

NORTHGATE CROSSING  
MUNICIPAL UTILITY DISTRICT NO. 1  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
DECEMBER 31, 2023

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May 23, 2024

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northgate Crossing Municipal Utility District No. 1 as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Northgate Crossing Municipal Utility District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northgate Crossing Municipal Utility District No. 1, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Northgate Crossing Municipal Utility District No. 1, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Northgate Crossing Municipal Utility District No. 1'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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my 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, I: 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 Northgate Crossing Municipal Utility District No. 1'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northgate Crossing Municipal Utility District No. 1's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northgate Crossing Municipal Utility District No. 1's basic financial statements. The supplementary information on Pages 24 to 40 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located in the lower right quadrant of the page.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Northgate Crossing Municipal Utility District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services and the control and diversion of storm water. Other activities, such as security services, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

#### *Fund Financial Statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### **Financial Analysis of the District as a Whole**

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. The financial objective for the Special Revenue Fund is to insure that the expenditures in the fund are billed to the participants in accordance with the contract. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 17,386,328	\$ 16,100,761	\$ 1,285,567
Capital assets	4,300,879	4,206,543	94,336
Total assets	<u>21,687,207</u>	<u>20,307,304</u>	<u>1,379,903</u>
Long-term liabilities	9,879,657	10,454,346	(574,689)
Other liabilities	1,245,900	1,038,798	207,102
Total liabilities	<u>11,125,557</u>	<u>11,493,144</u>	<u>(367,587)</u>
Total deferred inflows of resources	<u>2,363,048</u>	<u>2,502,191</u>	<u>(139,143)</u>
Net position:			
Invested in capital assets, net of related debt	(6,153,734)	(6,805,423)	651,689
Restricted	7,979,169	7,808,629	170,540
Unrestricted	6,373,167	5,308,763	1,064,404
Total net position	<u>\$ 8,198,602</u>	<u>\$ 6,311,969</u>	<u>\$ 1,886,633</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,448,964	\$ 2,111,513	\$ 337,451
Charges for services	1,693,713	1,647,403	46,310
Other revenues	744,920	206,095	538,825
Total revenues	<u>4,887,597</u>	<u>3,965,011</u>	<u>922,586</u>
Expenses:			
Service operations	2,587,487	2,375,444	212,043
Debt service	413,477	435,501	(22,024)
Total expenses	<u>3,000,964</u>	<u>2,810,945</u>	<u>190,019</u>
Change in net position	1,886,633	1,154,066	732,567
Net position, beginning of year	<u>6,311,969</u>	<u>5,157,903</u>	<u>1,154,066</u>
Net position, end of year	<u>\$ 8,198,602</u>	<u>\$ 6,311,969</u>	<u>\$ 1,886,633</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended December 31, 2023, were \$14,417,449, an increase of \$1,279,183 from the prior year.

The General Fund balance increased by \$1,063,077, in accordance with the District's financial plan.

The Special Revenue Fund balance increased by \$50,000 due to the increase in the operating reserve of the joint facilities.



The Debt Service Fund balance increased by \$7,145, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$158,961, as interest earnings on deposits and investments exceeded authorized expenditures.

#### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of December 31, 2023, was expected to be \$5,757,713 and the actual end of year fund balance was \$6,362,644.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 13,868	\$ 13,868	\$ 0
Construction in progress	289,229	80,281	208,948
Recreational facilities	286,099	294,491	(8,392)
Water facilities	977,699	1,044,065	(66,366)
Sewer facilities	1,207,278	1,289,147	(81,869)
Drainage facilities	1,526,706	1,484,691	42,015
Totals	<u>\$ 4,300,879</u>	<u>\$ 4,206,543</u>	<u>\$ 94,336</u>

Changes to capital assets during the fiscal year ended December 31, 2023, are summarized as follows:

Additions:		
Water system improvements		\$ 202,283
Joint facilities improvements		<u>154,052</u>
Total additions to capital assets		356,335
Decreases:		
Depreciation		<u>(261,999)</u>
Net change to capital assets		<u>\$ 94,336</u>

#### *Debt and Commitments*

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Bonded debt payable, beginning of year	\$ 11,205,000
Bonds paid	<u>(580,000)</u>
Bonded debt payable, end of year	<u>\$ 10,625,000</u>

At December 31, 2023, the District had \$36,440,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's Series 2017 bonds have an underlying rating of Baa3 by Moody's. The Series 2017 bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the Series 2017 bonds is AA and A2 by Standard & Poor's and Moody's, respectively.

On April 30, 2014, as amended September 28, 2017, February 25, 2021 and December 15, 2022, the District entered into a lease for capacity in the joint sewage treatment plant. The annual payment for this lease is \$67,000. The lease expires on April 30, 2028 under the terms of this lease.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base decreased approximately \$11,630,000 for the 2023 tax year (approximately 4%). This decrease was due to the decrease in personal property values within the District.

### *Relationship to the City of Houston*

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 13, 2010. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. No other City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The SPA provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the SPA and received by the City from the Comptroller of Public Accounts of the State of Texas. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City has imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas.

### *Water Supply Issues*

The District is located within the boundaries of the Harris-Galveston Subsidence District ("Subsidence District") and the North Harris County Regional Water Authority ("NHCRWA"). The NHCRWA was created to provide for conversion of the area within its boundaries from groundwater usage to alternative sources of water supply (e.g., surface water) as required by regulations of the Subsidence District. The NHCRWA covers an area located in northern Harris County and adjacent to the City of Houston. Pursuant to an order of the Subsidence District and the NHCRWA's Groundwater Reduction Plan (as approved by the Subsidence District), the area within the boundaries of the NHCRWA must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 60% alternate source water use by 2025, and 80% alternate source water use by 2035. To implement the required conversion to alternate source water use in accordance with such schedule, the NHCRWA is in the process of designing and constructing and will operate a network of transmission and distribution lines, storage tanks, and pumping stations to transport and distribute water within the NHCRWA (the "NHCRWA System"). In addition, the NHCRWA has entered into a water supply contract to secure a long-term supply of treated surface water from the City of Houston.

The District is subject to the NHCRWA's Groundwater Reduction Plan. The NHCRWA, as part of the plan of financing the NHCRWA System, has elected to allow districts, such as the District, to participate in a pro-rata share of the costs associated with the acquisition and construction of the NHCRWA System (including the costs associated with the acquisition of alternate sources of water supply) by issuing its own debt or using cash on hand, entitling the District to a future credit against pumpage fees due to the NHCRWA. The District has not elected this financing option. As a result, the District has elected to pay its share in the NHCRWA System costs over time through payment of levied pumpage fees to the NHCRWA. The District may be required by the NHCRWA to participate in the groundwater conversion project by converting to surface water some time after January 1, 2010. Noncompliance with the NHCRWA's Groundwater Reduction Plan or nonparticipation in the NHCRWA's surface water conversion project could result in the District's exclusion from the NHCRWA's Groundwater Reduction Plan and assessment of the Subsidence District's disincentive fee against groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA's Pumpage Fee Order. At December 31, 2023, the pumpage fee was equal to \$3.60 per 1,000 gallons pumped. At December 31, 2023, the Authority's surface water usage fee was equal to \$4.05 per 1,000 gallons. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA, including the pumpage fee.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2023

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>							
Cash, including interest-bearing accounts, Note 7	\$ 194,423	\$ 68,112	\$ 807,763	\$ 3,543	\$ 1,073,841	\$	\$ 1,073,841
Certificates of deposit, at cost, Note 7	460,000			230,000	690,000		690,000
Temporary investments, at cost, Note 7	5,822,702		665,429	7,280,617	13,768,748		13,768,748
Receivables:							
Property taxes	904,742		635,820		1,540,562		1,540,562
Accrued penalty and interest on property taxes					0	13,996	13,996
Service accounts	108,411				108,411		108,411
Accrued interest on deposits	8,197			8,146	16,343		16,343
Other districts		6,330			6,330		6,330
Other	10,010				10,010		10,010
Due from other fund		4,576			4,576	(4,576)	0
Maintenance taxes collected not yet transferred from other fund	458,254				458,254	(458,254)	0
Prepaid expenditures	40,740				40,740		40,740
Groundwater bank certificates, at cost, Note 13	4,347				4,347		4,347
Operating reserves at joint facilities, Note 9	123,168				123,168	(10,168)	113,000
Capital assets, net of accumulated depreciation, Note 4:							
Capital assets not being depreciated					0	303,097	303,097
Depreciable capital assets					0	3,997,782	3,997,782
<b>Total assets</b>	<b><u>\$ 8,134,994</u></b>	<b><u>\$ 79,018</u></b>	<b><u>\$ 2,109,012</u></b>	<b><u>\$ 7,522,306</u></b>	<b><u>\$ 17,845,330</u></b>	<b><u>3,841,877</u></b>	<b><u>21,687,207</u></b>
<b>LIABILITIES</b>							
Accounts payable	\$ 125,725	\$ 10,531	\$ 1,607	\$ 202,283	\$ 340,146		340,146
Accrued interest payable					0	30,663	30,663
Customer deposits	169,816				169,816		169,816
Developer advances, Note 5	72,000				72,000		72,000
Due to other funds	4,576				4,576	(4,576)	0
Maintenance taxes collected not yet transferred to other fund			458,254		458,254	(458,254)	0
Other district equity in joint venture					0	58,319	58,319
Long-term liabilities, Note 5:							
Due within one year					0	574,956	574,956
Due in more than one year					0	9,879,657	9,879,657
<b>Total liabilities</b>	<b><u>372,117</u></b>	<b><u>10,531</u></b>	<b><u>459,861</u></b>	<b><u>202,283</u></b>	<b><u>1,044,792</u></b>	<b><u>10,080,765</u></b>	<b><u>11,125,557</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property tax revenues	<u>1,400,233</u>	<u>0</u>	<u>982,856</u>	<u>0</u>	<u>2,383,089</u>	<u>(20,041)</u>	<u>2,363,048</u>
<b>FUND BALANCES / NET POSITION</b>							
<b>Fund balances:</b>							
<b>Nonspendable:</b>							
Operating reserve at joint facilities, Note 9	123,168				123,168	(123,168)	0
Possible future maintenance expenditures, Note 10	50,000				50,000	(50,000)	0
Groundwater bank certificates, Note 13	4,347				4,347	(4,347)	0
<b>Assigned to:</b>							
Operating reserve at joint facilities, Note 9		68,487			68,487	(68,487)	0
Debt service			666,295		666,295	(666,295)	0
Capital projects				7,320,023	7,320,023	(7,320,023)	0
Unassigned	6,185,129				6,185,129	(6,185,129)	0
<b>Total fund balances</b>	<b><u>6,362,644</u></b>	<b><u>68,487</u></b>	<b><u>666,295</u></b>	<b><u>7,320,023</u></b>	<b><u>14,417,449</u></b>	<b><u>(14,417,449)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$ 8,134,994</u></b>	<b><u>\$ 79,018</u></b>	<b><u>\$ 2,109,012</u></b>	<b><u>\$ 7,522,306</u></b>	<b><u>\$ 17,845,330</u></b>		
<b>Net position:</b>							
Invested in capital assets, net of related debt, Note 4						(6,153,734)	(6,153,734)
Restricted for debt service						659,146	659,146
Restricted for capital projects						7,320,023	7,320,023
Unrestricted						6,373,167	6,373,167
<b>Total net position</b>						<b><u>\$ 8,198,602</u></b>	<b><u>\$ 8,198,602</u></b>

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

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>							
Property taxes	\$ 1,463,878		\$ 972,414		\$ 2,436,292	\$ 1,880	\$ 2,438,172
Water service	360,591				360,591		360,591
Sewer service	572,682				572,682		572,682
Surface water fees, Note 11	452,123				452,123		452,123
Billings to participants in joint facilities		808,069			808,069	(568,432)	239,637
Penalty, interest and other revenues	53,512		8,854		62,366	1,938	64,304
Sales and Use Taxes, Note 12	6,249				6,249		6,249
Interest on deposits and investments	319,005	3	58,419	361,244	738,671		738,671
Other	15,168				15,168		15,168
<b>Total revenues</b>	<b>3,243,208</b>	<b>808,072</b>	<b>1,039,687</b>	<b>361,244</b>	<b>5,452,211</b>	<b>(564,614)</b>	<b>4,887,597</b>
<b>EXPENDITURES / EXPENSES</b>							
Service operations:							
Purchased services, Note 9	1,103,649				1,103,649	(292,891)	810,758
Professional fees	180,115	68,815	4,338		253,268		253,268
Contracted services	93,072	15,520	26,664		135,256		135,256
Utilities	15,600	11,409			27,009		27,009
Sewer plant capacity lease, Note 9	67,000				67,000		67,000
Repairs, maintenance and other operating expenditures	298,501	304,048			602,549		602,549
Security service	235,706				235,706		235,706
Garbage disposal	65,759				65,759		65,759
Administrative expenditures	78,528	20,888	28,767		128,183		128,183
Depreciation					0	261,999	261,999
Capital outlay / non-capital outlay	154,052	275,541		202,283	631,876	(631,876)	0
Debt service:							
Principal retirement			580,000		580,000	(580,000)	0
Interest and fees			392,773		392,773	20,704	413,477
<b>Total expenditures / expenses</b>	<b>2,291,982</b>	<b>696,221</b>	<b>1,032,542</b>	<b>202,283</b>	<b>4,223,028</b>	<b>(1,222,064)</b>	<b>3,000,964</b>
Excess (deficiency) of revenues over expenditures	951,226	111,851	7,145	158,961	1,229,183	657,450	1,886,633
<b>OTHER FINANCING SOURCES (USES)</b>							
Increase in operating reserves at joint facilities, Note 9		50,000			50,000	(50,000)	0
Reimbursement to (from) other fund	111,851	(111,851)			0	0	0
<b>Total other financing sources (uses)</b>	<b>111,851</b>	<b>(61,851)</b>	<b>0</b>	<b>0</b>	<b>50,000</b>	<b>(50,000)</b>	<b>0</b>
Net change in fund balances / net position	1,063,077	50,000	7,145	158,961	1,279,183	607,450	1,886,633
Beginning of year	5,299,567	18,487	659,150	7,161,062	13,138,266	(6,826,297)	6,311,969
End of year	\$ 6,362,644	\$ 68,487	\$ 666,295	\$ 7,320,023	\$ 14,417,449	\$ (6,218,847)	\$ 8,198,602

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

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2023

## NOTE 1: REPORTING ENTITY

Northgate Crossing Municipal Utility District No. 1 (the "District") was created by Acts of the 69th Legislature, State of Texas, effective June 15, 1985, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on July 9, 1985 and the first bonds were sold on December 20, 1988. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

As further described in Note 9, the District has contracted with Northgate Crossing Municipal Utility District No. 2 ("No. 2") for the construction and operation of joint storm water detention and pumping facilities (the "Storm Water Facilities"). The District is the manager of the Storm Water Facilities. Oversight of the Storm Water Facilities is exercised by the Board of Directors of the District and financial activity of the Storm Water Facilities has been included in the financial statements of the District. The Storm Water Facilities' operations have been reported as the Special Revenue Fund of the District.

As further described in Note 9, the District has contracted with No. 2 for the construction and operation of joint water supply and wastewater treatment facilities (the "Water and Sewer Joint Facilities"). Oversight of the Water and Sewer Joint Facilities is exercised by the Board of Directors of No. 2. Based on the criteria described above, the Water and Sewer Joint Facilities' financial activity has not been included in the District's financial statements as a component unit of the District. Transactions with this joint venture are described in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Special Revenue Fund -- To account for all revenues and expenditures of the general operations of the joint storm water pumping facilities.

Debt Service Fund – To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund – To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

### Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

**NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 14,417,449
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		4,300,879
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (10,625,000)	
Deferred charge on refunding (to be amortized as interest expense)	433	
Issuance discount net of premium (to be amortized as interest expense)	<u>169,954</u>	(10,454,613)
The assets in the Special Revenue Fund are owned by the District and other participants in the joint venture:		
The District's equity	(10,168)	
Other participants' equity	<u>(58,319)</u>	(68,487)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	13,996	
Uncollected property taxes	<u>20,041</u>	34,037
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(30,663)</u>
Net position, end of year		<u>\$ 8,198,602</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 1,279,183
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 356,335	
Depreciation	<u>(261,999)</u>	94,336
<p>The issuance of long-term debt provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		580,000
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(415)	
Issuance discount, net of premium	<u>(22,232)</u>	(22,647)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	1,938	
Uncollected property taxes	<u>1,880</u>	3,818
<p>Some changes in the in the special revenue fund reserve are due to contributions by other participants in the Joint Venture.</p>		
		(50,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>1,943</u>
Change in net position		<u>\$ 1,886,633</u>

NOTE 4: CAPITAL ASSETS

At December 31, 2023, "Invested in capital assets, net of related debt" was \$(6,153,734). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 13,868			\$ 13,868
Construction in progress	<u>80,281</u>	<u>208,948</u>		<u>289,229</u>
Total capital assets not being depreciated	<u>94,149</u>	<u>208,948</u>	<u>0</u>	<u>303,097</u>
Depreciable capital assets:				
Recreational facilities	329,485			329,485
Water system	2,620,590			2,620,590
Sewer system	3,101,577			3,101,577
Drainage system	<u>2,987,085</u>	<u>147,387</u>		<u>3,134,472</u>
Total depreciable capital assets	<u>9,038,737</u>	<u>147,387</u>	<u>0</u>	<u>9,186,124</u>
Less accumulated depreciation for:				
Pavilion	(34,994)	(8,392)		(43,386)
Water system	(1,576,524)	(66,366)		(1,642,890)
Sewer system	(1,812,431)	(81,869)		(1,894,300)
Drainage system	<u>(1,502,394)</u>	<u>(105,372)</u>		<u>(1,607,766)</u>
Total accumulated depreciation	<u>(4,926,343)</u>	<u>(261,999)</u>	<u>0</u>	<u>(5,188,342)</u>
Total depreciable capital assets, net	<u>4,112,394</u>	<u>(114,612)</u>	<u>0</u>	<u>3,997,782</u>
Total capital assets, net	<u>\$ 4,206,543</u>	<u>\$ 94,336</u>	<u>\$ 0</u>	<u>\$ 4,300,879</u>
Changes to capital assets:				
Capital outlay		\$ 356,335		
Less depreciation expense for the fiscal year		<u>(261,999)</u>		
Net increases / decreases to capital assets		<u>\$ 94,336</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 11,205,000		\$ 580,000	\$ 10,625,000	\$ 600,000
Add (less) deferred amounts:					
For issuance					
(discounts) net of premiums	(192,186)		(22,232)	(169,954)	(24,759)
For refunding	<u>(848)</u>		<u>(415)</u>	<u>(433)</u>	<u>(285)</u>
Total bonds payable	<u>11,011,966</u>	<u>0</u>	<u>557,353</u>	<u>10,454,613</u>	<u>574,956</u>
Total long-term liabilities	<u>\$ 11,011,966</u>	<u>\$ 0</u>	<u>\$ 557,353</u>	<u>\$ 10,454,613</u>	<u>\$ 574,956</u>

Bonds voted	\$ 54,890,000
Bonds approved for sale and sold	18,450,000
Bonds voted and not issued	36,440,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The Series 2014 and 2017 bonds are further payable and secured by a pledge of and lien on certain net revenues, if any, of the District's system.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 600,000	\$ 367,959	\$ 967,959
2025	615,000	344,210	959,210
2026	635,000	322,859	957,859
2027	660,000	302,482	962,482
2028	680,000	280,296	960,296
2029 - 2033	3,820,000	1,012,873	4,832,873
2034 - 2037	<u>3,615,000</u>	<u>303,939</u>	<u>3,918,939</u>
	<u>\$ 10,625,000</u>	<u>\$ 2,934,618</u>	<u>\$ 13,559,618</u>

The bond issues payable at December 31, 2023, were as follows:

	<u>Refunding Series 2012</u>	<u>Series 2014</u>	<u>Series 2017</u>
Amounts outstanding, December 31, 2023	\$1,020,000	\$3,500,000	\$6,105,000
Interest rates	3.25% to 3.375%	3.65% to 4.25%	2.25% to 7.50%
Maturity dates, serially beginning/ending	December 1, 2024/2025	December 1, 2026/2032	December 1, 2024/2037
Interest payment dates	June 1/December 1	June 1/December 1	June 1/December 1
Callable dates	December 1, 2020*	December 1, 2022*	December 1, 2024*

\*Or any date thereafter at the option of the District, at a price of par plus accrued interest to the date of redemption.

Developer Liabilities

A developer within the District have advanced \$72,000 for water system improvements. As of December 31, 2023, the amount of the unexpended developer advances held by the District in the General Fund was \$72,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election on August 10, 1985, the voters within the District authorized a maintenance tax, without limitation as to rate or amount, on all property within the District subject to taxation. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 12, 2023, the District levied the following ad valorem taxes for the 2023 tax year and the 2024 fiscal year on the adjusted taxable valuation of \$270,371,661:

	Rate	Amount
Debt service	\$ 0.3600	\$ 973,338
Maintenance	0.5140	1,389,710
	\$ 0.8740	\$ 2,363,048

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2023 tax year total property tax levy	\$ 2,363,048
2023 tax year total property tax levy deferred to 2024 fiscal year	(2,363,048)
2022 tax year total property tax levy deferred to 2023 fiscal year	2,502,192
Appraisal district adjustments to prior year taxes	(64,020)
Statement of Activities property tax revenues	\$ 2,438,172

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,763,841 and the bank balance was \$1,674,388. Of the bank balance, \$1,190,000 was covered by federal insurance, \$441,552 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Dallas and \$42,836 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$13,768,748.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,  
paying agent fees and costs of assessing and  
collecting taxes:

Cash	\$	807,763
Temporary investments		<u>665,429</u>
		<u>\$ 1,473,192</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$	3,543
Certificates of deposit		230,000
Temporary investments		<u>7,280,617</u>
		<u>\$ 7,514,160</u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At December 31, 2023, the District had physical damage and boiler and machinery coverage of \$7,950,264, mobile equipment coverage of \$54,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$2,000,000, worker's compensation coverage of \$1,000,000, automobile coverage of \$1,000,000, consultant's crime coverage of \$50,000 and a tax assessor-collector bond of \$10,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 9: JOINT FACILITIES AGREEMENT**

On October 11, 1996, the District and Northgate Crossing Municipal Utility District No. 2 ("No. 2") entered into the Fifth Amended and Restated Joint Facilities Agreement (the "JFA") which superseded the prior agreement. This agreement was amended on October 26, 2003, February 12, 2004, November 10, 2005, April 30, 2014 and May 23, 2023. Ownership of the joint water supply facilities under the amended agreement is as follows: No. 1 -- 44%, No. 2 -- 56%.

Ownership of the joint wastewater treatment plant facilities under the amended agreement is as follows: No. 1 -- 40.69%, No. 2 -- 59.31%. Oversight of the operation of joint water supply and wastewater treatment facilities (the "Water and Sewer Joint Facilities") is exercised by No. 2. The District's share of the operating costs for this entity was \$810,758 and \$2,504 for capital expenditures for the year ended December 31, 2023. At this date the District had contributed \$113,000 for an operating reserve at the Water and Sewer Joint Facilities. Each participant records its share of the capital assets of the Joint Facilities in its financial statements.

The JFA further provides that the District is responsible for the oversight of the operation of joint storm water pumping facilities (the "Storm Water Facilities"). Ownership of the joint storm water pumping facilities under the agreement is as follows: No. 1 -- 55.00%, No. 2 -- 45.00%. The Storm Water Facilities' activity has been reported as the Special Revenue Fund of the District. The District's share of the operating costs for this entity was \$292,891 and \$151,548 for capital expenditures for the year ended December 31, 2023. At this date the District had contributed \$10,168 for an operating reserve at the Storm Water Facilities. Each participant records its share of the capital assets of the Joint Facilities in its financial statements.

On April 30, 2014, as amended September 28, 2017, February 25, 2021 and December 15, 2022, the District entered into a lease for additional capacity in the joint sewage treatment plant. The annual payment for this lease is \$67,000. The lease expires on April 30, 2028 under the terms of the lease. The lease contains termination provisions whereby the lease may be terminated prior to the expiration date. District lease costs for the fiscal year ended December 31, 2023 were \$67,000.

**NOTE 10: RESERVE FOR POSSIBLE FUTURE MAINTENANCE EXPENDITURES**

On April 23, 1986, the District entered into a contract with Harris County Flood Control District. Under the terms of the contract the District was required to initially reserve \$50,000 for the purposes of meeting its future maintenance responsibilities relative to the various flood control facilities constructed within the District. The amount of the reserve is to be no less than one year's estimated maintenance requirements. The District believes that the \$50,000 presently reserved is adequate for this purpose.

**NOTE 11: REGIONAL WATER AUTHORITY FEES**

The North Harris County Regional Water Authority (the "Authority") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2001. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of December 31, 2023, the Authority had established a well pumpage fee of \$3.60 per 1,000 gallons of water pumped from each regulated well. The District's pumpage fees payable to the Authority during the fiscal year were \$484,931, paid through the Water and Sewer Joint Facilities described in Note 9. The District billed its customers \$452,123 during the fiscal year to pay for the District's share of the fees charged by the Authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 12: STRATEGIC PARTNERSHIP AGREEMENT**

Effective December 13, 2010, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$6,249 from the City for the year ended December 31, 2023.

**NOTE 13: GROUNDWATER BANK CERTIFICATES**

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "HGSD"). These certificates expire in 20 years and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the HGSD. Certificates can also be used in lieu of a disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit, as amended. At December 31, 2023, the District had in its possession certificates totaling 10,584 thousand gallons of water. The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$4,347 at December 31, 2023.



NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,266,446	\$ 1,266,446	\$ 1,463,878	\$ 197,432
Water service	400,000	400,000	360,591	(39,409)
Sewer service	575,000	575,000	572,682	(2,318)
Surface water fees	500,000	500,000	452,123	(47,877)
Penalty	0	0	53,512	53,512
Sales and Use Taxes	2,600	2,600	6,249	3,649
Interest on deposits and investments	110,000	110,000	319,005	209,005
Other	8,000	8,000	15,168	7,168
<b>TOTAL REVENUES</b>	<b><u>2,862,046</u></b>	<b><u>2,862,046</u></b>	<b><u>3,243,208</u></b>	<b><u>381,162</u></b>
<b>EXPENDITURES</b>				
Service operations:				
Purchased services	1,307,600	1,307,600	1,103,649	(203,951)
Professional fees	137,500	137,500	180,115	42,615
Contracted services	102,000	102,000	93,072	(8,928)
Utilities	13,000	13,000	15,600	2,600
Sewer plant capacity lease	67,000	67,000	67,000	0
Repairs, maintenance and other operating expenditures	319,100	319,100	298,501	(20,599)
Security service	255,900	255,900	235,706	(20,194)
Garbage disposal	69,000	69,000	65,759	(3,241)
Administrative expenditures	107,800	107,800	78,528	(29,272)
Capital outlay	25,000	25,000	154,052	129,052
<b>TOTAL EXPENDITURES</b>	<b><u>2,403,900</u></b>	<b><u>2,403,900</u></b>	<b><u>2,291,982</u></b>	<b><u>(111,918)</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>458,146</b>	<b>458,146</b>	<b>951,226</b>	<b>493,080</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reimbursement from other fund	0	0	111,851	111,851
<b>EXCESS SOURCES (USES)</b>	<b>458,146</b>	<b>458,146</b>	<b>1,063,077</b>	<b>604,931</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b><u>5,299,567</u></b>	<b><u>5,299,567</u></b>	<b><u>5,299,567</u></b>	<b><u>0</u></b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 5,757,713</u></b>	<b><u>\$ 5,757,713</u></b>	<b><u>\$ 6,362,644</u></b>	<b><u>\$ 604,931</u></b>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From participants:				
Northgate Crossing Municipal Utility District No. 1	\$ 492,525	\$ 492,525	\$ 444,438	\$ (48,087)
Northgate Crossing Municipal Utility District No. 2	<u>402,975</u>	<u>402,975</u>	<u>363,631</u>	<u>(39,344)</u>
	895,500	895,500	808,069	(87,431)
Interest on deposits	<u>0</u>	<u>0</u>	<u>3</u>	<u>3</u>
<b>TOTAL REVENUES</b>	<u>895,500</u>	<u>895,500</u>	<u>808,072</u>	<u>(87,428)</u>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	45,050	45,050	68,815	23,765
Contracted services	15,600	15,600	15,520	(80)
Utilities	11,500	11,500	11,409	(91)
Repairs, maintenance and other operating expenditures	290,000	290,000	304,048	14,048
Security services	5,000	5,000	0	(5,000)
Administrative expenditures	16,350	16,350	20,888	4,538
Capital outlay	<u>512,000</u>	<u>512,000</u>	<u>275,541</u>	<u>(236,459)</u>
<b>TOTAL EXPENDITURES</b>	<u>895,500</u>	<u>895,500</u>	<u>696,221</u>	<u>(199,279)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	0	0	111,851	111,851
<b>OTHER FINANCING SOURCES (USES)</b>				
Reimbursement to other fund			(111,851)	(111,851)
Increase in operating reserve			<u>50,000</u>	<u>50,000</u>
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	<u>0</u>	<u>0</u>	<u>(61,851)</u>	<u>(61,851)</u>
<b>EXCESS SOURCES (USES)</b>	0	0	50,000	50,000
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>18,487</u>	<u>18,487</u>	<u>18,487</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 18,487</u>	<u>\$ 18,487</u>	<u>\$ 68,487</u>	<u>\$ 50,000</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
DECEMBER 31, 2023

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2023

1. Services Provided by the District during the Fiscal Year:

- |  |   |  |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks/Recreation  | <input type="checkbox"/> Fire Protection      | <input checked="" type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage   | <input type="checkbox"/> Flood Control        | <input type="checkbox"/> Roads               |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |  |
| <input type="checkbox"/> Other   |   |  |

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$12.50	10,000	N	\$1.50 1.75	10,001 to 20,000 Over 20,000
WASTEWATER:	\$45.00	20,000	N	\$2.50	Over 20,000
SURCHARGE:	\$3.96 per 1,000 gallons of water used. – NHCRWA surface water fees. 0.05% of water and sewer bill. – TCEQ assessment.				

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$12.50    Wastewater: \$45.00    Surcharge: \$39.63

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES (Continued)

DECEMBER 31, 2023

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	389	386	1.0	386
1"	0	0	2.5	0
1-1/2"	1	1	5.0	5
2"	21	21	8.0	168
3"	0	0	15.0	0
4"	1	1	25.0	25
6"	2	2	50.0	100
8"	5	5	80.0	400
10"	0	0	115.0	0
Total Water	<u>419</u>	<u>416</u>		<u>1,084</u>
Total Wastewater	<u>396</u>	<u>393</u>	1.0	<u>393</u>

\*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 212,963 for Northgate Crossing MUD Nos. 1 and 2

Gallons billed to customers (unaudited): 104,483 for Northgate Crossing MUD No. 1  
127,672 for Northgate Crossing MUD No. 2  
232,155 Total

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 109.0%

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

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>					
Purchased services:					
Water and sewer services	\$ 325,827	\$	\$	\$	\$ 325,827
Surface water fees billed through joint facilities	484,931				484,931
Storm water pumping station	292,891				292,891
	<u>1,103,649</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,103,649</u>
Professional fees:					
Auditing	10,950	1,050			12,000
Legal	104,728		4,338		109,066
Engineering	64,437	67,765			132,202
	<u>180,115</u>	<u>68,815</u>	<u>4,338</u>	<u>0</u>	<u>253,268</u>
Contracted services:					
Bookkeeping	29,300	5,500			34,800
Operation and billing	63,022	10,020			73,042
SPA consultant	750				750
Tax assessor-collector Central appraisal district			8,893		8,893
	<u>93,072</u>	<u>15,520</u>	<u>17,771</u>	<u>0</u>	<u>17,771</u>
			<u>26,664</u>		<u>135,256</u>
Utilities	<u>15,600</u>	<u>11,409</u>	<u>0</u>	<u>0</u>	<u>27,009</u>
Sewer plant capacity lease	<u>67,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,000</u>
Repairs, maintenance and other operating expenditures	<u>298,501</u>	<u>304,048</u>	<u>0</u>	<u>0</u>	<u>602,549</u>
Security service	<u>235,706</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>235,706</u>
Garbage disposal	<u>65,759</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,759</u>
Administrative expenditures:					
Director's fees	24,576				24,576
Office supplies and postage	13,827	830			14,657
Insurance	4,442	18,558	100		23,100
Permits	3,187				3,187
Other	32,496	1,500	28,667		62,663
	<u>78,528</u>	<u>20,888</u>	<u>28,767</u>	<u>0</u>	<u>128,183</u>
<b>CAPITAL OUTLAY</b>					
Authorized expenditures	<u>154,052</u>	<u>275,541</u>	<u>0</u>	<u>202,283</u>	<u>631,876</u>
<b>DEBT SERVICE</b>					
Principal retirement	<u>0</u>	<u>0</u>	<u>580,000</u>	<u>0</u>	<u>580,000</u>
Interest and fees:					
Interest			391,273		391,273
Paying agent fees			1,500		1,500
	<u>0</u>	<u>0</u>	<u>392,773</u>	<u>0</u>	<u>392,773</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,291,982</u>	<u>\$ 696,221</u>	<u>\$ 1,032,542</u>	<u>\$ 202,283</u>	<u>\$ 4,223,028</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>					
Cash receipts from revenues	\$1,696,239	\$ 810,857	\$1,002,482	\$ 356,471	\$ 3,866,049
Maintenance tax receipts			1,381,909		1,381,909
Transfer of maintenance taxes	1,310,211				1,310,211
Increase in operating reserve		50,000			50,000
Reimbursement from other fund	111,851				111,851
Overpayments by taxpayers			<u>71,729</u>		<u>71,729</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>3,118,301</u>	<u>860,857</u>	<u>2,456,120</u>	<u>356,471</u>	<u>6,791,749</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>					
Cash disbursements for:					
Current expenditures	2,177,253	422,432	65,669		2,665,354
Capital outlay	154,052	275,541			429,593
Debt service			972,773		972,773
Reimbursement to other fund		111,851			111,851
Decrease in customer deposits	12,860				12,860
Transfer of maintenance taxes			1,310,211		1,310,211
Refund of taxpayer overpayments			<u>102,784</u>		<u>102,784</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>2,344,165</u>	<u>809,824</u>	<u>2,451,437</u>	<u>0</u>	<u>5,605,426</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	774,136	51,033	4,683	356,471	1,186,323
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>5,702,989</u>	<u>17,079</u>	<u>1,468,509</u>	<u>7,157,689</u>	<u>14,346,266</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$6,477,125</u>	<u>\$ 68,112</u>	<u>\$1,473,192</u>	<u>\$ 7,514,160</u>	<u>\$ 15,532,589</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

DECEMBER 31, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
<b>GENERAL FUND</b>				
Certificates of Deposit				
No. 9009004831	5.04%	5/23/24	\$ 230,000	\$ 7,051
No. 95900012017501	5.35%	11/27/24	<u>230,000</u>	<u>1,146</u>
			<u>\$ 460,000</u>	<u>\$ 8,197</u>
TexPool				
No. 2574900001	Market	On demand	<u>\$ 5,822,702</u>	<u>\$ 0</u>
<b>DEBT SERVICE FUND</b>				
TexPool				
No. 2574900003	Market	On demand	<u>\$ 665,429</u>	<u>\$ 0</u>
<b>CAPITAL PROJECTS FUND</b>				
Certificates of Deposit				
No. 6550124670	4.65%	3/28/24	<u>\$ 230,000</u>	<u>\$ 8,146</u>
TexPool				
No. 2574900002	Market	On demand	<u>\$ 7,280,617</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 14,458,748</u>	<u>\$ 16,343</u>

See accompanying independent auditor's report.



NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 934,193	\$ 624,458
Additions and corrections to prior year taxes	<u>(37,252)</u>	<u>(26,768)</u>
Adjusted receivable, beginning of year	896,941	597,690
2023 ADJUSTED TAX ROLL	<u>1,389,710</u>	<u>973,338</u>
Total to be accounted for	2,286,651	1,571,028
Tax collections: Current tax year	(495,490)	(347,036)
Prior tax years	<u>(886,419)</u>	<u>(588,172)</u>
RECEIVABLE, END OF YEAR	<u>\$ 904,742</u>	<u>\$ 635,820</u>
RECEIVABLE, BY TAX YEAR		
2013 and prior	\$ 327	\$ 486
2014	69	108
2015	751	1,017
2016	626	1,096
2017	764	801
2018	783	736
2019	820	728
2020	1,388	1,045
2021	1,350	1,077
2022	3,644	2,424
2023	<u>894,220</u>	<u>626,302</u>
RECEIVABLE, END OF YEAR	<u>\$ 904,742</u>	<u>\$ 635,820</u>

Fiscal year 2023 General Fund property tax revenue of \$1,463,878 under the modified accrual basis of accounting is comprised of prior tax year collections of \$886,419 during fiscal year 2023 and 2022 tax year collections of \$577,459 during fiscal year 2022.

Fiscal year 2023 Debt Service Fund property tax revenue of \$972,414 under the modified accrual basis of accounting is comprised of prior tax year collections of \$588,172 during fiscal year 2023 and 2022 tax year collections of \$384,242 during fiscal year 2022.

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED DECEMBER 31, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 75,406,371	\$ 73,139,685	\$ 67,280,429	\$ 67,257,877
Improvements	234,688,086	207,037,116	180,967,233	178,121,829
Personal property	5,650,544	43,456,591	5,311,606	6,535,976
Less exemptions	<u>(45,373,340)</u>	<u>(41,629,095)</u>	<u>(34,861,796)</u>	<u>(33,040,688)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<b><u>\$ 270,371,661</u></b>	<b><u>\$ 282,004,297</u></b>	<b><u>\$ 218,697,472</u></b>	<b><u>\$ 218,874,994</u></b>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.36000	\$ 0.35300	\$ 0.43000	\$ 0.42000
Maintenance tax rates*	<u>0.51400</u>	<u>0.52600</u>	<u>0.53900</u>	<u>0.55800</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b><u>\$ 0.87400</u></b>	<b><u>\$ 0.87900</u></b>	<b><u>\$ 0.96900</u></b>	<b><u>\$ 0.97800</u></b>
TAX ROLLS	<u>\$ 2,363,048</u>	<u>\$ 2,470,358</u>	<u>\$ 2,119,179</u>	<u>\$ 2,140,597</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>35.7%**</u>	<u>99.8 %</u>	<u>99.9 %</u>	<u>99.9 %</u>

\*Maximum tax rate approved by voters on August 10, 1985: Unlimited

\*\*The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

DECEMBER 31, 2023

Series 2012			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1, December 1</u>	<u>Total</u>
2024	\$ 500,000	\$ 33,800	\$ 533,800
2025	520,000	17,550	537,550
TOTALS	<u>\$ 1,020,000</u>	<u>\$ 51,350</u>	<u>\$ 1,071,350</u>

Series 2014			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1, December 1</u>	<u>Total</u>
2024	\$	\$ 138,097	\$ 138,097
2025		138,098	138,098
2026	435,000	138,097	573,097
2027	455,000	122,220	577,220
2028	475,000	105,158	580,158
2029	500,000	86,870	586,870
2030	520,000	67,370	587,370
2031	545,000	46,570	591,570
2032	570,000	24,225	594,225
TOTALS	<u>\$ 3,500,000</u>	<u>\$ 866,705</u>	<u>\$ 4,366,705</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2017</u>		
	<u>Principal Due December 1</u>	<u>Interest Due June 1, December 1</u>	<u>Total</u>
2024	\$ 100,000	\$ 196,062	\$ 296,062
2025	95,000	188,562	283,562
2026	200,000	184,762	384,762
2027	205,000	180,262	385,262
2028	205,000	175,138	380,138
2029	210,000	170,012	380,012
2030	215,000	164,238	379,238
2031	215,000	157,788	372,788
2032	220,000	151,338	371,338
2033	825,000	144,462	969,462
2034	855,000	118,682	973,682
2035	885,000	90,894	975,894
2036	920,000	62,132	982,132
2037	955,000	32,231	987,231
TOTALS	<u>\$ 6,105,000</u>	<u>\$ 2,016,563</u>	<u>\$ 8,121,563</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2024	\$ 600,000	\$ 367,959	\$ 967,959
2025	615,000	344,210	959,210
2026	635,000	322,859	957,859
2027	660,000	302,482	962,482
2028	680,000	280,296	960,296
2029	710,000	256,882	966,882
2030	735,000	231,608	966,608
2031	760,000	204,358	964,358
2032	790,000	175,563	965,563
2033	825,000	144,462	969,462
2034	855,000	118,682	973,682
2035	885,000	90,894	975,894
2036	920,000	62,132	982,132
2037	955,000	32,231	987,231
TOTALS	\$ 10,625,000	\$ 2,934,618	\$ 13,559,618

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Totals</u>
Bond Series:	2012	2014	2017	
Interest Rate:	3.25% to 3.375%	3.65% to 4.25%	2.25% to 7.50%	
Dates Interest Payable:	June 1/ December 1	June 1/ December 1	June 1/ December 1	
Maturity Dates:	December 1, 2024/2025	December 1, 2026/2032	December 1, 2024/2037	
Bonds Outstanding at Beginning of Current Year	\$ 1,495,000	\$ 3,500,000	\$ 6,210,000	\$ 11,205,000
Less Retirements	<u>(475,000)</u>	<u>0</u>	<u>(105,000)</u>	<u>(580,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,020,000</u>	<u>\$ 3,500,000</u>	<u>\$ 6,105,000</u>	<u>\$ 10,625,000</u>
Current Year Interest Paid	<u>\$ 49,237</u>	<u>\$ 138,098</u>	<u>\$ 203,938</u>	<u>\$ 391,273</u>

Bond Descriptions and Original Amount of Issue

- (1) Northgate Crossing Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2012 (\$5,164,998)
- (2) Northgate Crossing Municipal Utility District No. 1 Unlimited Tax and Revenue Bonds, Series 2014 (\$3,500,000)
- (3) Northgate Crossing Municipal Utility District No. 1 Unlimited Tax and Revenue Bonds, Series 2017 (\$6,650,000)

Paying Agent/Registrar

- (1) (2) Bank of Texas, Austin, Texas
- (3) UMB Bank n.a., Austin, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 54,890,000	\$ 0	\$ 0
Amount Issued:	18,450,000		
Remaining to be Issued:	36,440,000		

Net Debt Service Fund deposits and investments balances as of December 31, 2023: \$666,295  
 Average annual debt service payment for remaining term of all debt: 968,544

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
<b>REVENUES</b>										
Property taxes	\$ 1,463,878	\$ 1,158,465	\$ 1,249,094	\$ 1,062,186	\$ 998,873	45.2 %	41.7 %	49.2 %	43.0 %	41.6 %
Water service	360,591	386,414	304,926	343,749	340,764	11.1	13.9	12.0	13.9	14.2
Sewer service	572,682	592,873	558,994	554,740	568,776	17.7	21.3	22.0	22.5	23.7
Surface water fees	452,123	519,227	358,808	376,554	332,705	13.9	18.7	14.1	15.3	13.9
Penalty and other revenues	53,512	28,894	54,300	97,509	98,293	1.6	1.0	2.1	4.0	4.1
Sales and Use Taxes	6,249	961	124	5,234	6,152	0.2	0.0	0.0	0.2	0.3
Interest on deposits and investments and other	<u>334,173</u>	<u>94,702</u>	<u>13,397</u>	<u>26,061</u>	<u>51,604</u>	<u>10.3</u>	<u>3.4</u>	<u>0.6</u>	<u>1.1</u>	<u>2.2</u>
<b>TOTAL REVENUES</b>	<u>3,243,208</u>	<u>2,781,536</u>	<u>2,539,643</u>	<u>2,466,033</u>	<u>2,397,167</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>EXPENDITURES</b>										
Current:										
Purchased services	1,103,649	849,242	743,557	682,240	609,768	34.0	30.4	29.3	27.8	25.4
Professional fees	180,115	127,569	129,799	114,441	138,772	5.6	4.6	5.1	4.6	5.8
Contracted services	93,072	90,863	125,063	106,280	96,037	2.9	3.3	4.9	4.3	4.0
Sewer plant capacity lease	67,000	67,000	67,000	67,000	67,000	2.1	2.4	2.6	2.7	2.8
Repairs, maintenance, utilities and other operating expenditures	314,101	455,708	175,831	254,920	320,337	9.7	16.4	6.9	10.3	13.4
Security service	235,706	231,873	240,832	164,964	153,704	7.3	8.3	9.5	6.7	6.4
Garbage disposal	65,759	65,444	68,384	64,954	65,807	2.0	2.4	2.7	2.6	2.7
Administrative expenditures	78,528	91,840	67,414	56,677	65,043	2.4	3.3	2.7	2.3	2.7
Capital outlay	<u>154,052</u>	<u>32,037</u>	<u>350,605</u>	<u>123,276</u>	<u>329,681</u>	<u>4.7</u>	<u>1.2</u>	<u>13.8</u>	<u>5.0</u>	<u>13.8</u>
<b>TOTAL EXPENDITURES</b>	<u>2,291,982</u>	<u>2,011,576</u>	<u>1,968,485</u>	<u>1,634,752</u>	<u>1,846,149</u>	<u>70.7</u>	<u>72.3</u>	<u>77.5</u>	<u>66.3</u>	<u>77.0</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>\$ 951,226</u>	<u>\$ 769,960</u>	<u>\$ 571,158</u>	<u>\$ 831,281</u>	<u>\$ 551,018</u>	<u>29.3 %</u>	<u>27.7 %</u>	<u>22.5 %</u>	<u>33.7 %</u>	<u>23.0 %</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>416</u>	<u>418</u>	<u>418</u>	<u>414</u>	<u>416</u>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>393</u>	<u>395</u>	<u>396</u>	<u>393</u>	<u>395</u>					

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$ 972,414	\$ 925,514	\$ 939,202	\$ 943,156	\$ 939,678	93.5 %	95.3 %	99.7 %	98.8 %	97.0 %
Penalty and interest	8,854	28,167	3,185	5,859	12,518	0.9	2.9	0.3	0.6	1.3
Interest on deposits and investments	<u>58,419</u>	<u>17,129</u>	<u>403</u>	<u>5,694</u>	<u>16,176</u>	<u>5.6</u>	<u>1.8</u>	<u>0.0</u>	<u>0.6</u>	<u>1.7</u>
TOTAL REVENUES	<u>1,039,687</u>	<u>970,810</u>	<u>942,790</u>	<u>954,709</u>	<u>968,372</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	4,338	1,516	670	2,142	1,298	0.4	0.2	0.1	0.2	0.1
Contracted services	26,664	24,088	23,224	23,067	21,800	2.6	2.5	2.5	2.4	2.3
Other expenditures	28,767	12,265	3,812	3,352	3,124	2.8	1.3	0.4	0.4	0.3
Debt service:										
Principal retirement	580,000	565,000	545,000	535,000	520,000	55.7	58.1	57.8	56.1	53.7
Interest and fees	<u>392,773</u>	<u>415,523</u>	<u>435,823</u>	<u>455,760</u>	<u>474,605</u>	<u>37.8</u>	<u>42.8</u>	<u>46.2</u>	<u>47.7</u>	<u>49.0</u>
TOTAL EXPENDITURES	<u>1,032,542</u>	<u>1,018,392</u>	<u>1,008,529</u>	<u>1,019,321</u>	<u>1,020,827</u>	<u>99.3</u>	<u>104.9</u>	<u>107.0</u>	<u>106.8</u>	<u>105.4</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 7,145</u>	<u>\$ (47,582)</u>	<u>\$ (65,739)</u>	<u>\$ (64,612)</u>	<u>\$ (52,455)</u>	<u>0.7 %</u>	<u>(4.9) %</u>	<u>(7.0) %</u>	<u>(6.8) %</u>	<u>(5.4) %</u>



NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSDECEMBER 31, 2023

Complete District Mailing Address: Northgate Crossing Municipal Utility District No. 1  
 c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP  
 1980 Post Oak Boulevard  
 Suite 1380  
 Houston, Texas 77056

District Business Telephone No.: 713-850-9000

Submission date of the most recent District Registration Form: May 11, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Jason B. Williams c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/07/22- 5/02/26	\$ 7,200	\$ 0	President
Shane Holman c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/02/20- 5/04/24	7,200	0	Vice President
James Helfrich c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/07/22- 5/02/26	7,200	1,617	Secretary
Kenny Boeckelman c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/02/20- 5/04/24	0	0	Assistant Secretary
Paul Martinez c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/07/22- 5/02/26	2,976	0	Assistant Secretary/ Assistant Vice President

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

DECEMBER 31, 2023

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	1/21/10	\$ 104,728	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	2/11/16	4,338	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	9/16/86	37,745	Bookkeeper
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	3/09/00	0	Investment Officer
Inframark, LLC 2002 Grand Parkway North, Suite 100 Katy, Texas 77449	5/19/86	435,168	Operator
Edminster, Hinshaw, Russ & Associates, Inc. 10555 Westoffice Drive Houston, Texas 77042	10/26/11	120,656	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	7/17/85	12,732	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	17,771	Central Appraisal District
Blitch Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079-2118	11/12/09	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1994	12,000	Independent Auditor

See accompanying independent auditor's report.