its Series 2021 Unlimited Tax Bonds and Series 2021 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$69,869 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at May 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 6,566,387	\$ 5,952,331
Construction in progress	553,035	1,802,340
	<u>7,119,422</u>	<u>7,754,671</u>
Capital assets being depreciated/amortized		
Infrastructure	18,922,963	16,603,453
Interest in joint facilities	1,866,632	1,590,834
Landscaping improvements	1,017,754	1,017,754
	<u>21,807,349</u>	<u>19,212,041</u>
Less accumulated depreciation/amortization		
Infrastructure	(3,520,645)	(3,098,180)
Interest in joint facilities	(365,805)	(323,280)
Landscaping improvements	(173,176)	(118,322)
	<u>(4,059,626)</u>	<u>(3,539,782)</u>
Depreciable capital assets, net	<u>17,747,723</u>	<u>15,672,259</u>
Capital assets, net	<u>\$ 24,867,145</u>	<u>\$ 23,426,930</u>

Capital asset additions during the current year include the following:

- Sheldon Ridge, Section 11 utilities
- Outfall rehabilitation to serve Sheldon Ridge Phase 2

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2023***

- Wastewater treatment plant expansion
- Boomerang detention and grading

The District's construction in progress is for the joint interest in the Rolling Hills Wastewater Treatment Plant with Sheldon Road Municipal Utility District.

Long-Term Debt and Related Liabilities

As of May 31, 2023, the District owes approximately \$4,632,350 to its developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$928,822 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At May 31, 2023 and 2022, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2014	\$ -	\$ 40,000
2015	1,225,000	1,250,000
2016	1,575,000	1,600,000
2017	2,530,000	2,580,000
2017 Refunding	2,455,000	2,560,000
2018	3,370,000	3,420,000
2019	3,100,000	3,150,000
2020	3,450,000	3,500,000
2021 Refunding	2,495,000	2,510,000
2021	4,000,000	4,000,000
2022	5,540,000	
	\$ 29,740,000	\$ 24,610,000

During the current year, the District issued \$5,540,000 in unlimited tax bonds. At May 31, 2023, the District had \$136,485,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds and \$14,000,000 for parks and recreational facilities and the refunding of such bonds.

During the current year, the District issued a \$3,200,000 bond anticipation note (the "BAN") to provide short-term financing for developer reimbursements. The District repaid the BAN subsequent to year-end with proceeds from the issuance of long-term debt. See Notes 6 and 13 for additional information.

***Northeast Harris County Municipal Utility District No. 1
Management's Discussion and Analysis
May 31, 2023***

Next Year's Budget

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 2,553,887	\$ 2,563,238
Total expenditures	<u>(2,267,741)</u>	<u>(2,355,839)</u>
Revenues over expenditures	286,146	207,399
Beginning fund balance	<u>2,025,054</u>	<u>2,311,200</u>
Ending fund balance	<u><u>\$ 2,311,200</u></u>	<u><u>\$ 2,518,599</u></u>

Property Taxes

The District's property tax base increased approximately \$50,578,000 for the 2023 tax year from \$269,352,196 to \$319,930,683. This increase was primarily due to new construction in the District and increased property values.

Basic Financial Statements

Northeast Harris County Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 75,842	\$ 39,560	\$ 4,832	\$ 120,234	\$ -	\$ 120,234
Investments	2,507,764	2,479,867	888,018	5,875,649		5,875,649
Taxes receivable	38,689	69,577		108,266		108,266
Customer service receivables, net	122,612			122,612		122,612
Internal balances	91,580	(8,099)	(83,481)			
Operating reserve - joint repressurization plant	9,072			9,072		9,072
Capital assets not being depreciated					7,119,422	7,119,422
Capital assets, net					17,747,723	17,747,723
Total Assets	\$ 2,845,559	\$ 2,580,905	\$ 809,369	\$ 6,235,833	24,867,145	31,102,978
Deferred Outflows of Resources						
Deferred difference on refunding					95,740	95,740
Liabilities						
Accounts payable	\$ 411,667	\$ -	\$ 135	\$ 411,802		411,802
Other payables	2,903	5,391		8,294		8,294
Customer deposits	81,100			81,100		81,100
Accrued interest payable					338,983	338,983
Bond anticipation note payable					3,200,000	3,200,000
Due to developer					4,632,350	4,632,350
Long-term debt						
Due within one year					425,000	425,000
Due after one year					29,287,445	29,287,445
Total Liabilities	495,670	5,391	135	501,196	37,883,778	38,384,974
Deferred Inflows of Resources						
Deferred property taxes	38,689	69,577		108,266	(108,266)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	9,072			9,072	(9,072)	
Restricted		2,505,937	809,234	3,315,171	(3,315,171)	
Unassigned	2,302,128			2,302,128	(2,302,128)	
Total Fund Balances	2,311,200	2,505,937	809,234	5,626,371	(5,626,371)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,845,559	\$ 2,580,905	\$ 809,369	\$ 6,235,833		
Net Position						
Net investment in capital assets					(11,650,226)	(11,650,226)
Restricted for debt service					2,249,950	2,249,950
Unrestricted					2,214,020	2,214,020
Total Net Position					\$ (7,186,256)	\$ (7,186,256)

See notes to basic financial statements.

Northeast Harris County Municipal Utility District No. 1
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 381,302	\$ -	\$ -	\$ 381,302	\$ -	\$ 381,302
Sewer service	519,267			519,267		519,267
Property taxes	1,472,798	1,817,721		3,290,519	25,724	3,316,243
Penalties and interest	21,215	12,115		33,330	6,301	39,631
Tap connection and inspection	70,827			70,827		70,827
Miscellaneous	20,288			20,288		20,288
Investment earnings	68,190	64,291	25,945	158,426		158,426
Total Revenues	2,553,887	1,894,127	25,945	4,473,959	32,025	4,505,984
Expenditures/Expenses						
Current service operations						
Purchased services	886,677			886,677		886,677
Professional fees	135,518		65,512	201,030		201,030
Contracted services	499,478	45,672		545,150		545,150
Repairs and maintenance	573,665			573,665		573,665
Utilities	65,641			65,641		65,641
Administrative	35,829	6,874	100	42,803		42,803
Other	17,225		805	18,030		18,030
Capital outlay	53,708		4,007,796	4,061,504	(4,061,504)	
Debt service						
Principal		410,000		410,000	(410,000)	
Interest and fees		948,583	16,774	965,357	128,388	1,093,745
Developer interest			720,547	720,547		720,547
Debt issuance costs			572,049	572,049		572,049
Depreciation and amortization					519,844	519,844
Total Expenditures/Expenses	2,267,741	1,411,129	5,383,583	9,062,453	(3,823,272)	5,239,181
Revenues Over/(Under)						
Expenditures	286,146	482,998	(5,357,638)	(4,588,494)	4,588,494	
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			5,540,000	5,540,000	(5,540,000)	
Proceeds from bond anticipation note			3,200,000	3,200,000	(3,200,000)	
Repayment of bond anticipation note			(2,975,000)	(2,975,000)	2,975,000	
Repayment of developer advances			(160,800)	(160,800)	160,800	
Net Change in Fund Balances	286,146	482,998	246,562	1,015,706	(1,015,706)	
Change in Net Position					(733,197)	(733,197)
Fund Balance/Net Position						
Beginning of the year	2,025,054	2,022,939	562,672	4,610,665	(11,063,724)	(6,453,059)
End of the year	\$ 2,311,200	\$ 2,505,937	\$ 809,234	\$ 5,626,371	\$ (12,812,627)	\$ (7,186,256)

See notes to basic financial statements.

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Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 1 – Summary of Significant Accounting Policies

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

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated July 18, 1978, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on October 26, 2006, and the first bonds were issued on March 9, 2010.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2023, an allowance of \$4,000 was provided for possible uncollectible water/sewer accounts. An allowance for possible uncollectible property taxes was not considered necessary.

Unbilled Service Revenues

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

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

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

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

Deferred Inflows and Outflows of Financial Resources

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

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$ 5,626,371
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost		\$ 28,926,771
Less accumulated depreciation/amortization		<u>(4,059,626)</u>
Change due to capital assets		24,867,145

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

95,740

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

Bonds payable, net		(29,712,445)
Bond anticipation note payable		(3,200,000)
Interest payable on bonds		<u>(338,983)</u>
Change due to long-term debt		(33,251,428)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(4,632,350)
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Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable		78,609
Penalty and interest receivable		<u>29,657</u>
Change due to property taxes		108,266

Total net position - governmental activities		<u><u>\$ (7,186,256)</u></u>
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Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

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

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

Net change in fund balances - total governmental funds \$ 1,015,706

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 32,025

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

Capital outlays	\$ 4,061,504	
Depreciation and amortization	<u>(519,844)</u>	
		3,541,660

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

Issuance of long-term debt	(5,540,000)	
Proceeds from bond anticipation note	(3,200,000)	
Principal payments	410,000	
Retirement of bond anticipation note	2,975,000	
Interest expense accrual	<u>(128,388)</u>	
		(5,483,388)

Amounts repaid to the developer for operating advances use current financial resources in the governmental funds but reduce the liability in the *Statement of Net Position*. 160,800

Change in net position of governmental activities \$ (733,197)

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of May 31, 2023, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 2,507,764	AAAm	22 days
	Debt Service	2,479,867		
	Capital Projects	888,018		
Total		<u>\$ 5,875,649</u>		

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances

Amounts due to/from other funds at May 31, 2023, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 8,099	Maintenance tax collections not remitted as of year end.
General Fund	Capital Projects Fund	83,481	Construction costs and bond application fees paid by the General Fund.

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

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 5 – Capital Assets

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

	Beginning Balances	Additions/ Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 5,952,331	\$ 614,056	\$ -	\$ 6,566,387
Construction in progress	1,802,340	353,050	(1,602,355)	553,035
	<u>7,754,671</u>	<u>967,106</u>	<u>(1,602,355)</u>	<u>7,119,422</u>
Capital assets being depreciated/amortized				
Infrastructure	16,603,453	2,319,510		18,922,963
Interest in joint facilities	1,590,834	275,798		1,866,632
Landscaping improvements	1,017,754			1,017,754
	<u>19,212,041</u>	<u>2,595,308</u>	<u>-</u>	<u>21,807,349</u>
Less accumulated depreciation/amortization				
Infrastructure	(3,098,180)	(422,465)		(3,520,645)
Interest in joint facilities	(323,280)	(42,525)		(365,805)
Landscaping improvements	(118,322)	(54,854)		(173,176)
	<u>(3,539,782)</u>	<u>(519,844)</u>	<u>-</u>	<u>(4,059,626)</u>
Subtotal depreciable capital assets, net	<u>15,672,259</u>	<u>2,075,464</u>	<u>-</u>	<u>17,747,723</u>
Capital assets, net	<u>\$ 23,426,930</u>	<u>\$ 3,042,570</u>	<u>\$ (1,602,355)</u>	<u>\$ 24,867,145</u>

Depreciation/amortization expense for the current year was \$519,844.

Note 6 – Bond Anticipation Note

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

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,975,000. This BAN was repaid on July 12, 2022 with proceeds from the issuance of the District’s Series 2022 Unlimited Tax Bonds.

On November 14, 2022, the District issued a \$3,200,000 BAN with an interest rate of 4.69%, which was due on November 13, 2023. This BAN was repaid subsequent to year end. See Note 13 for additional information.

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 6 – Bond Anticipation Note (continued)

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

Beginning balance	\$ 2,975,000
Amounts borrowed	3,200,000
Amounts repaid	<u>(2,975,000)</u>
Ending balance	<u><u>\$ 3,200,000</u></u>

Note 7 – Due to Developers

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

The District’s developers have also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developer, beginning of year	\$ 6,894,595
Developer reimbursements	(3,593,407)
Developer funded construction and adjustments	1,491,962
Repayment of operating advances	<u>(160,800)</u>
Due to developer, end of year	<u><u>\$ 4,632,350</u></u>

In addition, the District will owe the developers approximately \$928,822, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percentage Completed
Edgewood Village, Section 9 - utilities	<u>\$ 928,822</u>	<u>0%</u>

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 29,740,000
Unamortized discounts	(130,119)
Unamortized premium	102,564
	<u>\$ 29,712,445</u>
 Due within one year	 <u>\$ 425,000</u>

The District's bonds payable at May 31, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015	1,225,000	1,370,000	2.00% - 4.125%	September 1, 2017/2044	September 1, March 1	September 1, 2022
2016	1,575,000	1,700,000	2.00% - 3.625%	September 1, 2018/2046	September 1, March 1	September 1, 2023
2017	2,530,000	2,730,000	3.00% - 5.50%	September 1, 2019/2046	September 1, March 1	September 1, 2024
2017 Refunding	2,455,000	2,850,000	2.00% - 4.00%	September 1, 2018/2038	September 1, March 1	September 1, 2024
2018	3,370,000	3,500,000	4.00% - 6.50%	September 1, 2020/2048	September 1, March 1	September 1, 2023
2019	3,100,000	3,150,000	2.00% - 3.00%	September 1, 2022/2049	September 1, March 1	September 1, 2024
2020	3,450,000	3,500,000	3.00%	September 1, 2022/2050	September 1, March 1	September 1, 2025
2021 Refunding	2,495,000	2,510,000	2.00% - 3.00%	September 1, 2022/2042	September 1, March 1	September 1, 2026
2021	4,000,000	4,000,000	2.00% - 4.50%	September 1, 2024/2051	September 1, March 1	September 1, 2026
2022	5,540,000	5,540,000	4.00% - 5.50%	September 1, 2024/2052	September 1, March 1	September 1, 2027
	<u>\$ 29,740,000</u>					

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

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 8 – Long-Term Debt (continued)

At May 31, 2023, the District had authorized but unissued bonds in the amount of \$136,485,000 for water, sewer and drainage facilities and the refunding of such bonds and \$14,000,000 for park and recreational facilities and the refunding of such bonds.

On July 12, 2022, the District issued its \$5,540,000 Series 2022 Unlimited Tax Bonds at a net effective interest rate of 4.164619%. Proceeds of the bonds were used to reimburse the developers for operating advances and the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds, and to repay a \$2,975,000 BAN issued in the previous fiscal year.

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

Bonds payable, beginning of year	\$ 24,610,000
Bonds issued	5,540,000
Bonds retired	(410,000)
Bonds payable, end of year	<u>\$ 29,740,000</u>

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 8 – Long-Term Debt (continued)

As of May 31, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 425,000	\$ 1,010,168	\$ 1,435,168
2025	595,000	990,631	1,585,631
2026	620,000	966,400	1,586,400
2027	645,000	941,175	1,586,175
2028	670,000	914,928	1,584,928
2029	695,000	888,210	1,583,210
2030	720,000	861,957	1,581,957
2031	745,000	835,907	1,580,907
2032	775,000	809,037	1,584,037
2033	800,000	781,673	1,581,673
2034	830,000	754,391	1,584,391
2035	855,000	726,513	1,581,513
2036	885,000	697,519	1,582,519
2037	915,000	667,394	1,582,394
2038	945,000	636,200	1,581,200
2039	980,000	603,767	1,583,767
2040	1,010,000	571,903	1,581,903
2041	1,040,000	540,926	1,580,926
2042	1,075,000	509,011	1,584,011
2043	1,105,000	476,025	1,581,025
2044	1,140,000	438,613	1,578,613
2045	1,180,000	396,427	1,576,427
2046	1,225,000	353,570	1,578,570
2047	1,270,000	310,148	1,580,148
2048	1,315,000	263,550	1,578,550
2049	1,365,000	213,556	1,578,556
2050	1,415,000	166,456	1,581,456
2051	1,460,000	122,497	1,582,497
2052	1,505,000	80,775	1,585,775
2053	1,535,000	30,700	1,565,700
	\$ 29,740,000	\$ 17,560,027	\$ 47,300,027

Note 9 – Property Taxes

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

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

Note 9 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.23 per \$100 of assessed value, of which \$0.55 was allocated to maintenance and operations and \$0.68 was allocated to debt service. The resulting tax levy was \$3,313,032 on the adjusted taxable value of \$269,352,196.

Property taxes receivable, at May 31, 2023, consisted of the following:

Current year taxes receivable	\$	45,665
Prior years taxes receivable		32,944
		78,609
Penalty and interest receivable		29,657
Property taxes receivable	\$	108,266

Note 10 – Agreement for Water Supply Facilities

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

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

MUD 421 holds title to the facilities and the District owns an equitable interest (based on its prorata share of equivalent single family connections). MUD 421 is responsible for the operation, maintenance and repair of the facilities, subject to pro-rata payments by the District for its share of these costs. During the current fiscal year, the District recorded \$183,630 in expenditures for water purchased from MUD 421. The District has also paid an operating reserve, which is based on its prorata share of a month’s worth of MUD 421’s budgeted operating expenses, which is \$9,072.

Northeast Harris County Municipal Utility District No. 1
Notes to Financial Statements
May 31, 2023

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

The District and Sheldon Road Municipal Utility District (“Sheldon Road MUD”) have entered into a Utility Functions and Services Allocation Agreement, as amended on August 6, 2018, March 4, 2019, June 1, 2020 and February 7, 2022, (the “Utility Agreement”) for the purposes of supplying an area of the District known as Sheldon Ridge with water and wastewater services from Sheldon Road MUD. The initial stages of development in the District will be served through Sheldon Road MUD’s existing capacity. The District recorded \$703,047 in expenditures to Sheldon Road MUD pursuant to the terms of this Utility Agreement during the fiscal year.

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

On August 6, 2018, the District amended the agreement to increase its water connection/capacity from 500 ESFCs to 569 ESFCs. In consideration for the additional capacity, the District agreed to cover the cost of certain improvements to the Sheldon Road MUD system.

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

On February 7, 2022, the District approved the Fourth Amendment to the agreement as the parties now seek to construct Phase 1 of the expansion facilities. The amendment will accommodate the expansion of the Sheldon Ridge subdivision from 569 ESFCs to 1,016 ESFCs. The amendment stipulates the District’s share of costs for the expansion facilities which include a 750-gallons per minute booster pump, a 20,000-gallons hydro-pneumatic tank and a 0.35 MGD permanent phase 1 wastewater treatment plant. The District’s share for each of these facilities is \$8,323, \$71,850, and \$3,865,322 (to be paid in different increments and time frames), respectively.

Note 12 – Risk Management

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

Note 13 – Subsequent Event

On August 10, 2023, the District issued its \$6,570,000 Series 2023 Unlimited Tax Bonds at a net effective rate of 4.577033%. Proceeds from the bonds were used to repay the District’s Series 2022 BAN and reimburse the District’s developers for operating advances and the cost of infrastructure improvements in the District.

Required Supplementary Information

***Northeast Harris County Municipal Utility District No. 1
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2023***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 372,000	\$ 414,618	\$ 381,302	\$ (33,316)
Sewer service	492,000	546,749	519,267	(27,482)
Property taxes	1,479,787	1,442,657	1,472,798	30,141
Penalties and interest	16,800	14,080	21,215	7,135
Tap connection and inspection	82,800	44,684	70,827	26,143
Miscellaneous	1,900	23,001	20,288	(2,713)
Investment earnings	480	35,116	68,190	33,074
Total Revenues	<u>2,445,767</u>	<u>2,520,905</u>	<u>2,553,887</u>	<u>32,982</u>
Expenditures				
Current service operations				
Purchased services	876,000	791,418	886,677	(95,259)
Professional fees	154,900	156,971	135,518	21,453
Contracted services	491,812	409,374	499,478	(90,104)
Repairs and maintenance	495,011	483,487	573,665	(90,178)
Utilities	33,000	81,906	65,641	16,265
Administrative	62,120	46,965	35,829	11,136
Other	13,200	8,716	17,225	(8,509)
Capital outlay	12,000	186,053	53,708	132,345
Total Expenditures	<u>2,138,043</u>	<u>2,164,890</u>	<u>2,267,741</u>	<u>(102,851)</u>
Revenues Over Expenditures	307,724	356,015	286,146	(69,869)
Fund Balance				
Beginning of the year	2,025,054	2,025,054	2,025,054	
End of the year	<u>\$ 2,332,778</u>	<u>\$ 2,381,069</u>	<u>\$ 2,311,200</u>	<u>\$ (69,869)</u>

Northeast Harris County Municipal Utility District No. 1
Notes to Required Supplementary Information
May 31, 2023

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Northest Harris County Municipal Utility District No. 1
TSI-1. Services and Rates
May 31, 2023

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

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

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? Yes No

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

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,108	1,100	x 1.0	1,100
1"	1	1	x 2.5	3
1.5"			x 5.0	
2"	8	8	x 8.0	64
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,117	1,109		1,167
Total Wastewater	1,102	1,094	x 1.0	1,094

See accompanying auditor's report.

***Northeast Harris County Municipal Utility District No. 1
TSI-1. Services and Rates
May 31, 2023***

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

Gallons pumped into system:	<u>39,526,000</u>	From: Sheldon Road MUD/ Harris County MUD 421
Gallons billed to customers:	<u>38,432,000</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped)
		<u>97.23%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes No

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

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

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

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

Entirely Partly Not at all

ETJs in which the District is located: City of Houston

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

If Yes, by whom? _____

See accompanying auditor's report.

*Northeast Harris County Municipal Utility District No. 1
 TSI-2. General Fund Expenditures
 For the Year Ended May 31, 2023*

Purchased services	<u>\$ 886,677</u>
Professional fees	
Legal	68,479
Audit	14,500
Engineering	52,539
	<u>135,518</u>
Contracted services	
Bookkeeping	26,778
Operator	103,278
Garbage collection	305,134
Tap connection and inspection	39,112
Sludge removal	25,176
	<u>499,478</u>
Repairs and maintenance	<u>573,665</u>
Utilities	<u>65,641</u>
Administrative	
Directors fees	6,600
Printing and office supplies	2,854
Insurance	8,634
Other	17,741
	<u>35,829</u>
Other	<u>17,225</u>
Capital outlay	<u>53,708</u>
Total expenditures	<u><u>\$ 2,267,741</u></u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-3. Investments
May 31, 2023

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 2,507,764
Debt Service			
TexPool	Variable	N/A	2,479,867
Capital Projects			
TexPool	Variable	N/A	<u>888,018</u>
Total - All Funds			<u><u>\$ 5,875,649</u></u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-4. Taxes Levied and Receivable
May 31, 2023

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 28,407	\$ 24,479	\$ 52,886	
Adjustments	1,641	1,568	3,209	
Adjusted Receivable	<u>30,048</u>	<u>26,047</u>	<u>56,095</u>	
2022 Original Tax Levy	1,313,241	1,623,644	2,936,885	
Adjustments	168,196	207,951	376,147	
Adjusted Tax Levy	<u>1,481,437</u>	<u>1,831,595</u>	<u>3,313,032</u>	
Total to be accounted for	<u>1,511,485</u>	<u>1,857,642</u>	<u>3,369,127</u>	
Tax collections:				
Current year	1,461,016	1,806,350	3,267,366	
Prior years	11,780	11,372	23,152	
Total Collections	<u>1,472,796</u>	<u>1,817,722</u>	<u>3,290,518</u>	
Taxes Receivable, End of Year	<u>\$ 38,689</u>	<u>\$ 39,920</u>	<u>\$ 78,609</u>	
Taxes Receivable, By Years				
2022	\$ 20,419	\$ 25,246	\$ 45,665	
2021	4,425	4,295	8,720	
2020	1,923	1,839	3,762	
2019 and prior	11,922	8,540	20,462	
Taxes Receivable, End of Year	<u>\$ 38,689</u>	<u>\$ 39,920</u>	<u>\$ 78,609</u>	
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations				
Land	\$ 62,750,864	\$ 55,577,825	\$ 54,064,600	\$ 44,829,148
Improvements	226,102,571	168,352,808	136,024,910	116,019,991
Personal Property	2,596,374	2,004,284	1,633,513	1,426,557
Exemptions	(22,097,613)	(3,900,136)	(4,058,826)	(3,100,622)
Total Property Valuations	<u>\$ 269,352,196</u>	<u>\$ 222,034,781</u>	<u>\$ 187,664,197</u>	<u>\$ 159,175,074</u>
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.55	\$ 0.68	\$ 0.69	\$ 0.70
Debt service tax rates	0.68	0.66	0.66	0.66
Total Tax Rates per \$100 Valuation	<u>\$ 1.23</u>	<u>\$ 1.34</u>	<u>\$ 1.35</u>	<u>\$ 1.36</u>
Adjusted Tax Levy	<u>\$ 3,313,032</u>	<u>\$ 2,975,266</u>	<u>\$ 2,533,467</u>	<u>\$ 2,164,781</u>
Percentage of Taxes Collected to Taxes Levied **	<u>98.62%</u>	<u>99.71%</u>	<u>99.85%</u>	<u>99.72%</u>

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

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

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 25,000	\$ 48,531	\$ 73,531
2025	25,000	47,781	72,781
2026	25,000	47,000	72,000
2027	25,000	46,156	71,156
2028	25,000	45,266	70,266
2029	25,000	44,344	69,344
2030	25,000	43,406	68,406
2031	25,000	42,438	67,438
2032	25,000	41,437	66,437
2033	25,000	40,437	65,437
2034	25,000	39,437	64,437
2035	25,000	38,437	63,437
2036	25,000	37,438	62,438
2037	25,000	36,437	61,437
2038	25,000	35,437	60,437
2039	25,000	34,438	59,438
2040	25,000	33,437	58,437
2041	25,000	32,437	57,437
2042	25,000	31,438	56,438
2043	25,000	30,422	55,422
2044	350,000	22,688	372,688
2045	375,000	7,734	382,734
	<u>\$ 1,225,000</u>	<u>\$ 826,576</u>	<u>\$ 2,051,576</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 25,000	\$ 55,125	\$ 80,125
2025	25,000	54,375	79,375
2026	25,000	53,625	78,625
2027	25,000	52,875	77,875
2028	25,000	52,125	77,125
2029	25,000	51,375	76,375
2030	25,000	50,625	75,625
2031	25,000	49,828	74,828
2032	25,000	48,984	73,984
2033	25,000	48,141	73,141
2034	25,000	47,297	72,297
2035	25,000	46,438	71,438
2036	25,000	45,562	70,562
2037	25,000	44,688	69,688
2038	25,000	43,813	68,813
2039	25,000	42,936	67,936
2040	25,000	42,063	67,063
2041	25,000	41,187	66,187
2042	25,000	40,313	65,313
2043	25,000	39,422	64,422
2044	25,000	38,515	63,515
2045	25,000	37,609	62,609
2046	500,000	28,094	528,094
2047	525,000	9,516	534,516
	<u>\$ 1,575,000</u>	<u>\$ 1,064,531</u>	<u>\$ 2,639,531</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 55,000	\$ 88,675	\$ 143,675
2025	55,000	85,650	140,650
2026	60,000	83,238	143,238
2027	65,000	81,363	146,363
2028	65,000	79,413	144,413
2029	75,000	77,313	152,313
2030	75,000	75,063	150,063
2031	80,000	72,738	152,738
2032	80,000	70,238	150,238
2033	85,000	67,557	152,557
2034	95,000	64,632	159,632
2035	95,000	61,544	156,544
2036	100,000	58,250	158,250
2037	100,000	54,750	154,750
2038	110,000	51,006	161,006
2039	120,000	46,837	166,837
2040	125,000	42,397	167,397
2041	125,000	37,866	162,866
2042	130,000	33,244	163,244
2043	130,000	28,532	158,532
2044	210,000	22,369	232,369
2045	215,000	14,531	229,531
2046	140,000	7,875	147,875
2047	140,000	2,625	142,625
	<u>\$ 2,530,000</u>	<u>\$ 1,307,706</u>	<u>\$ 3,837,706</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2017 Refunding--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 115,000	\$ 94,175	\$ 209,175
2025	115,000	90,725	205,725
2026	120,000	86,600	206,600
2027	125,000	81,700	206,700
2028	130,000	76,600	206,600
2029	135,000	71,300	206,300
2030	140,000	65,800	205,800
2031	150,000	60,000	210,000
2032	150,000	54,000	204,000
2033	160,000	47,800	207,800
2034	165,000	41,300	206,300
2035	175,000	34,500	209,500
2036	180,000	27,400	207,400
2037	195,000	19,900	214,900
2038	195,000	12,100	207,100
2039	205,000	4,100	209,100
	<u>\$ 2,455,000</u>	<u>\$ 868,000</u>	<u>\$ 3,323,000</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 50,000	\$ 147,369	\$ 197,369
2025	50,000	144,119	194,119
2026	55,000	140,706	195,706
2027	55,000	137,200	192,200
2028	60,000	133,606	193,606
2029	55,000	130,081	185,081
2030	65,000	126,481	191,481
2031	65,000	122,581	187,581
2032	65,000	118,681	183,681
2033	70,000	115,331	185,331
2034	65,000	112,631	177,631
2035	70,000	109,931	179,931
2036	70,000	107,131	177,131
2037	75,000	104,231	179,231
2038	75,000	101,231	176,231
2039	75,000	98,231	173,231
2040	80,000	95,131	175,131
2041	85,000	91,831	176,831
2042	85,000	88,378	173,378
2043	90,000	84,769	174,769
2044	95,000	80,953	175,953
2045	95,000	77,034	172,034
2046	100,000	73,013	173,013
2047	100,000	68,888	168,888
2048	790,000	50,531	840,531
2049	830,000	17,121	847,121
	<u>\$ 3,370,000</u>	<u>\$ 2,677,190</u>	<u>\$ 6,047,190</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 50,000	\$ 87,656	\$ 137,656
2025	50,000	86,656	136,656
2026	50,000	85,656	135,656
2027	50,000	84,656	134,656
2028	50,000	83,656	133,656
2029	75,000	82,360	157,360
2030	75,000	80,720	155,720
2031	75,000	78,985	153,985
2032	75,000	77,109	152,109
2033	75,000	75,094	150,094
2034	75,000	73,031	148,031
2035	75,000	70,875	145,875
2036	75,000	68,625	143,625
2037	75,000	66,375	141,375
2038	75,000	64,125	139,125
2039	100,000	61,500	161,500
2040	100,000	58,500	158,500
2041	100,000	55,500	155,500
2042	100,000	52,500	152,500
2043	100,000	49,500	149,500
2044	100,000	46,500	146,500
2045	100,000	43,500	143,500
2046	100,000	40,500	140,500
2047	100,000	37,500	137,500
2048	100,000	34,500	134,500
2049	100,000	31,500	131,500
2050	1,000,000	15,000	1,015,000
	<u>\$ 3,100,000</u>	<u>\$ 1,692,079</u>	<u>\$ 4,792,079</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 55,000	\$ 102,675	\$ 157,675
2025	65,000	100,875	165,875
2026	65,000	98,925	163,925
2027	65,000	96,975	161,975
2028	70,000	94,950	164,950
2029	60,000	93,000	153,000
2030	55,000	91,275	146,275
2031	60,000	89,550	149,550
2032	70,000	87,600	157,600
2033	75,000	85,425	160,425
2034	85,000	83,025	168,025
2035	90,000	80,400	170,400
2036	95,000	77,625	172,625
2037	95,000	74,775	169,775
2038	110,000	71,700	181,700
2039	90,000	68,700	158,700
2040	75,000	66,225	141,225
2041	80,000	63,900	143,900
2042	85,000	61,425	146,425
2043	85,000	58,875	143,875
2044	95,000	56,175	151,175
2045	100,000	53,250	153,250
2046	105,000	50,175	155,175
2047	115,000	46,875	161,875
2048	130,000	43,200	173,200
2049	130,000	39,300	169,300
2050	110,000	35,700	145,700
2051	1,135,000	17,025	1,152,025
	<u>\$ 3,450,000</u>	<u>\$ 1,989,600</u>	<u>\$ 5,439,600</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2021 Refunding--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 50,000	\$ 56,075	\$ 106,075
2025	55,000	54,500	109,500
2026	55,000	52,850	107,850
2027	60,000	51,125	111,125
2028	65,000	49,250	114,250
2029	65,000	47,300	112,300
2030	65,000	45,675	110,675
2031	65,000	44,375	109,375
2032	75,000	42,975	117,975
2033	75,000	41,475	116,475
2034	75,000	39,975	114,975
2035	80,000	38,425	118,425
2036	80,000	36,825	116,825
2037	85,000	35,175	120,175
2038	90,000	33,425	123,425
2039	85,000	31,675	116,675
2040	320,000	27,225	347,225
2041	335,000	19,858	354,858
2042	350,000	12,150	362,150
2043	365,000	4,105	369,105
	<u>\$ 2,495,000</u>	<u>\$ 764,438</u>	<u>\$ 3,259,438</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2021--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ -	\$ 101,112	\$ 101,112
2025	65,000	99,650	164,650
2026	65,000	96,725	161,725
2027	70,000	93,687	163,687
2028	70,000	90,537	160,537
2029	70,000	87,387	157,387
2030	75,000	84,312	159,312
2031	80,000	81,612	161,612
2032	80,000	79,213	159,213
2033	80,000	76,813	156,813
2034	85,000	74,763	159,763
2035	85,000	73,063	158,063
2036	95,000	71,263	166,263
2037	95,000	69,363	164,363
2038	95,000	67,463	162,463
2039	100,000	65,450	165,450
2040	100,000	63,325	163,325
2041	105,000	61,147	166,147
2042	110,000	58,863	168,863
2043	115,000	56,400	171,400
2044	115,000	53,813	168,813
2045	120,000	51,169	171,169
2046	125,000	48,413	173,413
2047	130,000	45,544	175,544
2048	130,000	42,619	172,619
2049	135,000	39,635	174,635
2050	140,000	36,456	176,456
2051	145,000	33,072	178,072
2052	1,320,000	15,675	1,335,675
	<u>\$ 4,000,000</u>	<u>\$ 1,918,544</u>	<u>\$ 5,918,544</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ -	\$ 228,775	\$ 228,775
2025	90,000	226,300	316,300
2026	100,000	221,075	321,075
2027	105,000	215,438	320,438
2028	110,000	209,525	319,525
2029	110,000	203,750	313,750
2030	120,000	198,600	318,600
2031	120,000	193,800	313,800
2032	130,000	188,800	318,800
2033	130,000	183,600	313,600
2034	135,000	178,300	313,300
2035	135,000	172,900	307,900
2036	140,000	167,400	307,400
2037	145,000	161,700	306,700
2038	145,000	155,900	300,900
2039	155,000	149,900	304,900
2040	160,000	143,600	303,600
2041	160,000	137,200	297,200
2042	165,000	130,700	295,700
2043	170,000	124,000	294,000
2044	150,000	117,600	267,600
2045	150,000	111,600	261,600
2046	155,000	105,500	260,500
2047	160,000	99,200	259,200
2048	165,000	92,700	257,700
2049	170,000	86,000	256,000
2050	165,000	79,300	244,300
2051	180,000	72,400	252,400
2052	185,000	65,100	250,100
2053	1,535,000	30,700	1,565,700
	<u>\$ 5,540,000</u>	<u>\$ 4,451,363</u>	<u>\$ 9,991,363</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 425,000	\$ 1,010,168	\$ 1,435,168
2025	595,000	990,631	1,585,631
2026	620,000	966,400	1,586,400
2027	645,000	941,175	1,586,175
2028	670,000	914,928	1,584,928
2029	695,000	888,210	1,583,210
2030	720,000	861,957	1,581,957
2031	745,000	835,907	1,580,907
2032	775,000	809,037	1,584,037
2033	800,000	781,673	1,581,673
2034	830,000	754,391	1,584,391
2035	855,000	726,513	1,581,513
2036	885,000	697,519	1,582,519
2037	915,000	667,394	1,582,394
2038	945,000	636,200	1,581,200
2039	980,000	603,767	1,583,767
2040	1,010,000	571,903	1,581,903
2041	1,040,000	540,926	1,580,926
2042	1,075,000	509,011	1,584,011
2043	1,105,000	476,025	1,581,025
2044	1,140,000	438,613	1,578,613
2045	1,180,000	396,427	1,576,427
2046	1,225,000	353,570	1,578,570
2047	1,270,000	310,148	1,580,148
2048	1,315,000	263,550	1,578,550
2049	1,365,000	213,556	1,578,556
2050	1,415,000	166,456	1,581,456
2051	1,460,000	122,497	1,582,497
2052	1,505,000	80,775	1,585,775
2053	1,535,000	30,700	1,565,700
	<u>\$ 29,740,000</u>	<u>\$ 17,560,027</u>	<u>\$ 47,300,027</u>

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-6. Change in Long-Term Bonded Debt
May 31, 2023

	Bond Issue			
	Series 2014	Series 2015	Series 2016	Series 2017
Interest rate	2.00% - 4.40%	2.00% - 4.125%	2.00% - 3.625%	3.00% - 5.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/17 - 9/1/42	9/1/17 - 9/1/44	9/1/18 - 9/1/46	9/1/19 - 9/1/46
Beginning bonds outstanding	\$ 40,000	\$ 1,250,000	\$ 1,600,000	\$ 2,580,000
Bonds issued				
Bonds retired	(40,000)	(25,000)	(25,000)	(50,000)
Ending bonds outstanding	\$ -	\$ 1,225,000	\$ 1,575,000	\$ 2,530,000
Interest paid during fiscal year	\$ 550	\$ 49,282	\$ 55,750	\$ 91,563
Paying agent's name and city	Wells Fargo Bank, N.A., Dallas, Texas			
Series 2011	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
All other Series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
Bond Authority	Water, Sewer and Drainage and Refunding Bonds	Park and Recreational Facilities and Refunding Bonds		
Amount Authorized by Voters	\$ 168,000,000	\$ 14,000,000		
Amount Issued	(31,515,000)			
Remaining To Be Issued	\$ 136,485,000	\$ 14,000,000		

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

Debt Service Fund cash and investment balances as of May 31, 2023: \$ 2,519,427

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,576,668

See accompanying auditor's report.

Bond Issue				
Series 2017 Refunding	Series 2018	Series 2019	Series 2020	Series 2021 Refunding
2.00% - 4.00%	4.00% - 6.50%	2.00% - 3.00%	3.00%	2.00% - 3.00%
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
9/1/18 - 9/1/38	9/1/20 - 9/1/48	9/1/22 - 9/1/49	9/1/22 - 9/1/50	9/1/22 - 9/1/42
\$ 2,560,000	\$ 3,420,000	\$ 3,150,000	\$ 3,500,000	\$ 2,510,000
(105,000)	(50,000)	(50,000)	(50,000)	(15,000)
\$ 2,455,000	\$ 3,370,000	\$ 3,100,000	\$ 3,450,000	\$ 2,495,000
\$ 97,475	\$ 150,619	\$ 88,656	\$ 104,250	\$ 57,050

Northeast Harris County Municipal Utility District No. 1
TSI-6. Change in Long-Term Bonded Debt
May 31, 2023

	<u>Bond Issue</u>		<u>Total</u>
	<u>Series 2021</u>	<u>Series 2022</u>	
Interest rate	2.00% - 4.50%	4.00% - 5.50%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/24 - 9/1/51	9/1/24 - 9/1/52	
Beginning bonds outstanding	\$ 4,000,000	\$ -	\$ 24,610,000
Bonds issued		5,540,000	5,540,000
Bonds retired			<u>(410,000)</u>
Ending bonds outstanding	<u>\$ 4,000,000</u>	<u>\$ 5,540,000</u>	<u>\$ 29,740,000</u>
Interest paid during fiscal year	<u>\$ 101,112</u>	<u>\$ 145,526</u>	<u>\$ 941,833</u>

See accompanying auditor's report.

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

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Water service	\$ 381,302	\$ 388,021	\$ 344,739	\$ 314,716	\$ 291,394
Sewer service	519,267	504,637	476,547	387,631	394,820
Property taxes	1,472,798	1,511,097	1,314,740	1,080,316	878,939
Penalties and interest	21,215	17,898	8,388	14,454	14,983
Tap connection and inspection	70,827	212,153	150,088	80,396	67,519
Miscellaneous	20,288	10,434	28,587	1,205	1,040
Investment earnings	68,190	2,147	1,208	15,688	18,194
Total Revenues	<u>2,553,887</u>	<u>2,646,387</u>	<u>2,324,297</u>	<u>1,894,406</u>	<u>1,666,889</u>
Expenditures					
Current service operations					
Purchased services	886,677	800,580	642,025	531,676	473,169
Professional fees	135,518	184,870	265,062	126,733	179,511
Contracted services	499,478	557,051	452,391	352,626	318,130
Repairs and maintenance	573,665	579,714	385,700	803,245	406,011
Utilities	65,641	24,324	23,459	15,934	15,073
Administrative	35,829	40,854	58,820	52,795	47,654
Other	17,225	18,147	13,557	43,023	17,809
Capital outlay	53,708	24,436			
Total Expenditures	<u>2,267,741</u>	<u>2,229,976</u>	<u>1,841,014</u>	<u>1,926,032</u>	<u>1,457,357</u>
Revenues Over/(Under) Expenditures	<u>\$ 286,146</u>	<u>\$ 416,411</u>	<u>\$ 483,283</u>	<u>\$ (31,626)</u>	<u>\$ 209,532</u>
Total Active Retail Water Connections	<u>1,109</u>	<u>1,056</u>	<u>966</u>	<u>859</u>	<u>779</u>
Total Active Retail Wastewater Connections	<u>1,094</u>	<u>1,043</u>	<u>955</u>	<u>854</u>	<u>774</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
15%	15%	15%	17%	17%
20%	19%	21%	20%	24%
57%	57%	57%	57%	53%
1%	1%	*	1%	1%
3%	8%	6%	4%	4%
1%	*	1%	*	*
3%	*	*	1%	1%
<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
35%	30%	28%	28%	28%
5%	7%	11%	7%	11%
20%	21%	19%	19%	19%
22%	22%	17%	42%	24%
3%	1%	1%	1%	1%
1%	2%	3%	3%	3%
1%	1%	1%	2%	1%
2%	1%			
<u>89%</u>	<u>85%</u>	<u>80%</u>	<u>102%</u>	<u>87%</u>
<u>11%</u>	<u>15%</u>	<u>20%</u>	<u>(2%)</u>	<u>13%</u>

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

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 1,817,721	\$ 1,466,458	\$ 1,257,410	\$ 1,019,485	\$ 937,847
Penalties and interest	12,115	15,007	10,893	10,804	15,920
Miscellaneous		2,405	390		
Investment earnings	64,291	2,151	1,185	17,050	20,065
Total Revenues	<u>1,894,127</u>	<u>1,486,021</u>	<u>1,269,878</u>	<u>1,047,339</u>	<u>973,832</u>
Expenditures					
Tax collection services	52,546	47,929	40,273	35,201	31,316
Debt service					
Principal	410,000	280,000	270,000	220,000	190,000
Interest and fees	948,583	793,999	738,840	623,389	471,554
Debt issuance costs		184,496			
Total Expenditures	<u>1,411,129</u>	<u>1,306,424</u>	<u>1,049,113</u>	<u>878,590</u>	<u>692,870</u>
Revenues Over Expenditures	<u>\$ 482,998</u>	<u>\$ 179,597</u>	<u>\$ 220,765</u>	<u>\$ 168,749</u>	<u>\$ 280,962</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
96%	99%	99%	97%	96%
1%	1%	1%	1%	2%
	*	*		
3%	*	*	2%	2%
100%	100%	100%	100%	100%
3%	3%	3%	3%	3%
22%	19%	21%	21%	20%
50%	53%	58%	60%	48%
	12%			
75%	87%	82%	84%	71%
25%	13%	18%	16%	29%

***Northeast Harris County Municipal Utility District No. 1
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2023***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 28, 2022
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Jim Moffatt	5/22 - 5/26	\$ 1,650	\$ 112	President
Keith Jaehne	5/22 - 5/26	1,489	138	Vice President
Ellen Crocker	5/22 - 5/26	1,650	474	Secretary
Tonya Nunez	5/20 - 5/24	900	224	Assistant Vice President
Ted Gaylord	5/20 - 5/24	1,050	402	Assistant Secretary
Consultants				
Allen Boone Humphries Robinson, LLP	2007	Amounts Paid		Attorney
<i>General legal fees</i>		\$ 75,387		
<i>Bond counsel</i>		188,758		
Municipal Operations & Consulting, Inc.	2016	425,618		Operator
McLennan & Associates, LP	2007	35,555		Bookkeeper
Bob Leared Interests, Inc.	2008	18,133		Tax Collector
Harris Central Appraisal District	Legislation	23,477		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2010	4,062		Delinquent Tax Attorney
IDS Engineering Group	2007	172,202		Engineer
McGrath & Co., PLLC	2011	31,075		Auditor
Rathmann & Associates, L.P.	2008	144,300		Financial Advisor

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

See accompanying auditor's report.