NORTHEAST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2026

Table of Contents

	Schedule	Page
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances		17
Notes to Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		38
Notes to Required Supplementary Information		39
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	42
General Fund Expenditures	TSI-2	44
Investments	TSI-3	45
Taxes Levied and Receivable	TSI-4	46
Long-Term Debt Service Requirements by Years	TSI-5	47
Change in Long-Term Bonded Debt	TSI-6	64
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	68
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	70
Board Members, Key Personnel, and Consultants	TSI-8	72

McGRATH & CO., PLLC

Certified Public Accountants
2950 North Loop West, Suite 810
Houston, Texas 77092

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, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

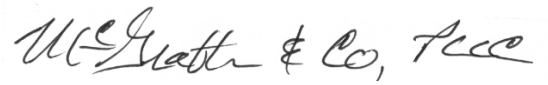
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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

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 5, 2026

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

Using this Annual Report

This section of the financial report of Northeast Harris County Municipal Utility District No. 1 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2026. 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.

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, 2026, was negative $8,696,473. A comparative summary of the District's overall financial position, as of May 31, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 9,897,931	$ 8,176,509
Capital assets	40,107,729	33,904,283
Total assets	50,005,660	42,080,792
Total deferred outflows of resources	75,223	82,062
Current liabilities	1,819,248	6,362,009
Long-term liabilities	56,958,108	43,499,300
Total liabilities	58,777,356	49,861,309
Net position		
Net investment in capital assets	(16,424,871)	(14,289,496)
Restricted	4,417,783	3,550,077
Unrestricted	3,310,615	3,040,964
Total net position	$ (8,696,473)	$ (7,698,455)

The total net position of the District decreased during the current fiscal year by $998,018. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2026	2025
Revenues		
Property taxes, penalties and interest	$ 5,235,282	$ 4,352,348
Water and sewer service	1,202,675	1,144,518
Other	423,011	464,675
Total revenues	6,860,968	5,961,541
Expenses		
Current service operations	3,270,684	2,967,200
Debt interest and fees	2,015,441	1,669,826
Developer interest	457,786	527,482
Debt issuance costs	1,273,033	720,140
Depreciation and amortization	842,042	774,687
Total expenses	7,858,986	6,659,335
Change in net position	(998,018)	(697,794)
Net position, beginning of year	(7,698,455)	(7,000,661)
Net position, end of year	$ (8,696,473)	$ (7,698,455)

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2026, were $9,146,473, which consists of $3,281,984 in the General Fund, $4,814,554 in the Debt Service Fund, and $1,049,935 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 3,901,615	$ 3,720,524
Total liabilities	$ 552,231	$ 640,791
Total deferred inflows	67,400	53,612
Total fund balance	3,281,984	3,026,121
Total liabilities, deferred inflows and fund balance	$ 3,901,615	$ 3,720,524

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

	2026	2025
Total revenues	$ 3,388,021	$ 3,141,013
Total expenditures	(3,132,158)	(2,893,629)
Revenues over expenditures	$ 255,863	$ 247,384

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

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 5,013,905	$ 4,038,001
Total liabilities	$ 46,326	$ 3,758
Total deferred inflows	153,025	110,660
Total fund balance	4,814,554	3,923,583
Total liabilities, deferred inflows and fund balance	$ 5,013,905	$ 4,038,001

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

	2026	2025
Total revenues	$ 3,388,746	$ 2,710,879
Total expenditures	(2,497,775)	(2,130,006)
Revenues over expenditures	$ 890,971	$ 580,873

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District

sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 1,059,598	$ 417,984
Total liabilities	$ 9,663	$ 24,875
Total fund balance	1,049,935	393,109
Total liabilities and fund balance	$ 1,059,598	$ 417,984

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

	2026	2025
Total revenues	$ 28,048	$ 69,167
Total expenditures	(8,966,222)	(9,144,186)
Revenues under expenditures	(8,938,174)	(9,075,019)
Other changes in fund balance	9,595,000	7,609,650
Net change in fund balance	$ 656,826	$ (1,465,369)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2025 Unlimited Tax Bonds, Series 2025A Unlimited Tax Park Bonds, and Series 2025B Unlimited Tax Bonds in the current fiscal year and the issuance of its Series 2024 Unlimited Tax Bonds, Series 2024 Bond Anticipation Note, and Series 2024 Park Bond Anticipation Note in the prior fiscal year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $187,804 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 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. The 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, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 9,166,096	$ 8,115,902
Construction in progress		2,309,035
	9,166,096	10,424,937
Capital assets being depreciated/amortized		
Infrastructure	25,344,836	23,930,218
Interest in joint facilities	8,352,167	1,866,632
Landscaping improvements	3,685,554	3,281,378
	37,382,557	29,078,228
Less accumulated depreciation/amortization		
Infrastructure	(5,363,381)	(4,752,035)
Interest in joint facilities	(493,380)	(450,855)
Landscaping improvements	(584,163)	(395,992)
	(6,440,924)	(5,598,882)
Depreciable capital assets, net	30,941,633	23,479,346
Capital assets, net	$ 40,107,729	$ 33,904,283

Capital asset additions during the current fiscal year include the following:

- Edgewood Village Section 9 and 10 – landscaping improvements
- Sheldon Ridge Section 13 – utilities
- Edgewater Village, Phase 4 – detention
- Water meters
- Joint interest in the Rolling Hills Wastewater Treatment Plant expansion with Sheldon Road Municipal Utility District.

Long-Term Debt and Related Liabilities

As of May 31, 2026, the District owes approximately $2,343,342 to developers for completed projects. 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 $5,720,000 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 developers is trued up when the developers are reimbursed.

At May 31, 2026 and 2025, the District had total bonded debt outstanding as shown below:

Series	2026	2025
2015	$ 1,150,000	$ 1,175,000
2016	1,500,000	1,525,000
2017	2,360,000	2,420,000
2017 Refunding	2,105,000	2,225,000
2018	3,215,000	3,270,000
2019	2,950,000	3,000,000
2020	3,265,000	3,330,000
2021 Refunding	2,335,000	2,390,000
2021	3,870,000	3,935,000
2022	5,350,000	5,450,000
2023	6,570,000	6,570,000
2024	6,530,000	6,530,000
2025	4,100,000	
2025A Park	4,800,000	
2025B	5,270,000	
	$ 55,370,000	$ 41,820,000

During the current fiscal year, the District issued $4,800,000 unlimited tax park bonds and $9,370,000 in unlimited tax bonds. At May 31, 2026, the District had $114,015,000 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 for such bonds and $9,200,000 for parks and recreational facilities and the refunding of such bonds.

Property Taxes

The District's property tax base increased approximately $6,879,000 for the 2026 tax year from $443,599,177 to $450,478,261. This decrease was primarily due to decreased land value in the District. For the 2026 tax year, the District has levied a maintenance tax rate of $0.42 per $100 of assessed value and a debt service tax rate of $0.76 per $100 of assessed value, for a total combined tax rate of $1.18 per $100 of assessed value. Tax rates for the 2025 tax year were $0.42 per $100 for maintenance and operations and $0.72 per $100 for debt service for a combined total of $1.14 per $100 of assessed value.

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 fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2026 Actual	2027 Budget
Total revenues	$ 3,388,021	$ 3,199,522
Total expenditures	(3,132,158)	(3,195,852)
Revenues over expenditures	255,863	3,670
Beginning fund balance	3,026,121	3,281,984
Ending fund balance	$ 3,281,984	$ 3,285,654

Basic Financial Statements

Northeast Harris County Municipal Utility District No. 1
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 225,309	$ 226,350	$ 970	$ 452,629	$ -	$ 452,629
Investments	3,300,955	4,634,530	1,021,616	8,957,101		8,957,101
Taxes receivable	67,400	153,025		220,425		220,425
Customer service receivables	171,198			171,198		171,198
Interfund receivables	40,175		37,012	77,187	(77,187)	
Prepaid items	14,518			14,518		14,518
Other receivables	72,988			72,988		72,988
Operating reserve - joint repressurization plant	9,072			9,072		9,072
Capital assets not being depreciated					9,166,096	9,166,096
Capital assets, net					30,941,633	30,941,633
Total Assets	$3,901,615	$5,013,905	$1,059,598	$9,975,118	40,030,542	50,005,660
Deferred Outflows of Resources						
Deferred difference on refunding					75,223	75,223
Liabilities						
Accounts payable	$ 402,615	$ -	$ 9,663	$ 412,278		412,278
Other payables	7,479	6,151		13,630		13,630
Customer deposits	105,125			105,125		105,125
Interfund payables	37,012	40,175		77,187	(77,187)	
Accrued interest payable					563,215	563,215
Due to developers					2,343,342	2,343,342
Long-term debt						
Due within one year					725,000	725,000
Due after one year					54,614,766	54,614,766
Total Liabilities	552,231	46,326	9,663	608,220	58,169,136	58,777,356
Deferred Inflows of Resources						
Deferred property taxes	67,400	153,025		220,425	(220,425)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	23,590			23,590	(23,590)	
Restricted		4,814,554	1,049,935	5,864,489	(5,864,489)	
Unassigned	3,258,394			3,258,394	(3,258,394)	
Total Fund Balances	3,281,984	4,814,554	1,049,935	9,146,473	(9,146,473)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$3,901,615	$5,013,905	$1,059,598	$9,975,118		
Net Position						
Net investment in capital assets					(16,424,871)	(16,424,871)
Restricted for debt service					4,417,783	4,417,783
Unrestricted					3,310,615	3,310,615
Total Net Position					$ (8,696,473)	$ (8,696,473)

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, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$1,889,287	$3,213,505	$ -	$5,102,792	$ 44,217	$ 5,147,009
Penalties and interest	41,606	34,731		76,337	11,936	88,273
Water service	516,420			516,420		516,420
Sewer service	686,255			686,255		686,255
Tap connection and inspection	137,019			137,019		137,019
Miscellaneous	2,810	71		2,881		2,881
Investment earnings	114,624	140,439	28,048	283,111		283,111
Total Revenues	3,388,021	3,388,746	28,048	6,804,815	56,153	6,860,968
Expenditures/Expenses						
Current service operations						
Purchased services	1,257,420			1,257,420		1,257,420
Professional fees	195,527		129,692	325,219		325,219
Contracted services	717,786	69,691		787,477		787,477
Repairs and maintenance	752,728			752,728		752,728
Utilities	28,981			28,981		28,981
Administrative	72,190	8,783	150	81,123		81,123
Other	37,336		400	37,736		37,736
Capital outlay	70,190		6,960,597	7,030,787	(7,030,787)	
Debt service						
Principal		620,000		620,000	(620,000)	
Interest and fees		1,799,301	144,564	1,943,865	71,576	2,015,441
Developer interest			457,786	457,786		457,786
Debt issuance costs			1,273,033	1,273,033		1,273,033
Depreciation and amortization					842,042	842,042
Total Expenditures/Expenses	3,132,158	2,497,775	8,966,222	14,596,155	(6,737,169)	7,858,986
Revenues Over (Under) Expenditures	255,863	890,971	(8,938,174)	(7,791,340)	7,791,340	
Other Financing Sources (Uses)						
Proceeds from sale of bonds			14,170,000	14,170,000	(14,170,000)	
Repayment of bond anticipation note			(4,575,000)	(4,575,000)	4,575,000	
Net Change in Fund Balances	255,863	890,971	656,826	1,803,660	(1,803,660)	
Change in Net Position					(998,018)	(998,018)
Fund Balance/Net Position						
Beginning of the year	3,026,121	3,923,583	393,109	7,342,813	(15,041,268)	(7,698,455)
End of the year	$3,281,984	$4,814,554	$1,049,935	$9,146,473	$(17,842,946)	$(8,696,473)

See notes to basic financial statements.

(This page intentionally left blank)

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, drainage, parks and recreational 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*.

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, drainage, parks, and recreational 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.

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.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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, 2026, an allowance for uncollectible accounts 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 eliminated in the government-wide 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 that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

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.

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	10 - 45 years
Interest in joint facilities	45 years [max]
Landscaping improvements	15 - 20 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.

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 prepaid items and 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.

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		$ 9,146,473
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental		
Historical cost	$ 46,548,653	
Less accumulated depreciation/amortization	(6,440,924)	
		40,107,729
The difference between the face amount of bonds refunded and the amount paid to refund the bonds does not provide financial resources at the fund level and is recorded as a deferred outflow in the *Statement of Net Position* and amortized to interest expense.		75,223
Long-term 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:		
Accrued interest payable	(563,215)	
Due to developers	(2,343,342)	
Bonds payable, net	(55,339,766)	
		(58,246,323)
Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		220,425
Total net position - governmental activities		$ (8,696,473)

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		$ 1,803,660
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.		56,153
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 7,030,787	
Depreciation/amortization expense	(842,042)	
		6,188,745
Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(14,170,000)	
Repayment of bond anticipation note	4,575,000	
Principal payments	620,000	
Interest expense accrual	(71,576)	
		(9,046,576)
Change in net position of governmental activities		$ (998,018)

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, 2026, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	$ 3,300,955		
	Debt Service	4,634,530		
	Capital Projects	1,021,616		
Total		$ 8,957,101	AAAm	49 days

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at May 31, 2026, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 40,175	Maintenance tax collections not remitted as of year end
Capital Projects Fund	General Fund	37,012	Over reimbursement of bond application fees

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2026, is as follows:

	Beginning Balances	Additions/ Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	$ 8,115,902	$ 1,050,194	$ -	$ 9,166,096
Construction in progress	2,309,035		(2,309,035)	
	10,424,937	1,050,194	(2,309,035)	9,166,096
Capital assets being depreciated/amortized				
Infrastructure	23,930,218	1,414,618		25,344,836
Interest in joint facilities	1,866,632	6,485,535		8,352,167
Landscaping improvements	3,281,378	404,176		3,685,554
	29,078,228	8,304,329		37,382,557
Less accumulated depreciation/amortization				
Infrastructure	(4,752,035)	(611,346)		(5,363,381)
Interest in joint facilities	(450,855)	(42,525)		(493,380)
Landscaping improvements	(395,992)	(188,171)		(584,163)
	(5,598,882)	(842,042)		(6,440,924)
Subtotal depreciable capital assets, net	23,479,346	7,462,287		30,941,633
Capital assets, net	$ 33,904,283	$ 8,512,481	$ (2,309,035)	$ 40,107,729

Depreciation/amortization expense for the current fiscal year was $842,042.

Note 6 – Bond Anticipation Note

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

At the beginning of the fiscal year, the District had BANs outstanding in the amounts of $1,925,000 (BAN 1) and $2,650,000 (Park BAN). On August 7, 2025, the District paid both BANS through the issuance of its Series 2025 Unlimited Tax Bonds and Series 2025A Unlimited Tax Park Bonds.

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

Beginning balance	$ 4,575,000
Amounts repaid	(4,575,000)
Ending balance	$ -

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, park and recreational facilities. Under the agreements, the developers will construct facilities on behalf of 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 developers are reimbursed.

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

Due to developers, beginning of year	$ 2,328,641
Developers reimbursements	(2,784,097)
Developers funded construction and adjustments	2,798,798
Due to developers, end of year	$ 2,343,342

In addition, the District will owe the developers approximately $5,720,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developers is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount*
Sheldon Ridge - clearing and grubbing	$ 670,000
Sheldon Ridge, Section 16 - utilities	960,000
Sheldon Ridge lift station - utilities	220,000
Sheldon Ridge lift station	1,380,000
Edgewood Village East, Section 1 - utilities	1,940,000
MUD 285 Interconnect	550,000
	$ 5,720,000

* Rounded to the nearest $10,000.

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 55,370,000
Unamortized discounts	(113,568)
Unamortized premium	83,334
	$ 55,339,766
Due within one year	$ 725,000

The District's bonds payable at May 31, 2026, 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	$ 1,150,000	$ 1,370,000	2.00% - 4.125%	September 1, 2017/2044	September 1, March 1	September 1, 2022
2016	1,500,000	1,700,000	2.00% - 3.625%	September 1, 2018/2046	September 1, March 1	September 1, 2023
2017	2,360,000	2,730,000	3.00% - 5.50%	September 1, 2019/2046	September 1, March 1	September 1, 2024
2017 Refunding	2,105,000	2,850,000	2.00% - 4.00%	September 1, 2018/2038	September 1, March 1	September 1, 2024
2018	3,215,000	3,500,000	4.00% - 6.50%	September 1, 2020/2048	September 1, March 1	September 1, 2023
2019	2,950,000	3,150,000	2.00% - 3.00%	September 1, 2022/2049	September 1, March 1	September 1, 2024
2020	3,265,000	3,500,000	3.00%	September 1, 2022/2050	September 1, March 1	September 1, 2025
2021 Refunding	2,335,000	2,510,000	2.00% - 3.00%	September 1, 2022/2042	September 1, March 1	September 1, 2026
2021	3,870,000	4,000,000	2.00% - 4.50%	September 1, 2024/2051	September 1, March 1	September 1, 2026
2022	5,350,000	5,540,000	4.00% - 5.50%	September 1, 2024/2052	September 1, March 1	September 1, 2027
2023	6,570,000	6,570,000	4.00% - 6.50%	September 1, 2026/2053	September 1, March 1	September 1, 2028
2024	6,530,000	6,530,000	4.00% - 6.50%	September 1, 2027/2053	September 1, March 1	September 1, 2029
2025	4,100,000	4,100,000	4.00% - 6.00%	September 1, 2028/2054	September 1, March 1	September 1, 2030
2025A Park	4,800,000	4,800,000	4.00% - 6.00%	September 1, 2028/2054	September 1, March 1	September 1, 2030
2025B	5,270,000	5,270,000	4.00% - 6.50%	September 1, 2028/2054	September 1, March 1	September 1, 2030
	$ 55,370,000					

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

At May 31, 2026, the District had authorized but unissued bonds in the amount of $114,015,000 for water, sewer, and drainage facilities and the refunding of such bonds and $9,200,000 for park and recreational facilities and the refunding for such bonds.

On August 7, 2025, the District issued its $4,100,000 Series 2025 Unlimited Tax Bonds at a net effective interest rate of 4.947906%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and (2) to repay a $1,925,000 BAN issued in the previous fiscal year.

On August 7, 2025, the District issued its $4,800,000 Series 2025A Unlimited Tax Park Bonds at a net effective interest rate of 4.941414%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and (2) to repay a $2,650,000 Park BAN issued in the previous fiscal year.

On December 10, 2025, the District issued its $5,270,000 Series 2025B Unlimited Tax Bonds at a net effective interest rate of 4.604114%. Proceeds of the bonds were used to pay for the District's share on the Rolling Hills Wastewater Treatment Plant expansion project with Sheldon Road Municipal Utility District.

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

Bonds payable, beginning of year	$	41,820,000
Bonds issued		14,170,000
Bonds retired		(620,000)
Bonds payable, end of year	$	55,370,000

As of May 31, 2026, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2027	$ 725,000	$ 2,241,203	$ 2,966,203
2028	865,000	2,152,004	3,017,004
2029	1,135,000	2,104,998	3,239,998
2030	1,185,000	2,050,058	3,235,058
2031	1,240,000	1,993,570	3,233,570
2032	1,295,000	1,936,164	3,231,164
2033	1,355,000	1,880,459	3,235,459
2034	1,410,000	1,826,698	3,236,698
2035	1,465,000	1,773,646	3,238,646
2036	1,520,000	1,719,696	3,239,696
2037	1,580,000	1,663,455	3,243,455
2038	1,635,000	1,604,906	3,239,906
2039	1,700,000	1,543,662	3,243,662
2040	1,770,000	1,481,035	3,251,035
2041	1,835,000	1,417,210	3,252,210
2042	1,895,000	1,350,837	3,245,837
2043	1,970,000	1,281,768	3,251,768
2044	2,045,000	1,206,182	3,251,182
2045	2,130,000	1,123,715	3,253,715
2046	2,215,000	1,038,624	3,253,624
2047	2,305,000	950,817	3,255,817
2048	2,400,000	857,574	3,257,574
2049	2,500,000	758,551	3,258,551
2050	2,605,000	659,738	3,264,738
2051	2,705,000	561,470	3,266,470
2052	2,810,000	462,718	3,272,718
2053	2,915,000	352,424	3,267,424
2054	3,040,000	222,498	3,262,498
2055	3,120,000	77,110	3,197,110
	$ 55,370,000	$ 38,292,790	$ 93,662,790

Note 9 – Property Taxes

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

All property values and exempt status, if any, are determined by the Harris 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 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $1.14 per $100 of assessed value, of which $0.42 was allocated to maintenance and operations and $0.72 was allocated to debt service. The resulting tax levy was $5,057,031 on the adjusted taxable value of $443,599,177.

Property taxes receivable, at May 31, 2026, consisted of the following:

Current year taxes receivable	$ 110,466
Prior years taxes receivable	54,652
	165,118
Penalty and interest receivable	55,307
Property taxes receivable	$ 220,425

Note 10 – Agreement for Water Supply Facilities

The District and Harris County Municipal Utility District No. 421 ("MUD 421") have entered into an 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 (ESFCs) 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 ESFCs with MUD 421 receiving 830 connections 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 pro-rata share of ESFCs). 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 $354,562 in expenditures for water purchased from MUD 421. The District has also paid an operating reserve, which is based on its pro-rata share of a month's worth of MUD 421's budgeted operating expenses, which is $9,072.

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

The District and Sheldon Road Municipal Utility District ("Sheldon Road MUD") have entered into a Utility Functions and Services Allocation Agreement, as amended on August 6, 2018, March 4, 2019, June 1, 2020, February 7, 2022, September 9, 2024, and May 12, 2025 (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 $902,744 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 Utility 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 Utility 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.

On September 9, 2024, the District approved the Fifth Amendment to the Utility Agreement in which Sheldon Road MUD agrees to provide the District additional ESFCs of wastewater capacity within Sheldon Road MUD's existing wastewater treatment plant until the 0.35 MGD permanent phase 1 wastewater treatment plant is in operation.

On May 12, 2025, the District approved the Sixth Amendment to the Utility Agreement to update the funding requirements for the 0.35 MGD permanent phase 1 wastewater treatment plant. The District's estimated share of the project increased from $3,865,322 to $5,497,500. The District also agreed to pay $435,000 for its share of the engineering services to be performed during the construction. During the prior fiscal year, the District advanced $1,756,000 for its share of the project. During the current fiscal year, the District advanced $4,176,500 for its remaining share of the construction costs.

Note 12 – Emergency Water Supply Agreement

On January 6, 2025, the District and Harris County Municipal Utility District No. 285 ("MUD 285") entered into an emergency water supply agreement for the temporary supply of potable water during emergency situations. The District shall design and construct its water line and the interconnect at its sole cost and expense. The District shall own and have title to its water line and interconnect for the benefit of both the District and MUD 285. The receiving district will pay for the water supplied by providing a like amount of water to the supplying district. The term of the agreement is 40 years.

Note 13 – 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.

(This page intentionally left blank.

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, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 1,708,269	$ 1,889,287	$ 181,018
Penalties and interest	33,000	41,606	8,606
Water service	456,000	516,420	60,420
Sewer service	606,000	686,255	80,255
Tap connection and inspection	100,800	137,019	36,219
Miscellaneous	10,500	2,810	(7,690)
Investment earnings	112,800	114,624	1,824
Total Revenues	3,027,369	3,388,021	360,652
Expenditures			
Current service operations			
Purchased services	985,200	1,257,420	(272,220)
Professional fees	167,400	195,527	(28,127)
Contracted services	765,000	717,786	47,214
Repairs and maintenance	865,800	752,728	113,072
Utilities	36,000	28,981	7,019
Administrative	67,400	72,190	(4,790)
Other	27,510	37,336	(9,826)
Capital outlay	45,000	70,190	(25,190)
Total Expenditures	2,959,310	3,132,158	(172,848)
Revenues Over Expenditures	68,059	255,863	187,804
Fund Balance			
Beginning of the year	3,026,121	3,026,121	
End of the year	$ 3,094,180	$ 3,281,984	$ 187,804

Budgets and Budgetary Accounting

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

(This page intentionally left blank)

Texas Supplementary Information

Northeast Harris County Municipal Utility District No. 1
TSI-1. Services and Rates
May 31, 2026

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

[X] Retail Water	[ ] Wholesale Water	[X] Solid Waste / Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[X] Parks / Recreation	[ ] Fire Protection	[ ] Roads	[X] Security

[X] Participates in joint venture, regional system and/or wastewater service (other than emergency interconne

[ ] 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 [X] 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"	1,411	1,361	x 1.0	1,361
1"	1	1	x 2.5	3
1.5"			x 5.0	
2"	13	13	x 8.0	104
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	1,425	1,375		1,468
Total Wastewater	1,391	1,355	x 1.0	1,355

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-1. Services and Rates
May 31, 2026

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

Gallons pumped into system:	130,717,000	From: Sheldon Road MUD/ Harris County MUD 421
Gallons billed to customers:	125,821,000	Water Accountability Ratio: (Gallons billed / Gallons pumped) 96.25%

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

The District does not have Debt Service standby fees.

The District does not have Operation and Maintenance standby fees.

5. Location of District:

Is the District located entirely within one county? Yes [X] No [ ]

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

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

City(ies) in which the District is located:

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

Entirely [X] 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 [X]

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, 2026

Purchased services	$ 1,257,420
Professional fees	
Legal	109,389
Audit	18,500
Engineering	67,638
	195,527
Contracted services	
Bookkeeping	34,651
Operator	112,553
Garbage collection	326,290
Inspection	15,380
Sludge removal	54,852
Security	174,060
	717,786
Repairs and maintenance	752,728
Utilities	28,981
Administrative	
Directors fees	13,260
Printing and office supplies	13,001
Insurance	28,742
Other	17,187
	72,190
Other	37,336
Capital outlay	70,190
Total expenditures	$ 3,132,158

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-3. Investments
May 31, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	$ 3,300,955
Debt Service			
TexPool	Variable	N/A	4,634,530
Capital Projects			
TexPool	Variable	N/A	273,658
TexPool	Variable	N/A	198,712
TexPool	Variable	N/A	549,246
			1,021,616
Total - All Funds			$ 8,957,101

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-4. Taxes Levied and Receivable
May 31, 2026

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 53,541	$ 67,359	$ 120,900
Adjustments to Prior Year Tax Levy	39,968	50,010	89,978
Adjusted Receivable	93,509	117,369	210,878
2025 Original Tax Levy	1,717,052	2,943,518	4,660,570
Adjustments	146,064	250,397	396,461
Adjusted Tax Levy	1,863,116	3,193,915	5,057,031
Total to be accounted for	1,956,625	3,311,284	5,267,909
Tax collections:			
Current year	1,822,419	3,124,146	4,946,565
Prior years	66,806	89,420	156,226
Total Collections	1,889,225	3,213,566	5,102,791
Taxes Receivable, End of Year	$ 67,400	$ 97,718	$ 165,118
Taxes Receivable, By Years			
2025	$ 40,697	$ 69,769	$ 110,466
2024	4,595	6,792	11,387
2023	3,674	5,431	9,105
2022 and prior	18,434	15,726	34,160
Taxes Receivable, End of Year	$ 67,400	$ 97,718	$ 165,118

	2025	2024	2023	2022
Property Valuations:				
Land	$ 84,902,632	$ 78,330,634	$ 74,127,319	$ 64,278,880
Improvements	349,190,372	305,730,888	301,054,564	231,394,645
Personal Property	40,687,737	10,871,707	3,331,267	3,197,550
Exemptions	(31,181,564)	(18,413,506)	(29,764,481)	(23,322,766)
Total Property Valuations	$ 443,599,177	$ 376,519,723	$ 348,748,669	$ 275,548,309
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.42	$ 0.46	$ 0.46	$ 0.55
Debt service tax rates	0.72	0.68	0.68	0.68
Total Tax Rates per $100 Valuation	$ 1.14	$ 1.14	$ 1.14	$ 1.23
Adjusted Tax Levy:	$ 5,057,031	$ 4,292,325	$ 3,975,735	$ 3,389,244
Percentage of Taxes Collected to Taxes Levied **	97.82%	99.73%	99.77%	99.76%

* 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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 1,150,000	$ 683,264	$ 1,833,264

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 1,500,000	$ 901,406	$ 2,401,406

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 2,360,000	$ 1,050,143	$ 3,410,143

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 2,105,000	$ 596,500	$ 2,701,500

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 3,215,000	$ 2,244,996	$ 5,459,996

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 2,950,000	$ 1,432,111	$ 4,382,111

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 3,265,000	$ 1,687,125	$ 4,952,125

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 2,335,000	$ 601,013	$ 2,936,013

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 3,870,000	$ 1,621,057	$ 5,491,057

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 5,350,000	$ 3,775,213	$ 9,125,213

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
May 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 80,000	$ 296,025	$ 376,025
2028	85,000	290,662	375,662
2029	95,000	284,812	379,812
2030	100,000	278,475	378,475
2031	105,000	271,813	376,813
2032	105,000	264,988	369,988
2033	115,000	258,700	373,700
2034	120,000	253,425	373,425
2035	125,000	248,525	373,525
2036	130,000	243,425	373,425
2037	140,000	238,025	378,025
2038	145,000	232,325	377,325
2039	150,000	226,425	376,425
2040	160,000	220,225	380,225
2041	170,000	213,413	383,413
2042	175,000	206,081	381,081
2043	185,000	198,431	383,431
2044	195,000	190,356	385,356
2045	205,000	181,856	386,856
2046	215,000	172,797	387,797
2047	225,000	163,172	388,172
2048	235,000	153,109	388,109
2049	250,000	142,500	392,500
2050	260,000	131,344	391,344
2051	275,000	119,641	394,641
2052	290,000	107,100	397,100
2053	310,000	93,600	403,600
2054	1,925,000	43,313	1,968,313
	$ 6,570,000	$ 5,724,563	$ 12,294,563

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
May 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ -	$ 286,068	$ 286,068
2028	110,000	282,494	392,494
2029	110,000	275,344	385,344
2030	120,000	267,869	387,869
2031	130,000	259,743	389,743
2032	140,000	250,969	390,969
2033	150,000	242,669	392,669
2034	155,000	235,043	390,043
2035	170,000	227,769	397,769
2036	175,000	220,869	395,869
2037	180,000	213,769	393,769
2038	195,000	206,269	401,269
2039	205,000	198,268	403,268
2040	215,000	189,869	404,869
2041	225,000	181,069	406,069
2042	235,000	171,869	406,869
2043	250,000	162,168	412,168
2044	260,000	151,969	411,969
2045	275,000	141,269	416,269
2046	290,000	129,969	419,969
2047	305,000	117,878	422,878
2048	320,000	104,987	424,987
2049	335,000	91,269	426,269
2050	355,000	76,606	431,606
2051	375,000	61,094	436,094
2052	395,000	44,731	439,731
2053	415,000	27,519	442,519
2054	440,000	9,350	449,350
	$ 6,530,000	$ 4,828,759	$ 11,358,759

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2025--by Years
May 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ -	$ 195,376	$ 195,376
2028		195,376	195,376
2029	65,000	193,426	258,426
2030	70,000	189,376	259,376
2031	70,000	185,176	255,176
2032	75,000	181,576	256,576
2033	80,000	178,476	258,476
2034	85,000	175,176	260,176
2035	90,000	171,676	261,676
2036	90,000	168,020	258,020
2037	95,000	164,204	259,204
2038	95,000	160,286	255,286
2039	100,000	156,051	256,051
2040	105,000	151,388	256,388
2041	110,000	146,496	256,496
2042	105,000	141,566	246,566
2043	110,000	136,594	246,594
2044	115,000	131,319	246,319
2045	120,000	125,738	245,738
2046	120,000	120,038	240,038
2047	125,000	114,219	239,219
2048	130,000	108,163	238,163
2049	135,000	101,869	236,869
2050	140,000	95,338	235,338
2051	140,000	88,688	228,688
2052	145,000	81,919	226,919
2053	155,000	74,794	229,794
2054	155,000	67,430	222,430
2055	1,275,000	31,874	1,306,874
	$ 4,100,000	$ 4,031,628	$ 8,131,628

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2025A Park--by Years
May 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ -	$ 228,475	$ 228,475
2028		228,475	228,475
2029	75,000	226,225	301,225
2030	80,000	221,575	301,575
2031	85,000	216,625	301,625
2032	90,000	212,275	302,275
2033	95,000	208,575	303,575
2034	100,000	204,675	304,675
2035	100,000	200,675	300,675
2036	110,000	196,475	306,475
2037	110,000	192,075	302,075
2038	110,000	187,538	297,538
2039	110,000	182,863	292,863
2040	115,000	177,866	292,866
2041	120,000	172,431	292,431
2042	125,000	166,766	291,766
2043	130,000	160,869	290,869
2044	135,000	154,656	289,656
2045	140,000	148,125	288,125
2046	145,000	141,356	286,356
2047	150,000	134,350	284,350
2048	155,000	127,106	282,106
2049	155,000	119,744	274,744
2050	165,000	112,144	277,144
2051	170,000	104,188	274,188
2052	175,000	95,994	270,994
2053	180,000	87,562	267,562
2054	185,000	78,893	263,893
2055	1,490,000	37,249	1,527,249
	$ 4,800,000	$ 4,725,825	$ 9,525,825

See accompanying auditor's report.

Northeast Harris County Municipal Utility District No. 1
TSI-5. Long-Term Debt Service Requirements
Series 2025B--by Years
May 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ -	$ 294,084	$ 294,084
2028		240,069	240,069
2029	95,000	236,981	331,981
2030	95,000	230,806	325,806
2031	105,000	224,306	329,306
2032	110,000	217,319	327,319
2033	115,000	210,366	325,366
2034	120,000	203,988	323,988
2035	125,000	198,488	323,488
2036	130,000	193,388	323,388
2037	140,000	187,988	327,988
2038	145,000	182,288	327,288
2039	155,000	176,288	331,288
2040	165,000	169,784	334,784
2041	170,000	162,875	332,875
2042	180,000	155,544	335,544
2043	190,000	147,681	337,681
2044	200,000	139,269	339,269
2045	210,000	130,300	340,300
2046	220,000	120,894	340,894
2047	230,000	111,050	341,050
2048	245,000	100,659	345,659
2049	260,000	89,613	349,613
2050	270,000	77,850	347,850
2051	285,000	65,362	350,362
2052	300,000	52,199	352,199
2053	320,000	38,249	358,249
2054	335,000	23,512	358,512
2055	355,000	7,987	362,987
	$ 5,270,000	$ 4,389,187	$ 9,659,187

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 725,000	$ 2,241,203	$ 2,966,203
2028	865,000	2,152,004	3,017,004
2029	1,135,000	2,104,998	3,239,998
2030	1,185,000	2,050,058	3,235,058
2031	1,240,000	1,993,570	3,233,570
2032	1,295,000	1,936,164	3,231,164
2033	1,355,000	1,880,459	3,235,459
2034	1,410,000	1,826,698	3,236,698
2035	1,465,000	1,773,646	3,238,646
2036	1,520,000	1,719,696	3,239,696
2037	1,580,000	1,663,455	3,243,455
2038	1,635,000	1,604,906	3,239,906
2039	1,700,000	1,543,662	3,243,662
2040	1,770,000	1,481,035	3,251,035
2041	1,835,000	1,417,210	3,252,210
2042	1,895,000	1,350,837	3,245,837
2043	1,970,000	1,281,768	3,251,768
2044	2,045,000	1,206,182	3,251,182
2045	2,130,000	1,123,715	3,253,715
2046	2,215,000	1,038,624	3,253,624
2047	2,305,000	950,817	3,255,817
2048	2,400,000	857,574	3,257,574
2049	2,500,000	758,551	3,258,551
2050	2,605,000	659,738	3,264,738
2051	2,705,000	561,470	3,266,470
2052	2,810,000	462,718	3,272,718
2053	2,915,000	352,424	3,267,424
2054	3,040,000	222,498	3,262,498
2055	3,120,000	77,110	3,197,110
	$ 55,370,000	$ 38,292,790	$ 93,662,790

See accompanying auditor's report.

(This page intentionally left blank)

TSI-6. Change in Long-Term Bonded Debt

May 31, 2026

	Bond Issue			
	Series 2015	Series 2016	Series 2017	Series 2017 Refunding
Interest rate	2.00% - 4.125%	2.00% - 3.625%	3.00% - 5.50%	2.00% - 4.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/17 - 9/1/44	9/1/18 - 9/1/46	9/1/19 - 9/1/46	9/1/18 - 9/1/38
Beginning bonds outstanding	$ 1,175,000	$ 1,525,000	$ 2,420,000	$ 2,225,000
Bonds issued				
Bonds retired	(25,000)	(25,000)	(60,000)	(120,000)
Ending bonds outstanding	$ 1,150,000	$ 1,500,000	$ 2,360,000	$ 2,105,000
Interest paid during fiscal year	$ 47,000	$ 53,625	$ 83,238	$ 86,600
Paying agent's name and city				
Series 2024, 2025, 2025A Park and 2025B	The Bank of New York Mellon Trust Company, N.A., Houston, 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	Parks and Recreational Facilities and Refunding Bonds
Amount Authorized by Voters	$ 168,000,000	$ 14,000,000
Amount Issued	(53,985,000)	(4,800,000)
Remaining To Be Issued	$ 114,015,000	$ 9,200,000

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

Debt Service Fund cash and investments balance as of May 31, 2026:	$ 4,860,880
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,229,751

See accompanying auditor's report.

Bond Issue				
Series 2018	Series 2019	Series 2020	Series 2021 Refunding	Series 2021
4.00% - 6.50% 9/1; 3/1 9/1/20 - 9/1/48	2.00% - 3.00% 9/1; 3/1 9/1/22 - 9/1/49	3.00% 9/1; 3/1 9/1/22 - 9/1/50	2.00% - 3.00% 9/1; 3/1 9/1/22 - 9/1/42	2.00% - 4.50% 9/1; 3/1 9/1/24 - 9/1/51
$ 3,270,000	$ 3,000,000	$ 3,330,000	$ 2,390,000	$ 3,935,000
(55,000)	(50,000)	(65,000)	(55,000)	(65,000)
$ 3,215,000	$ 2,950,000	$ 3,265,000	$ 2,335,000	$ 3,870,000
$ 140,706	$ 85,656	$ 98,925	$ 52,850	$ 96,725

	Bond Issue			
	Series 2022	Series 2023	Series 2024	Series 2025
Interest rate	4.00% - 5.50%	4.00% - 6.50%	4.00% - 6.50%	4.00% - 6.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/24 - 9/1/52	9/1/26 - 9/1/53	9/1/27 - 9/1/53	9/1/28 - 9/1/54
Beginning bonds outstanding	$ 5,450,000	$ 6,570,000	$ 6,530,000	$ -
Bonds issued				4,100,000
Bonds retired	(100,000)			
Ending bonds outstanding	$ 5,350,000	$ 6,570,000	$ 6,530,000	$ 4,100,000
Interest paid during fiscal year	$ 221,075	$ 298,625	$ 286,069	$ 110,713

See accompanying auditor's report.

Bond Issue		
Series 2025A Park	Series 2025B	Total
4.00% - 6.00% 9/1; 3/1 9/1/28 - 9/1/54	4.00% - 6.50% 9/1; 3/1 9/1/28 - 9/1/54	
$ -	$ -	$ 41,820,000
4,800,000	5,270,000	14,170,000
		(620,000)
$ 4,800,000	$ 5,270,000	$ 55,370,000
$ 129,469	$ -	$ 1,791,276

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				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$1,889,287	$1,716,691	$1,600,007	$1,472,798	$1,511,097
Penalties and interest	41,606	37,162	34,067	21,215	17,898
Water service	516,420	492,705	441,225	381,302	388,021
Sewer service	686,255	651,813	585,856	519,267	504,637
Tap connection and inspection	137,019	102,388	93,209	70,827	212,153
Miscellaneous	2,810	4,907		20,288	10,434
Investment earnings	114,624	135,347	129,487	68,190	2,147
Total Revenues	3,388,021	3,141,013	2,883,851	2,553,887	2,646,387
Expenditures					
Current service operations					
Purchased services	1,257,420	1,072,274	963,973	886,677	800,580
Professional fees	195,527	188,107	150,271	135,518	184,870
Contracted services	717,786	610,850	633,654	499,478	557,051
Repairs and maintenance	752,728	798,219	589,229	573,665	579,714
Utilities	28,981	27,386	39,682	65,641	24,324
Administrative	72,190	52,534	49,740	35,829	40,854
Other	37,336	19,259	19,403	17,225	18,147
Capital outlay	70,190	125,000	68,700	53,708	24,436
Total Expenditures	3,132,158	2,893,629	2,514,652	2,267,741	2,229,976
Revenues Over Expenditures	255,863	247,384	369,199	286,146	416,411
Other Financing Sources					
Internal transfers			98,338		
Net Change in Fund Balance	255,863	247,384	467,537	286,146	416,411
Fund Balance, Beginning of the year	3,026,121	2,778,737	2,311,200	2,025,054	1,608,643
End of the year	$3,281,984	$3,026,121	$2,778,737	$2,311,200	$2,025,054
Total Active Retail Water Connections	1,375	1,297	1,197	1,109	1,056
Total Active Retail Wastewater Connections	1,355	1,280	1,181	1,094	1,043

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
57%	55%	55%	57%	57%
1%	1%	1%	1%	1%
15%	16%	16%	15%	15%
20%	21%	21%	20%	19%
4%	3%	3%	3%	8%
*	*		1%	*
3%	4%	4%	3%	*
100%	100%	100%	100%	100%
37%	34%	33%	35%	30%
6%	6%	5%	5%	7%
21%	19%	22%	20%	21%
22%	25%	20%	22%	22%
1%	1%	1%	3%	1%
2%	2%	2%	1%	2%
1%	1%	1%	1%	1%
2%	4%	2%	2%	1%
92%	92%	86%	89%	85%
8%	8%	14%	11%	15%

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				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$ 3,213,505	$ 2,537,103	$ 2,360,577	$ 1,817,721	$ 1,466,458
Penalties and interest	34,731	20,910	25,933	12,115	15,007
Miscellaneous	71	3,982	3,033		2,405
Investment earnings	140,439	148,884	127,676	64,291	2,151
Total Revenues	3,388,746	2,710,879	2,517,219	1,894,127	1,486,021
Expenditures					
Tax collection services	78,474	73,324	70,745	52,546	47,929
Debt service					
Principal	620,000	595,000	425,000	410,000	280,000
Interest and fees	1,799,301	1,461,682	1,184,701	948,583	793,999
Debt issuance costs					184,496
Total Expenditures	2,497,775	2,130,006	1,680,446	1,411,129	1,306,424
Revenues Over Expenditures	890,971	580,873	836,773	482,998	179,597
Other Financing Sources (Uses)					
Proceeds from sale of refunding bonds					2,510,000
Payment to refunded bond escrow agent					(2,310,000)
Net Change in Fund Balance	890,971	580,873	836,773	482,998	379,597
Fund Balance, Beginning of the year	3,923,583	3,342,710	2,505,937	2,022,939	1,643,342
End of the year	$ 4,814,554	$ 3,923,583	$ 3,342,710	$ 2,505,937	$ 2,022,939

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
95%	94%	94%	96%	99%
1%	1%	1%	1%	1%
*	*	*		*
4%	5%	5%	3%	*
100%	100%	100%	100%	100%
2%	3%	3%	3%	3%
18%	22%	17%	22%	19%
53%	54%	47%	50%	53%
				12%
73%	79%	67%	75%	87%
27%	21%	33%	25%	13%

Northeast Harris County Municipal Utility District No. 1
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2026

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2400 Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 4, 2026

Limit on Fees of Office that a Director may receive during a fiscal year: $ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Candace Taylor	5/26 - 5/30	$ 442	$ 81	President
Keith Jaehne	5/26 - 5/30	2,431	188	Vice President
Ellen Crocker	5/26 - 5/30	3,094	673	Secretary
Tonya Nunez	5/24 - 5/28	2,873	604	Assistant Vice President
Ted Gaylord	5/24 - 5/28	1,989	1,422	Assistant Secretary
Jim Moffatt	5/22 - 5/26	2,431	124	Former Director

Consultants		Amounts Paid	
Allen Boone Humphries Robinson, LLP	2007		Attorney
General legal fees		$ 121,303	
Bond counsel		412,275	
Municipal Operations & Consulting, Inc.	2016	606,456	Operator
McLennan & Associates, LP	2007	38,614	Bookkeeper
Bob Leared Interests, Inc.	2008	29,785	Tax Collector
Harris Central Appraisal District	Legislation	36,372	Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2010	11,033	Delinquent Tax Attorney
IDS Engineering Group	2007	212,780	Engineer
McGrath & Co., PLLC	Annual	32,250	Auditor
Rathmann & Associates, L.P.	2008	286,400	Financial Advisor

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

See accompanying auditor's report.