

LOUETTA NORTH PUBLIC UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

NOVEMBER 30, 2021

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March 10, 2022

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Louetta North Public Utility District  
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Louetta North Public Utility District, as of and for the year ended November 30, 2021, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Louetta North Public Utility District as of November 30, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 23 be presented to supplement the basic financial statements. Such information, although not 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 my 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.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 24 to 39 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 Louetta North Public Utility District (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 November 30, 2021.

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. 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. Management believes that these financial objectives were met during the fiscal year.

Based upon the discussion above, Management believes that the financial statements of the funds provide the proper basis for the financial analysis of the District. A Financial Analysis of the District's Funds is contained in a later section of this Management's Discussion and Analysis. 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

	2021	2020	Change
Current and other assets	\$ 4,580,600	\$ 4,158,297	\$ 422,303
Capital assets	5,406,487	5,451,950	(45,463)
Total assets	9,987,087	9,610,247	376,840
Long-term liabilities	2,858,292	3,423,524	(565,232)
Other liabilities	859,880	608,121	251,759
Total liabilities	3,718,172	4,031,645	(313,473)
Total deferred inflows of resources	1,197,140	954,725	242,415
<b>Net position:</b>			
Invested in capital assets, net of related debt	1,993,030	1,719,808	273,222
Restricted	897,673	841,068	56,605
Unrestricted	2,181,072	2,063,001	118,071
Total net position	\$ 5,071,775	\$ 4,623,877	\$ 447,898

Summary of Changes in Net Position

	2021	2020	Change
<b>Revenues:</b>			
Property taxes, including related penalty and interest	\$ 1,035,770	\$ 1,010,133	\$ 25,637
Charges for services	1,263,603	1,330,100	(66,497)
Other revenues	39,391	54,445	(15,054)
Total revenues	2,338,764	2,394,678	(55,914)
<b>Expenses:</b>			
Service operations	1,777,626	1,783,888	(6,262)
Debt service	113,240	120,895	(7,655)
Total expenses	1,890,866	1,904,783	(13,917)
Change in net position	447,898	489,895	(41,997)
Net position, beginning of year	4,623,877	4,133,982	489,895
Net position, end of year	\$ 5,071,775	\$ 4,623,877	\$ 447,898

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

The District’s combined fund balances as of the end of the fiscal year ended November 30, 2021, were \$3,086,462, an increase of \$176,665 from the prior year.

The General Fund balance increased by \$90,929 in accordance with the District’s financial plan to increase the fund balance for planned maintenance and repairs.

The Debt Service Fund balance increased by \$85,837, in accordance with the District’s financial plan

The Capital Projects Fund balance decreased by \$101 as authorized expenditures exceeded interest on deposits.

#### *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 November 30, 2021, was expected to be \$2,655,804 and the actual end of year fund balance was \$2,793,183.

### **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>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 975,124	\$ 975,124	\$ 0
Detention ponds	1,344,864	1,344,864	0
Water facilities	1,107,158	1,156,829	(49,671)
Sewer facilities	<u>1,979,341</u>	<u>1,975,133</u>	<u>4,208</u>
Totals	<u>\$ 5,406,487</u>	<u>\$ 5,451,950</u>	<u>\$ (45,463)</u>

Changes to capital assets during the fiscal year ended November 30, 2021, are summarized as follows:

Additions:		
Water system improvements		\$ 25,000
Sewer system improvements		<u>120,352</u>
Total additions to capital assets		145,352
Decreases:		
Depreciation		<u>(190,815)</u>
Net change to capital assets		<u>\$ (45,463)</u>

#### *Debt*

Bonded debt payable, beginning of year	\$ 3,625,000
Bonds paid	<u>(315,000)</u>
Bonded debt payable, end of year	<u>\$ 3,310,000</u>

At November 30, 2021, the District had \$9,240,000 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 bonds have an underlying rating of A by Standard & Poor's. The Series 2011 bonds are insured by Assured Guaranty Municipal Corp (formerly Financial Security Assurance, Inc). The Series 2013 bonds are not insured. The insured rating of the Series 2011 bonds is AA by Standard & Poor's. The Series 2013 bonds are rated A by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended November 30, 2021.



## RELEVANT FACTORS AND WATER SUPPLY ISSUES

### *Property Tax Base*

The District's tax base increased approximately \$18,580,000 for the 2021 tax year (approximately 5%), primarily due to the increase of the average assessed valuations on existing property.

### *Relationship to the City of Houston*

Utilizing a provision of Texas law, 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 purpose of imposition of the City's Sales and Use Tax. In addition, the Agreement provides that the City shall apply and enforce within the Partial District the most current section of the City's fire code banning fireworks as adopted by City Council. 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. 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 elected to participate in this manner as described below. The District has been required by the NHCRWA to participate in the groundwater conversion project by converting a portion of its water production to surface water. 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. As of November 30, 2021, the NHCRWA had established a pumpage fee of \$4.60. The pumpage fee is expected to increase in the future. As of November 30, 2021, the NHCRWA had established a surface water fee of \$5.05 per 1,000 gallons of surface water purchased, payable monthly. 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.

As further described in Note 10, on February 21, 2005, the District and the Authority entered into a Capital Contribution Contract (the "Contract"). In accordance with the Contract, the District contributed \$694,446 to the Authority to pay for its share of the costs of constructing infrastructure to bring surface water to the District. Under the terms of the contract, the District will receive credits annually for the next 30 years. This credit is to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credit is based upon the amortization of the District's contribution.

LOUETTA NORTH PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

NOVEMBER 30, 2021

	<u>General</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	\$ 284,120	\$ 164,343	\$ 20,020	\$ 468,483	\$	\$ 468,483
Certificates of deposit, at cost, Note 7	616,139			616,139		616,139
Temporary investments, at cost, Note 7	1,250,706	172,211		1,422,917		1,422,917
Receivables:						
Property taxes	475,082	516,630		991,712		991,712
Accrued penalty and interest on property taxes				0	4,413	4,413
Service accounts	104,811			104,811		104,811
Accrued interest	1,791			1,791		1,791
Sales and Use Taxes, Note 11	8,400			8,400		8,400
Maintenance taxes collected not yet transferred from other fund	31,723			31,723	(31,723)	0
Advance to regional facilities for construction, Note 9	328,584			328,584		328,584
Chloramine costs due from regional authority, Note 10	142,208			142,208		142,208
Prepaid surface water capital contribution, Note 10	476,581			476,581		476,581
Operating reserve at regional facilities, Note 9	14,561			14,561		14,561
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	2,319,988	2,319,988
Depreciable capital assets				0	3,086,499	3,086,499
<b>Total assets</b>	<b><u>\$3,734,706</u></b>	<b><u>\$ 853,184</u></b>	<b><u>\$ 20,020</u></b>	<b><u>\$ 4,607,910</u></b>	<b><u>5,379,177</u></b>	<b><u>9,987,087</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 133,553	\$ 737	\$	\$ 134,290		134,290
Accrued interest payable				0	17,933	17,933
Customer and builder deposits	142,425			142,425		142,425
Maintenance taxes collected not yet transferred to other fund		31,723		31,723	(31,723)	0
Long-term liabilities, Note 5:						
Due within one year				0	565,232	565,232
Due in more than one year				0	2,858,292	2,858,292
<b>Total liabilities</b>	<b><u>275,978</u></b>	<b><u>32,460</u></b>	<b><u>0</u></b>	<b><u>308,438</u></b>	<b><u>3,409,734</u></b>	<b><u>3,718,172</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	503,545	547,465		1,051,010	(15,870)	1,035,140
Capacity reservation fees	162,000			162,000		162,000
<b>Total deferred inflows of resources</b>	<b><u>665,545</u></b>	<b><u>547,465</u></b>	<b><u>0</u></b>	<b><u>1,213,010</u></b>	<b><u>(15,870)</u></b>	<b><u>1,197,140</u></b>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Nonspendable:						
Prepaid surface water capital contribution, Note 10	476,581			476,581	(476,581)	0
Due from regional authority, Note 10	142,208			142,208	(142,208)	0
Operating reserve at regional facilities, Note 9	14,561			14,561	(14,561)	0
Restricted for future construction, Note 7			10,067	10,067	(10,067)	0
Assigned to:						
Debt service		273,259		273,259	(273,259)	0
Capital projects			9,953	9,953	(9,953)	0
Unassigned	2,159,833			2,159,833	(2,159,833)	0
<b>Total fund balances</b>	<b><u>2,793,183</u></b>	<b><u>273,259</u></b>	<b><u>20,020</u></b>	<b><u>3,086,462</u></b>	<b><u>(3,086,462)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$3,734,706</u></b>	<b><u>\$ 853,184</u></b>	<b><u>\$ 20,020</u></b>	<b><u>\$ 4,607,910</u></b>		
Net position:						
Invested in capital assets, net of related debt					1,993,030	1,993,030
Restricted for debt service					268,931	268,931
Restricted for capital projects					9,953	9,953
Restricted for receivables from regional authority					618,789	618,789
Unrestricted					2,181,072	2,181,072
<b>Total net position</b>					<b><u>\$ 5,071,775</u></b>	<b><u>\$ 5,071,775</u></b>

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

LOUETTA NORTH PUBLIC UTILITY DISTRICT

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

FOR THE YEAR ENDED NOVEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 473,073	\$ 554,285	\$	\$ 1,027,358	\$ (2,836)	\$ 1,024,522
Water service	211,497			211,497		211,497
Sewer service	252,397			252,397		252,397
Surface water fees, Note 10	713,169			713,169		713,169
Penalty and interest	34,171	12,326		46,497	(1,078)	45,419
Tap connection and inspection fees	1,950			1,950		1,950
Sales and Use Taxes, Note 11	35,560			35,560		35,560
Interest on surface water chloramine costs, Note 10	8,780			8,780		8,780
Interest on prepaid surface water capital contribution, Note 10	24,045			24,045		24,045
Interest on deposits and investments	3,743	81	7	3,831		3,831
Other revenues	17,594			17,594		17,594
<b>Total revenues</b>	<b>1,775,979</b>	<b>566,692</b>	<b>7</b>	<b>2,342,678</b>	<b>(3,914)</b>	<b>2,338,764</b>
<b>EXPENDITURES / EXPENSES</b>						
<b>Service operations:</b>						
Purchased sewer services, Note 9	168,612			168,612		168,612
Professional fees	106,126	3,307		109,433		109,433
Contracted services	103,805	34,854		138,659		138,659
Utilities	48,447			48,447		48,447
Surface water fees, Note 10	715,492			715,492		715,492
Repairs and maintenance	295,929			295,929		295,929
Other operating expenditures	29,273			29,273		29,273
Administrative expenditures	70,064	8,844	108	79,016		79,016
Depreciation				0	190,815	190,815
Capital outlay / non-capital outlay	147,302			147,302	(145,352)	1,950
<b>Debt service:</b>						
Principal retirement		315,000		315,000	(315,000)	0
Interest and fees		118,850		118,850	(5,610)	113,240
<b>Total expenditures / expenses</b>	<b>1,685,050</b>	<b>480,855</b>	<b>108</b>	<b>2,166,013</b>	<b>(275,147)</b>	<b>1,890,866</b>
Excess (deficiency) of revenues over expenditures	90,929	85,837	(101)	176,665	271,233	447,898
Net change in fund balances / net position	90,929	85,837	(101)	176,665	271,233	447,898
Beginning of year	2,702,254	187,422	20,121	2,909,797	1,714,080	4,623,877
End of year	<u>\$ 2,793,183</u>	<u>\$ 273,259</u>	<u>\$ 20,020</u>	<u>\$ 3,086,462</u>	<u>\$ 1,985,313</u>	<u>\$ 5,071,775</u>

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

LOUETTA NORTH PUBLIC UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2021

NOTE 1: REPORTING ENTITY

Louetta North Public Utility District (the "District") was created by special act of the 62nd Legislature of the State of Texas, Regular Session, on June 4, 1971, 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 February 17, 1977, and the first bonds were sold on November 27, 1978. 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. The District may provide garbage disposal and collection services. 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. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

As more fully described in Note 9, the District is a participant in the Kleinwood Joint Powers Board (the "Board"). Oversight of the Board is exercised by the members of the Kleinwood Joint Powers Board which is comprised of representatives from the participants. Based on the criteria described above, the Board's financial activity has not been included in the District's financial statements.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Regional Water Authority Credits

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under agreements with the regional water authority are recorded as either a repayment of the principal amount or interest earned at the interest rate of the applicable agreement. The principal is amortized based upon the life of the credits and the interest rate of the applicable agreement.

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		\$ 3,086,462
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		5,406,487
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	\$ (3,310,000)	
Less: Deferred charge on refunding (to be amortized as interest expense)	50,367	
Add: Net issuance premium (to be amortized as interest expense)	<u>(163,891)</u>	(3,423,524)
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	4,413	
Uncollected property taxes	<u>15,870</u>	20,283
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(17,933)</u>
Net position, end of year		<u>\$ 5,071,775</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		\$ 176,665
<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	\$ 145,352	
Depreciation	<u>(190,815)</u>	(45,463)
<p>The issuance of long-term debt (bonds payable) 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		315,000
<p>The funds report the effect of bond issuance costs, 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	(13,053)	
Issuance discount (premium)	<u>16,738</u>	3,685
<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	(1,078)	
Uncollected property taxes	<u>(2,836)</u>	(3,914)
<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>1,925</u>
Change in net position		<u>\$ 447,898</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS AND DEFERRED CHARGES

Capital asset activity for the fiscal year ended November 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 975,124	\$	\$	\$ 975,124
Detention ponds	<u>1,344,864</u>	<u>                    </u>	<u>                    </u>	<u>1,344,864</u>
Total capital assets not being depreciated	<u>2,319,988</u>	<u>0</u>	<u>0</u>	<u>2,319,988</u>
Depreciable capital assets:				
Water system	3,829,242	25,000		3,854,242
Sewer system	<u>5,227,560</u>	<u>120,352</u>	<u>                    </u>	<u>5,347,912</u>
Total depreciable capital assets	<u>9,056,802</u>	<u>145,352</u>	<u>0</u>	<u>9,202,154</u>
Less accumulated depreciation for:				
Water system	(2,672,413)	(74,671)		(2,747,084)
Sewer system	<u>(3,252,427)</u>	<u>(116,144)</u>	<u>                    </u>	<u>(3,368,571)</u>
Total accumulated depreciation	<u>(5,924,840)</u>	<u>(190,815)</u>	<u>0</u>	<u>(6,115,655)</u>
Total depreciable capital assets, net	<u>3,131,962</u>	<u>(45,463)</u>	<u>0</u>	<u>3,086,499</u>
Total capital assets, net	<u>\$ 5,451,950</u>	<u>\$ (45,463)</u>	<u>\$ 0</u>	<u>\$ 5,406,487</u>
Changes to capital assets:				
Capital outlay		\$ 145,352	\$	
Less depreciation expense for the fiscal year		<u>(190,815)</u>	<u>                    </u>	
Net increases / decreases to capital assets		<u>\$ (45,463)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended November 30, 2021, 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	\$ 3,625,000	\$	\$ 315,000	\$ 3,310,000	\$ 550,000
Less deferred amounts:					
Issuance premium (discount)	180,629		16,738	163,891	26,885
For refunding	<u>(63,420)</u>	<u>                    </u>	<u>(13,053)</u>	<u>(50,367)</u>	<u>(11,653)</u>
Total bonds payable	<u>3,742,209</u>	<u>0</u>	<u>318,685</u>	<u>3,423,524</u>	<u>565,232</u>
Total long-term liabilities	<u>\$ 3,742,209</u>	<u>\$ 0</u>	<u>\$ 318,685</u>	<u>\$ 3,423,524</u>	<u>\$ 565,232</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

At November 30, 2021, there were no developer construction commitments or liabilities.

As of November 30, 2021, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 550,000	\$ 102,725	\$ 652,725
2023	340,000	83,750	423,750
2024	355,000	72,881	427,881
2025	375,000	61,019	436,019
2026	390,000	48,587	438,587
2027 - 2029	<u>1,300,000</u>	<u>64,675</u>	<u>1,364,675</u>
	<u>\$ 3,310,000</u>	<u>\$ 433,637</u>	<u>\$ 3,743,637</u>

Bonds voted	\$ 25,970,000
Bonds approved for sale and sold	16,730,000
Bonds voted and not issued	9,240,000
Refunding bonds voted	10,000,000.00
Refunding bonds approved for sale and sold	6,602,684.70
Refunding bonds voted and not issued	3,397,315.30

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 bond issues payable at November 30, 2021, were as follows:

	<u>Refunding Series 2011</u>	<u>Refunding Series 2013</u>
Amounts outstanding, November 30, 2021	\$225,000	\$3,085,000
Interest rates	4.00%	3.00% to 3.25%
Maturity dates, serially beginning/ending	October 1, 2022	April 1, 2022/2029
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates	October 1, 2019*	April 1, 2021*

\*Or any date thereafter at par plus accrued interest to the date of redemption, in whole or in part at the option of the District.

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 Orders require 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.

On January 16, 1982, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 7, 2021, the District levied the following ad valorem taxes for the 2021 tax year and the 2022 fiscal year on the adjusted taxable valuation of \$414,058,798:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.1300	\$ 538,273
Maintenance	<u>0.1200</u>	<u>496,867</u>
	<u>\$ 0.2500</u>	<u>\$ 1,035,140</u>

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

2021 tax year total property tax levy	\$ 1,035,140
2021 tax year total property tax levy deferred to 2022 fiscal year	(1,035,140)
2020 tax year total property tax levy deferred to 2021 fiscal year	954,726
Appraisal district adjustments to prior year taxes	<u>69,796</u>
Statement of Activities property tax revenues	<u>\$ 1,024,522</u>

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 District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,422,917.

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	\$	164,343
Temporary investments		<u>172,211</u>
	\$	<u><u>336,554</u></u>

Capital Projects Fund

For construction of capital assets:

Cash	\$	<u><u>20,020</u></u>
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At November 30, 2021, the Texas Commission on Environmental Quality required that the District escrow \$10,067 from the proceeds of its Series 2005 issue. At the balance sheet date, these funds were invested in an interest-bearing cash account.

**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 November 30, 2021, the District had physical damage and boiler and machinery coverage of \$3,255,000, 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, automobile coverage of \$1,000,000, worker's compensation coverage of \$1,000,000, consultant's crime coverage of \$100,000 and a tax assessor-collector bond of \$100,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: JOINT VENTURES WITH OTHER GOVERNMENTAL UNITS

Regional Sewage Treatment Plant

Effective April 9, 1992 (as amended June 1, 1993, September 8, 1997, July 25, 2005, September 9, 2013 and March 16, 2017), the District entered into a agreement providing for the ownership, operation, maintenance and expansion of the Kleinwood Regional Wastewater Facility and the creation of the Kleinwood Joint Powers Board (the "Board"). The agreement continues until April 9, 2047. As of November 30, 2021, ownership of the Board is shared by the following participants: Champions Municipal Utility District – 5.30%; Cy-Champ Public Utility District -- 21.45%; Cypress Forest Public Utility District -- 26.50%; Harris County Water Control and Improvement District No. 114 -- 16.00%; Kleinwood Municipal Utility District -- 15.00%; Louetta North Public Utility District -- 12.50% and Klein Independent School District -- 3.25%. The Board is managed and operated by the seven member Board of Members comprised of one member appointed by each of the entities participating in the Board. The Board issues no debt. Each participant records its share of the capital assets of the Board in its financial statements.

Each participant is responsible only for its share of the operating costs of the Board which are allocated and billed monthly based upon each participant's pro rata share of capacity and equivalent single family connections serviced by the Board. Capital costs are allocated and billed based upon percentage of ownership. The District has contributed \$14,561 as its share of the Board's operating reserve. During the year ended November 30, 2021, the District incurred costs of \$168,612 for operations and \$56,565 for capital costs.

The following summary financial data of the Board's General Fund is presented for the Board's fiscal year ended May 31, 2021:

	<u>Board Total</u>	<u>District's Share</u>
Total assets	\$ 2,732,991	
Total liabilities	<u>(2,616,504)</u>	
Total fund balance	116,487	\$ 14,561
Operating reserves	<u>(116,487)</u>	<u>(14,561)</u>
Undesignated fund balance	<u>\$ 0</u>	<u>\$ 0</u>
Total revenues	\$ 1,508,106	\$ 216,852
Total expenditures	<u>(1,508,106)</u>	<u>(216,852)</u>
Excess revenues (expenditures)	0	0
Fund balance, beginning of year	<u>116,487</u>	<u>14,561</u>
Fund balance, end of year	<u>\$ 116,487</u>	<u>\$ 14,561</u>

Reclaimed Water Supply Agreement

On November 1, 2017, the District and the other districts in the Board entered into a Reclaimed Water Supply Agreement . The term of the contract is twenty years. Under the terms of the agreement, the Board will construct a distribution system to transport reclaimed water from the Kleinwood Regional Wastewater Facility to the districts which wish to purchase the reclaimed water in order to obtain credits against the regional water authority fees described in Note 10. The District has not elected to purchase the reclaimed water. In connection with the construction of the distribution system, the District had construction advances of \$328,584 at the Board on November 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 10: REGIONAL WATER AUTHORITY FEES**

The North Harris County Regional Water Authority (the "Authority" and the "NHCRWA") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. 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 November 30, 2021, the Authority had established a well pumpage fee of \$4.60 for each 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$5.05 per 1,000 gallons of water purchased from the Authority. The District's fees payable to the Authority for the fiscal year ended November 30, 2021, were \$715,492. The District billed its service customers \$713,169 during the fiscal year to pay for the fees charged by the Authority.

On February 21, 2005, the District and the Authority entered in to a Capital Contribution Contract (the "Contract"). In accordance with the Contract, the District contributed \$694,446 to the Authority during the fiscal year ended November 30, 2005 to pay for its share of the costs of constructing infrastructure to bring surface water to the District. Under the terms of the Contract, the District will receive a credit in the amount of \$6,540 in calendar year 2005, \$33,394 annually for the next four years, beginning in 2006 and \$47,360 annually for the next 26 years. This credit is to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason; and third, paid to the District by the Authority each in installments as payments are due, not less frequently than annually. The credit is based upon the amortization of the District's contribution beginning in 2011 at a rate of 4.8087% over 26 years.

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under agreements with the Authority are recorded as either a repayment of the principal amount or interest earned at the interest rate of the applicable agreement. The principal is amortized based upon the life of the credits and the interest rate of the applicable agreement.

During the fiscal year ended November 30, 2021, the District received credits of \$47,360 under the provisions of the Contract. Of this amount, \$23,315 was a repayment of principal and \$24,045 was interest.

A summary of the amortization of the remaining scheduled credits for the prepaid capital contributions is as follows:

Credits Due During Fiscal Years Ending November 30	Principal	Interest	Total
2022	\$ 24,436	\$ 22,924	\$ 47,360
2023	25,612	21,748	47,360
2024	26,843	20,517	47,360
2025	28,135	19,225	47,360
2026	29,488	17,872	47,360
2027-2031	170,130	66,670	236,800
2032-2036	171,937	21,450	193,387
	<u>\$ 476,581</u>	<u>\$ 190,406</u>	<u>\$ 666,987</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Effective January 1, 2010, the Authority adopted a rate order which provided for the reimbursement to the District for costs incurred by the District to modify its system to accept surface water from the Authority. Such “Chloramine Credit” was determined by the Authority upon completion and operation of the District’s Chloramine System. The Chloramine Credit is credited monthly to the amounts payable to the Authority for water used by the District over a 30-year period at 6% interest. During the fiscal year ended November 30, 2011, the Authority determined that the allowable costs of construction were \$169,886.

During the fiscal year ended November 30, 2021, the District received chloramine credits of \$12,342. Of this amount, \$3,562 was a repayment of principal and \$8,780 was interest.

A summary of the amortization of the remaining scheduled chloramine credits is as follows:

Credits Due During Fiscal Years Ending November 30	Principal	Interest	Total
2022	\$ 3,785	\$ 8,557	\$ 12,342
2023	4,022	8,320	12,342
2024	4,274	8,068	12,342
2025	4,541	7,801	12,342
2026	4,826	7,516	12,342
2027-2031	29,060	32,650	61,710
2032-2036	39,376	22,334	61,710
2037-2041	52,324	8,357	60,681
	\$ 142,208	\$ 103,603	\$ 245,811

**NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT**

On December 13, 2010 the District and the City of Houston (the “City”) entered into a 30 year Strategic Partnership Agreement (the “SPA”). Under the terms of the SPA, the City annexed a portion of the District (the “Partial District”) for the limited purpose of imposition of the City’s Sales and Use Tax. The SPA 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. 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 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 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 \$35,560 from the City for the year ended November 30, 2021, of which \$8,400 was receivable at that date.



LOUETTA NORTH PUBLIC UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED NOVEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 452,800	\$ 452,800	\$ 473,073	\$ 20,273
Water service	315,000	315,000	211,497	(103,503)
Sewer service	255,000	255,000	252,397	(2,603)
Surface water fees	720,000	720,000	713,169	(6,831)
Penalty	15,000	15,000	34,171	19,171
Tap connection and inspection fees	2,500	2,500	1,950	(550)
Sales and Use Taxes	0	0	35,560	35,560
Interest on surface water chloramine costs	0	0	8,780	8,780
Interest on prepaid surface water capital contributions	0	0	24,045	24,045
Interest on deposits and investments	30,000	30,000	3,743	(26,257)
Other revenues	0	0	17,594	17,594
<b>TOTAL REVENUES</b>	<u>1,790,300</u>	<u>1,790,300</u>	<u>1,775,979</u>	<u>(14,321)</u>
<b>EXPENDITURES</b>				
Service operations:				
Purchased sewer services	225,000	225,000	168,612	(56,388)
Professional fees	127,950	127,950	106,126	(21,824)
Contracted services	105,000	105,000	103,805	(1,195)
Utilities	57,000	57,000	48,447	(8,553)
Surface water fees	720,000	720,000	715,492	(4,508)
Repairs and maintenance	315,000	315,000	295,929	(19,071)
Other operating expenditures	8,000	8,000	29,273	21,273
Administrative expenditures	87,050	87,050	70,064	(16,986)
Capital outlay	191,750	191,750	147,302	(44,448)
<b>TOTAL EXPENDITURES</b>	<u>1,836,750</u>	<u>1,836,750</u>	<u>1,685,050</u>	<u>(151,700)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	(46,450)	(46,450)	90,929	137,379
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,702,254</u>	<u>2,702,254</u>	<u>2,702,254</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,655,804</u>	<u>\$ 2,655,804</u>	<u>\$ 2,793,183</u>	<u>\$ 137,379</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.

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
NOVEMBER 30, 2021

(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

LOUETTA NORTH PUBLIC UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

NOVEMBER 30, 2021

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

- |  |   |                                     |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input 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 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:	\$9.00	10,000	N	\$1.00 1.05 1.50 3.00	10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 Over 25,000
WASTEWATER:	\$13.00	25,000	N	\$1.05	Over 25,000
SURCHARGE:	\$5.30 per 1,000 gallons of water used. – NHCRWA surface water fees.				

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$9.00 Wastewater: \$13.00 Surcharge: \$53.00

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES (Continued)  
NOVEMBER 30, 2021

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"	1,565	1,565	1.0	1,565
1"	64	64	2.5	160
1-1/2"	9	9	5.0	45
2"	23	23	8.0	184
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>1,661</u>	<u>1,661</u>		<u>1,954</u>
Total Wastewater	<u>1,632</u>	<u>1,632</u>	1.0	<u>1,632</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited): 147,221  
 Gallons billed to customers (unaudited): 138,199

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 94%

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: \_\_\_\_\_

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
EXPENDITURES  
FOR THE YEAR ENDED NOVEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
<b>CURRENT</b>				
Purchased sewer services	\$ 168,612	\$ 0	\$ 0	\$ 168,612
Professional fees:				
Auditing	10,950			10,950
Legal	61,248	3,307		64,555
Engineering	33,928			33,928
	106,126	3,307	0	109,433
Contracted services:				
Bookkeeping	24,800			24,800
Operation and billing	79,005			79,005
Tax assessor-collector		27,430		27,430
Central appraisal district		7,424		7,424
	103,805	34,854	0	138,659
Utilities	48,447	0	0	48,447
Surface water fees:				
Ground water pumpage fees	93,310			93,310
Purchased surface water	622,182			622,182
	715,492	0	0	715,492
Repairs and maintenance	295,929	0	0	295,929
Other operating expenditures:				
Chemicals	2,839			2,839
Laboratory costs	1,550			1,550
Reconnection costs	18,155			18,155
Sewer inspection costs	830			830
TCEQ assessment	2,319			2,319
Other	3,580			3,580
	29,273	0	0	29,273
Administrative expenditures:				
Director's fees	13,800			13,800
Office supplies and postage	34,813			34,813
Insurance	11,041	656		11,697
Permits	4,018			4,018
Other	6,392	8,188	108	14,688
	70,064	8,844	108	79,016

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED NOVEMBER 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	\$ 145,352	\$	\$	\$ 145,352
Tap connection costs	1,950			1,950
	<u>147,302</u>	<u>0</u>	<u>0</u>	<u>147,302</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>315,000</u>	<u>0</u>	<u>315,000</u>
Interest and fees:				
Interest		117,575		117,575
Paying agent fees		1,275		1,275
	<u>0</u>	<u>118,850</u>	<u>0</u>	<u>118,850</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,685,050</u>	<u>\$ 480,855</u>	<u>\$ 108</u>	<u>\$ 2,166,013</u>

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT

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

FOR THE YEAR ENDED NOVEMBER 30, 2021

	<u>General 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 excluding maintenance taxes	\$ 1,279,281	\$ 540,681	\$ 7	\$ 1,819,969
Maintenance tax receipts		452,810		452,810
Transfer of maintenance taxes	440,021			440,021
Principal portion of NHCRWA credits received	26,877			26,877
Capacity proceeds received	162,000			162,000
Increase in customer and builder deposits	5,925			5,925
Overpayments from taxpayers		<u>6,181</u>		<u>6,181</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>1,914,104</u>	<u>999,672</u>	<u>7</u>	<u>2,913,783</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	1,461,938	46,953	108	1,508,999
Capital outlay	147,302			147,302
Debt service		433,850		433,850
Transfer of maintenance taxes		440,021		440,021
Refund of taxpayer overpayments		<u>5,672</u>		<u>5,672</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>1,609,240</u>	<u>926,496</u>	<u>108</u>	<u>2,535,844</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	304,864	73,176	(101)	377,939
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>1,846,101</u>	<u>263,378</u>	<u>20,121</u>	<u>2,129,600</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$ 2,150,965</u>	<u>\$ 336,554</u>	<u>\$ 20,020</u>	<u>\$ 2,507,539</u>

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS  
NOVEMBER 30, 2021

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 9009002568	0.40%	1/06/22	\$ 247,412	\$ 889
No. 1852005001	0.45%	4/18/22	248,559	693
No. 6000021961	0.40%	6/23/22	<u>120,168</u>	<u>209</u>
			<u>\$ 616,139</u>	<u>\$ 1,791</u>
TexPool				
No. 2674200003	Market	On demand	<u>\$ 1,250,706</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 2674200001	Market	On demand	<u>\$ 172,211</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 2,039,056</u>	<u>\$ 1,791</u>

See accompanying independent auditor's report.



LOUETTA NORTH PUBLIC UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED NOVEMBER 30, 2021

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 398,329	\$ 469,530
Additions and corrections to prior year taxes	<u>32,696</u>	<u>37,100</u>
Adjusted receivable, beginning of year	431,025	506,630
2021 ADJUSTED TAX ROLL	<u>496,867</u>	<u>538,273</u>
Total to be accounted for	927,892	1,044,903
Tax collections: Current tax year	(28,463)	(30,835)
Prior tax years	<u>(424,347)</u>	<u>(497,438)</u>
RECEIVABLE, END OF YEAR	<u>\$ 475,082</u>	<u>\$ 516,630</u>
RECEIVABLE, BY TAX YEAR:		
2013	\$ 9	\$ 37
2014	4	17
2015	13	44
2016	20	44
2017	261	708
2018	588	1,595
2019	2,314	2,700
2020	3,469	4,047
2021	<u>468,404</u>	<u>507,438</u>
RECEIVABLE, END OF YEAR	<u>\$ 475,082</u>	<u>\$ 516,630</u>

Fiscal year 2021 General Fund property tax revenue of \$473,073 under the modified accrual basis of accounting is comprised of prior tax year collections of \$424,347 during fiscal year 2021 and 2020 tax year collections of \$48,726 during fiscal year 2020.

Fiscal year 2021 Debt Service Fund property tax revenue of \$554,285 under the modified accrual basis of accounting is comprised of prior tax year collections of \$497,438 during fiscal year 2021 and 2020 tax year collections of \$56,847 during fiscal year 2020.

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE (Continued)  
FOR THE YEAR ENDED NOVEMBER 30, 2021

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 71,167,384	\$ 72,283,469	\$ 69,702,594	\$ 69,848,929
Improvements	348,913,064	328,411,353	318,919,349	297,624,140
Personal property	5,121,701	6,454,544	6,091,310	5,690,945
Less exemptions	<u>(11,143,351)</u>	<u>(11,668,692)</u>	<u>(10,503,661)</u>	<u>(9,832,462)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 414,058,798</u>	 <u>\$ 395,480,674</u>	 <u>\$ 384,209,592</u>	 <u>\$ 363,331,552</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.13000	\$ 0.14000	\$ 0.14000	\$ 0.19000
Maintenance tax rates*	<u>0.12000</u>	<u>0.12000</u>	<u>0.12000</u>	<u>0.07000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.25000</u>	 <u>\$ 0.26000</u>	 <u>\$ 0.26000</u>	 <u>\$ 0.26000</u>
 TAX ROLLS	 <u>\$ 1,035,140</u>	 <u>\$ 1,028,241</u>	 <u>\$ 998,937</u>	 <u>\$ 944,654</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>5.7%**</u>	 <u>99.3 %</u>	 <u>99.5 %</u>	 <u>99.8 %</u>

\*Maximum tax rate approved by voters on January 16, 1982: \$0.25

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

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
NOVEMBER 30, 2021

<u>Series 2011</u>			
<u>Due During Fiscal Years Ending November 30</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2022	\$ 225,000	\$ 9,000	\$ 234,000
 <u>Series 2013</u>			
<u>Due During Fiscal Years Ending November 30</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2022	\$ 325,000	\$ 93,725	\$ 418,725
2023	340,000	83,750	423,750
2024	355,000	72,881	427,881
2025	375,000	61,019	436,019
2026	390,000	48,587	438,587
2027	415,000	35,506	450,506
2028	430,000	21,775	451,775
2029	455,000	7,394	462,394
TOTALS	\$ 3,085,000	\$ 424,637	\$ 3,509,637

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
NOVEMBER 30, 2021

<u>Due During Fiscal Years Ending November 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2022	\$ 550,000	\$ 102,725	\$ 652,725
2023	340,000	83,750	423,750
2024	355,000	72,881	427,881
2025	375,000	61,019	436,019
2026	390,000	48,587	438,587
2027	415,000	35,506	450,506
2028	430,000	21,775	451,775
2029	455,000	7,394	462,394
TOTALS	<u>\$ 3,310,000</u>	<u>\$ 433,637</u>	<u>\$ 3,743,637</u>

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED NOVEMBER 30, 2021

	<u>(1)</u>	<u>(2)</u>	<u>Totals</u>
Bond Series:	2011	2013	
Interest Rate:	3.00% to 4.00%	3.00% to 3.25%	
Dates Interest Payable:	April 1, October 1	April 1, October 1	
Maturity Dates:	October 1, 2022	April 1, 2022/2029	
Bonds Outstanding at Beginning of Current Year	\$ 435,000	\$ 3,190,000	\$ 3,625,000
Less Retirements	<u>(210,000)</u>	<u>(105,000)</u>	<u>(315,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 225,000</u>	<u>\$ 3,085,000</u>	<u>\$ 3,310,000</u>
Current Year Interest Paid	<u>\$ 17,400</u>	<u>\$ 100,175</u>	<u>\$ 117,575</u>

Bond Descriptions and Original Amount of Issue

- (1) Louetta North Public Utility District Unlimited Tax Refunding Bonds, Series 2011 (\$3,245,000)  
(2) Louetta North Public Utility District Unlimited Tax Refunding Bonds, Series 2013 (\$3,610,000)

Paying Agent/Registrar

- (1) (2) Wells Fargo Bank, NA, Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 25,970,000	\$ 0	\$ 10,000,000.00
Amount Issued	16,730,000		6,602,684.70
Remaining to be Issued	9,240,000		3,397,315.30

Net Debt Service Fund deposits and investments balances as of November 30, 2021: \$273,259  
Average annual debt service payment for remaining term of all debt: 467,955

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED NOVEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
<b>REVENUES</b>										
Property taxes	\$ 473,073	\$ 459,588	\$ 254,352	\$ 249,355	\$ 274,244	26.6 %	24.9 %	16.6 %	16.9 %	19.2 %
Water service	211,497	238,083	231,599	236,398	242,731	11.9	12.9	15.1	16.1	17.0
Sewer service	252,397	265,500	259,810	261,711	261,747	14.2	14.4	17.0	17.8	18.3
Surface water fees	713,169	738,743	630,247	588,881	535,245	40.2	40.1	41.2	40.1	37.3
Penalty	34,171	30,058	16,543	16,096	15,531	1.9	1.6	1.1	1.1	1.1
Tap connection and inspection fees	1,950	10,900	0	1,650	950	0.1	0.6	0.0	0.1	0.1
Sales and Use Taxes	35,560	34,091	30,328	28,208	24,439	2.0	1.9	2.0	1.9	1.7
Interest on surface water chloramine costs	8,780	8,990	9,188	9,374	9,549	0.5	0.5	0.6	0.6	0.7
Interest on prepaid surface water capital contribution	24,045	25,115	26,136	27,110	28,040	1.4	1.4	1.7	1.8	2.0
Interest on deposits and investments	3,743	18,925	41,338	25,812	12,548	0.2	1.0	2.7	1.8	0.9
Other revenues	17,594	12,711	30,497	26,911	24,664	1.0	0.7	2.0	1.8	1.7
<b>TOTAL REVENUES</b>	<b>1,775,979</b>	<b>1,842,704</b>	<b>1,530,038</b>	<b>1,471,506</b>	<b>1,429,688</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EXPENDITURES</b>										
Current:										
Purchased sewer services	168,612	173,770	108,858	138,159	142,971	9.5	9.5	7.1	9.4	10.0
Professional fees	106,126	110,739	94,554	77,349	86,813	6.0	6.0	6.2	5.3	6.1
Contracted services	103,805	92,586	91,825	88,602	94,542	5.8	5.0	6.0	6.0	6.6
Utilities	48,447	39,392	34,207	39,071	38,835	2.7	2.1	2.2	2.7	2.7
Surface water pumpage fees	715,492	753,964	651,436	601,522	579,598	40.4	41.0	42.7	40.8	40.7
Repairs and maintenance	295,929	249,425	232,677	173,261	242,237	16.7	13.6	15.2	11.8	16.9
Other operating expenditures	29,273	24,284	34,210	34,195	23,136	1.6	1.3	2.2	2.3	1.6
Administrative expenditures	70,064	96,370	70,630	72,408	65,024	3.9	5.2	4.6	4.9	4.5
Capital outlay	147,302	102,260	50,403	65,117	541,010	8.3	5.5	3.3	4.4	37.8
<b>TOTAL EXPENDITURES</b>	<b>1,685,050</b>	<b>1,642,790</b>	<b>1,368,800</b>	<b>1,289,684</b>	<b>1,814,166</b>	<b>94.9</b>	<b>89.2</b>	<b>89.5</b>	<b>87.6</b>	<b>126.9</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ 90,929</b>	<b>\$ 199,914</b>	<b>\$ 161,238</b>	<b>\$ 181,822</b>	<b>\$ (384,478)</b>	<b>5.1 %</b>	<b>10.8 %</b>	<b>10.5 %</b>	<b>12.4 %</b>	<b>(26.9) %</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,661</b>	<b>1,660</b>	<b>1,659</b>	<b>1,659</b>	<b>1,657</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,632</b>	<b>1,631</b>	<b>1,630</b>	<b>1,630</b>	<b>1,630</b>					

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED NOVEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>										
Property taxes	\$ 554,285	\$ 542,275	\$ 690,363	\$ 679,198	\$ 617,365	97.8 %	97.7 %	97.2 %	97.6 %	98.5 %
Penalty and interest	12,326	11,126	12,620	12,170	6,201	2.2	2.0	1.8	1.8	1.0
Interest on deposits and investments	81	1,409	7,201	3,858	2,834	0.0	0.3	1.0	0.6	0.5
<b>TOTAL REVENUES</b>	<b><u>566,692</u></b>	<b><u>554,810</u></b>	<b><u>710,184</u></b>	<b><u>695,226</u></b>	<b><u>626,400</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>EXPENDITURES</b>										
Current:										
Professional fees	3,307	2,271	3,642	5,272	1,301	0.6	0.4	0.5	0.8	0.2
Contracted services	34,854	28,250	34,208	35,802	25,269	6.2	5.1	4.8	5.1	4.0
Other expenditures	8,844	20,028	13,033	12,141	12,320	1.6	3.6	1.8	1.7	2.0
Debt service:										
Principal retirement	315,000	515,000	495,000	455,000	435,000	55.5	92.9	69.8	65.5	69.5
Interest and fees	118,850	138,275	156,325	172,825	185,075	21.0	24.9	22.0	24.9	29.5
<b>TOTAL EXPENDITURES</b>	<b><u>480,855</u></b>	<b><u>703,824</u></b>	<b><u>702,208</u></b>	<b><u>681,040</u></b>	<b><u>658,965</u></b>	<b><u>84.9</u></b>	<b><u>126.9</u></b>	<b><u>98.9</u></b>	<b><u>98.0</u></b>	<b><u>105.2</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>\$ 85,837</u></b>	<b><u>\$ (149,014)</u></b>	<b><u>\$ 7,976</u></b>	<b><u>\$ 14,186</u></b>	<b><u>\$ (32,565)</u></b>	<b><u>15.1 %</u></b>	<b><u>(26.9) %</u></b>	<b><u>1.1 %</u></b>	<b><u>2.0 %</u></b>	<b><u>(5.2) %</u></b>

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSNOVEMBER 30, 2021

Complete District Mailing Address: Louetta North Public Utility District  
c/o Bacon, Wallace & Philbin, L.L.P.  
6363 Woodway, Suite 800  
Houston, Texas 77057

District Business Telephone No.: 713-739-1060

Submission date of the most recent District Registration Form: July 8, 2020

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>
Mark Clewis 8915 Tweedbrook Drive Spring, Texas 77379	Elected 5/05/18- 5/07/22	\$ 1,950	\$ 172	President
Albert Wetzel, III 8919 Tweedbrook Drive Spring, Texas 77379	Elected 5/05/18- 5/07/22	1,650	142	Vice President
Dale Clowson 17118 Park Lodge Spring, Texas 77379	Elected 5/02/20- 5/04/24	6,450	1,805	Secretary
Merko Slavych 4423 Rustic Montell Lane Katy, Texas 77493	Elected 5/02/20- 5/04/24	1,950	42	Assistant Secretary
Brian Aulbaugh 9015 Kelsey Springs Court Spring, Texas 77379	Elected 5/05/18- 5/07/22	1,800	101	Director

See accompanying independent auditor's report.



LOUETTA NORTH PUBLIC UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)NOVEMBER 30, 2021CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Bacon, Wallace & Philbin, L.L.P. 6363 Woodway, Suite 800 Houston, Texas 77057	11/8/90	\$ 61,248	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	9/21/78	27,613	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	10/3/13	0	Investment Officer
Eagle Water Management, Inc. P. O. Box 11750 Spring, Texas 77391-1750	7/6/12	336,376	Operator
Koehn & Associates Engineers, Inc. 2500 Central Parkway, Suite Z Houston, Texas 77092	6/7/89	33,928	Engineer
Wheeler and Associates, Inc. 6935 Barney Road, Suite 110 Houston, Texas 77092	2/17/77	33,057	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	7,424	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	11/5/15	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 6/15/05	10,981	Independent Auditor

See accompanying independent auditor's report.