

LOUETTA NORTH PUBLIC UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

NOVEMBER 30, 2022

C O N T E N T S

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March 9, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Louetta North Public Utility District
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 Louetta North Public Utility District as of and for the year ended November 30, 2022, and the related notes to the financial statements, which collectively comprise Louetta North Public Utility District'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 Louetta North Public Utility District, as of November 30, 2022, 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 Louetta North Public Utility District, 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 Louetta North Public Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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. I 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. I 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 Louetta North Public Utility District's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louetta North Public Utility District'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 Louetta North Public Utility District's basic financial statements. The supplementary information on Pages 25 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 black 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, 2022.

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

| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|--|---------------------|---------------------|-------------------|
| Current and other assets | \$ 4,432,420 | \$ 4,580,600 | \$ (148,180) |
| Capital assets | 5,432,056 | 5,406,487 | 25,569 |
| Total assets | <u>9,864,476</u> | <u>9,987,087</u> | <u>(122,611)</u> |
| Long-term liabilities | 2,508,509 | 2,858,292 | (349,783) |
| Other liabilities | 642,517 | 859,880 | (217,363) |
| Total liabilities | <u>3,151,026</u> | <u>3,718,172</u> | <u>(567,146)</u> |
| Total deferred inflows of resources | <u>1,130,283</u> | <u>1,197,140</u> | <u>(66,857)</u> |
| Net position: | | | |
| Invested in capital assets, net of related debt | 2,583,831 | 1,993,030 | 590,801 |
| Restricted | 723,473 | 897,673 | (174,200) |
| Unrestricted | 2,275,863 | 2,181,072 | 94,791 |
| Total net position | <u>\$ 5,583,167</u> | <u>\$ 5,071,775</u> | <u>\$ 511,392</u> |

Summary of Changes in Net Position

| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|---|---------------------|---------------------|-------------------|
| Revenues: | | | |
| Property taxes, including related penalty and interest | \$ 1,064,433 | \$ 1,035,770 | \$ 28,663 |
| Charges for services | 1,679,281 | 1,263,603 | 415,678 |
| Other revenues | 72,233 | 39,391 | 32,842 |
| Total revenues | <u>2,815,947</u> | <u>2,338,764</u> | <u>477,183</u> |
| Expenses: | | | |
| Service operations | 2,218,912 | 1,777,626 | 441,286 |
| Debt service | 85,643 | 113,240 | (27,597) |
| Total expenses | <u>2,304,555</u> | <u>1,890,866</u> | <u>413,689</u> |
| Change in net position | 511,392 | 447,898 | 63,494 |
| Net position, beginning of year | <u>5,071,775</u> | <u>4,623,877</u> | <u>447,898</u> |
| Net position, end of year | <u>\$ 5,583,167</u> | <u>\$ 5,071,775</u> | <u>\$ 511,392</u> |

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended November 30, 2022, were \$3,004,011, a decrease of \$82,451 from the prior year.

The General Fund balance increased by \$66,776 in accordance with the District's financial plan to increase the fund balance for planned maintenance and repairs.

The Debt Service Fund balance decreased by \$148,489, in accordance with the District's financial plan

The Capital Projects Fund balance decreased by \$738 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 24 of this report. The budgetary fund balance as of November 30, 2022, was expected to be \$2,503,033 and the actual end of year fund balance was \$2,859,959.

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>2022</u> | <u>2021</u> | <u>Change</u> |
| Land | \$ 975,124 | \$ 975,124 | \$ 0 |
| Detention ponds | 1,344,864 | 1,344,864 | 0 |
| Water facilities | 1,094,180 | 1,107,158 | (12,978) |
| Sewer facilities | <u>2,017,888</u> | <u>1,979,341</u> | <u>38,547</u> |
| Totals | <u>\$ 5,432,056</u> | <u>\$ 5,406,487</u> | <u>\$ 25,569</u> |

Changes to capital assets during the fiscal year ended November 30, 2022, are summarized as follows:

| | | |
|-----------------------------------|--|------------------|
| Additions: | | |
| Water system improvements | | \$ 64,940 |
| Sewer system improvements | | <u>282,045</u> |
| Total additions to capital assets | | 346,985 |
| Decreases: | | |
| Depreciation | | <u>(321,416)</u> |
| Net change to capital assets | | <u>\$ 25,569</u> |

Debt

| | |
|--|---------------------|
| Bonded debt payable, beginning of year | \$ 3,310,000 |
| Bonds paid | <u>(550,000)</u> |
| Bonded debt payable, end of year | <u>\$ 2,760,000</u> |

At November 30, 2022, 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 2013 bonds are not insured. 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, 2022.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$50,950,000 for the 2022 tax year (approximately 12%), due to the increase of the average assessed valuations on existing property and the addition of new property to the tax base.

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, 2022, the NHCRWA had established a pumpage fee of \$4.60. The pumpage fee is expected to increase in the future. As of November 30, 2022, 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, 2022

| | <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> |
|---|---------------------------|--------------------------|-----------------------------|----------------------------|---------------------------------|--|
| ASSETS | | | | | | |
| Cash, including interest-bearing accounts, Note 7 | \$ 322,128 | \$ 140,490 | \$ 19,282 | \$ 481,900 | \$ | \$ 481,900 |
| Certificates of deposit, at cost, Note 7 | 600,648 | | | 600,648 | | 600,648 |
| Temporary investments, at cost, Note 7 | 1,423,723 | 75,075 | | 1,498,798 | | 1,498,798 |
| Receivables: | | | | | | |
| Property taxes | 588,215 | 461,128 | | 1,049,343 | | 1,049,343 |
| Accrued penalty and interest on property taxes | | | | 0 | 5,067 | 5,067 |
| Service accounts | 117,821 | | | 117,821 | | 117,821 |
| Accrued interest | 3,298 | | | 3,298 | | 3,298 |
| Sales and Use Taxes, Note 11 | 11,400 | | | 11,400 | | 11,400 |
| Other | 600 | | | 600 | | 600 |
| Maintenance taxes collected not yet transferred from other fund | 46,138 | | | 46,138 | (46,138) | 0 |
| Advance to regional facilities for construction, Note 9 | 58,416 | | | 58,416 | | 58,416 |
| Chloramine costs due from regional authority, Note 10 | 138,423 | | | 138,423 | | 138,423 |
| Prepaid surface water capital contribution, Note 10 | 452,145 | | | 452,145 | | 452,145 |
| 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 | 3,112,068 | 3,112,068 |
| Total assets | <u>\$3,777,516</u> | <u>\$ 676,693</u> | <u>\$ 19,282</u> | <u>\$ 4,473,491</u> | <u>5,390,985</u> | <u>9,864,476</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 125,276 | \$ 2,625 | \$ | \$ 127,901 | | 127,901 |
| Accrued interest payable | | | | 0 | 14,808 | 14,808 |
| Customer and builder deposits | 150,025 | | | 150,025 | | 150,025 |
| Maintenance taxes collected not yet transferred to other fund | | 46,138 | | 46,138 | (46,138) | 0 |
| Long-term liabilities, Note 5: | | | | | | |
| Due within one year | | | | 0 | 349,783 | 349,783 |
| Due in more than one year | | | | 0 | 2,508,509 | 2,508,509 |
| Total liabilities | <u>275,301</u> | <u>48,763</u> | <u>0</u> | <u>324,064</u> | <u>2,826,962</u> | <u>3,151,026</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Property tax revenues | <u>642,256</u> | <u>503,160</u> | <u>0</u> | <u>1,145,416</u> | <u>(15,133)</u> | <u>1,130,283</u> |
| FUND BALANCES / NET POSITION | | | | | | |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid surface water capital contribution, Note 10 | 452,145 | | | 452,145 | (452,145) | 0 |
| Due from regional authority, Note 10 | 138,423 | | | 138,423 | (138,423) | 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 | | 124,770 | | 124,770 | (124,770) | 0 |
| Capital projects | | | 9,215 | 9,215 | (9,215) | 0 |
| Unassigned | <u>2,254,830</u> | | | <u>2,254,830</u> | <u>(2,254,830)</u> | <u>0</u> |
| Total fund balances | <u>2,859,959</u> | <u>124,770</u> | <u>19,282</u> | <u>3,004,011</u> | <u>(3,004,011)</u> | <u>0</u> |
| Total liabilities, deferred inflows, and fund balances | <u>\$3,777,516</u> | <u>\$ 676,693</u> | <u>\$ 19,282</u> | <u>\$ 4,473,491</u> | | |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt | | | | | 2,583,831 | 2,583,831 |
| Restricted for debt service | | | | | 123,690 | 123,690 |
| Restricted for capital projects | | | | | 9,215 | 9,215 |
| Restricted for receivables from regional authority | | | | | 590,568 | 590,568 |
| Unrestricted | | | | | <u>2,275,863</u> | <u>2,275,863</u> |
| Total net position | | | | | <u>\$ 5,583,167</u> | <u>\$ 5,583,167</u> |

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, 2022

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments (Note 3) | Statement of Activities |
|--|---------------------|-------------------------|-----------------------------|---------------------|-------------------------|-------------------------------|
| REVENUES | | | | | | |
| Property taxes | \$ 503,194 | \$ 545,287 | \$ | \$ 1,048,481 | \$ (737) | \$ 1,047,744 |
| Water service | 255,387 | | | 255,387 | | 255,387 |
| Sewer service | 263,386 | | | 263,386 | | 263,386 |
| Surface water fees, Note 10 | 910,649 | | | 910,649 | | 910,649 |
| Penalty and interest | 32,882 | 16,035 | | 48,917 | 654 | 49,571 |
| Tap connection and inspection fees | 162,000 | | | 162,000 | | 162,000 |
| Sales and Use Taxes, Note 11 | 46,763 | | | 46,763 | | 46,763 |
| Interest on surface water chloramine costs, Note 10 | 8,557 | | | 8,557 | | 8,557 |
| Interest on prepaid surface water capital contribution, Note 10 | 22,924 | | | 22,924 | | 22,924 |
| Interest on deposits and investments | 22,921 | 2,549 | | 25,470 | | 25,470 |
| Other revenues | 23,496 | | | 23,496 | | 23,496 |
| Total revenues | 2,252,159 | 563,871 | 0 | 2,816,030 | (83) | 2,815,947 |
| EXPENDITURES / EXPENSES | | | | | | |
| Service operations: | | | | | | |
| Purchased sewer services, Note 9 | 184,949 | | | 184,949 | | 184,949 |
| Professional fees | 127,040 | 6,640 | | 133,680 | | 133,680 |
| Contracted services | 104,247 | 37,969 | | 142,216 | | 142,216 |
| Utilities | 63,959 | | | 63,959 | | 63,959 |
| Surface water fees, Note 10 | 901,482 | | | 901,482 | | 901,482 |
| Repairs and maintenance | 323,348 | | | 323,348 | | 323,348 |
| Other operating expenditures | 33,931 | | | 33,931 | | 33,931 |
| Administrative expenditures | 99,442 | 13,751 | 738 | 113,931 | | 113,931 |
| Depreciation | | | | 0 | 321,416 | 321,416 |
| Capital outlay / non-capital outlay | 346,985 | | | 346,985 | (346,985) | 0 |
| Debt service: | | | | | | |
| Principal retirement | | 550,000 | | 550,000 | (550,000) | 0 |
| Interest and fees | | 104,000 | | 104,000 | (18,357) | 85,643 |
| Total expenditures / expenses | 2,185,383 | 712,360 | 738 | 2,898,481 | (593,926) | 2,304,555 |
| Excess (deficiency) of revenues over expenditures | 66,776 | (148,489) | (738) | (82,451) | 593,843 | 511,392 |
| Net change in fund balances / net position | 66,776 | (148,489) | (738) | (82,451) | 593,843 | 511,392 |
| Beginning of year | 2,793,183 | 273,259 | 20,020 | 3,086,462 | 1,985,313 | 5,071,775 |
| End of year | <u>\$ 2,859,959</u> | <u>\$ 124,770</u> | <u>\$ 19,282</u> | <u>\$ 3,004,011</u> | <u>\$ 2,579,156</u> | <u>\$ 5,583,167</u> |

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

LOUETTA NORTH PUBLIC UTILITY DISTRICTNOTES TO THE FINANCIAL STATEMENTSNOVEMBER 30, 2022

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 | | \$ 3,004,011 | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | | | |
| Total capital assets, net | | | 5,432,056 |
| 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 | \$ (2,760,000) | | |
| Less: Deferred charge on refunding (to be amortized as interest expense) | 38,714 | | |
| Add: Net issuance premium (to be amortized as interest expense) | <u>(137,006)</u> | (2,858,292) | |
| 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 | 5,067 | | |
| Uncollected property taxes | <u>15,133</u> | 20,200 | |
| Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds: | | | |
| Accrued interest | | | <u>(14,808)</u> |
| Net position, end of year | | | <u>\$ 5,583,167</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 | | \$ (82,451) |
| <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 | \$ 346,985 | |
| Depreciation | <u>(321,416)</u> | 25,569 |
| <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 | | 550,000 |
| <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 | (11,653) | |
| Issuance discount (premium) | <u>26,885</u> | 15,232 |
| <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 | 654 | |
| Uncollected property taxes | <u>(737)</u> | (83) |
| <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>3,125</u> |
| Change in net position | | <u>\$ 511,392</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS AND DEFERRED CHARGES

Capital asset activity for the fiscal year ended November 30, 2022, 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 | 3,854,242 | 64,940 | | 3,919,182 |
| Sewer system | <u>5,347,912</u> | <u>282,045</u> | <u> </u> | <u>5,629,957</u> |
| Total depreciable capital assets | <u>9,202,154</u> | <u>346,985</u> | <u>0</u> | <u>9,549,139</u> |
| Less accumulated depreciation for: | | | | |
| Water system | (2,747,084) | (77,918) | | (2,825,002) |
| Sewer system | <u>(3,368,571)</u> | <u>(243,498)</u> | <u> </u> | <u>(3,612,069)</u> |
| Total accumulated depreciation | <u>(6,115,655)</u> | <u>(321,416)</u> | <u>0</u> | <u>(6,437,071)</u> |
| Total depreciable capital assets, net | <u>3,086,499</u> | <u>25,569</u> | <u>0</u> | <u>3,112,068</u> |
| Total capital assets, net | <u>\$ 5,406,487</u> | <u>\$ 25,569</u> | <u>\$ 0</u> | <u>\$ 5,432,056</u> |
| Changes to capital assets: | | | | |
| Capital outlay | | \$ 346,985 | \$ | |
| Less depreciation expense for the fiscal year | | <u>(321,416)</u> | <u> </u> | |
| Net increases / decreases to capital assets | | <u>\$ 25,569</u> | <u>\$ 0</u> | |

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended November 30, 2022, 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 | \$ 3,310,000 | \$ | \$ 550,000 | \$ 2,760,000 | \$ 340,000 |
| Less deferred amounts: | | | | | |
| Issuance premium (discount) | 163,891 | | 26,885 | 137,006 | 19,581 |
| For refunding | <u>(50,367)</u> | <u> </u> | <u>(11,653)</u> | <u>(38,714)</u> | <u>(9,798)</u> |
| Total bonds payable | <u>3,423,524</u> | <u>0</u> | <u>565,232</u> | <u>2,858,292</u> | <u>349,783</u> |
| Total long-term liabilities | <u>\$ 3,423,524</u> | <u>\$ 0</u> | <u>\$ 565,232</u> | <u>\$ 2,858,292</u> | <u>\$ 349,783</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of November 30, 2022, the debt service requirements on the bonds outstanding were as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|---------------------|-------------------|---------------------|
| 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 - 2029 | <u>885,000</u> | <u>29,169</u> | <u>914,169</u> |
| | <u>\$ 2,760,000</u> | <u>\$ 330,912</u> | <u>\$ 3,090,912</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, 2022, were as follows:

| | |
|--|----------------------------------|
| | <u>Refunding Series 2013</u> |
| Amounts outstanding, November 30, 2022 | \$2,760,000 |
| Interest rates | 3.00% to 3.25% |
| Maturity dates, serially beginning/ending | April 1, 2023/2029 |
| Interest payment dates | April 1/October 1 |
| Callable dates | 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.

Developer Construction Commitments and Liabilities

At November 30, 2022, there were no developer construction commitments or liabilities.

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 13, 2022, the District levied the following ad valorem taxes for the 2022 tax year and the 2023 fiscal year on the adjusted taxable valuation of \$470,954,362:

| | <u>Rate</u> | <u>Amount</u> |
|--------------|------------------|---------------------|
| Debt service | \$ 0.1050 | \$ 494,499 |
| Maintenance | <u>0.1350</u> | <u>635,784</u> |
| | <u>\$ 0.2400</u> | <u>\$ 1,130,283</u> |

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

| | |
|--|---------------------|
| 2022 tax year total property tax levy | \$ 1,130,283 |
| 2022 tax year total property tax levy deferred to 2023 fiscal year | (1,130,283) |
| 2021 tax year total property tax levy deferred to 2022 fiscal year | 1,035,139 |
| Appraisal district adjustments to prior year taxes | <u>12,605</u> |
| Statement of Activities property tax revenues | <u>\$ 1,047,744</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 carrying amount of the District's deposits was \$1,082,548 and the bank balance was \$1,089,866. Of the bank balance, \$1,005,143 was covered by federal insurance and \$84,723 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 \$1,498,798.

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 | \$ | 140,490 |
| Temporary investments | | 75,075 |
| | \$ | 215,565 |

Capital Projects Fund

For construction of capital assets:

| | | |
|------|----|--------|
| Cash | \$ | 19,282 |
|------|----|--------|

At November 30, 2022, 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, 2022, 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, 2022, 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, 2022, the District incurred costs of \$184,949 for operations and \$270,168 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, 2022:

| | <u>Board Total</u> | <u>District's Share</u> |
|---------------------------------|------------------------|-----------------------------|
| Total assets | \$ 687,198 | |
| Total liabilities | <u>(570,711)</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 | \$ 3,350,734 | \$ 460,319 |
| Total expenditures | <u>(3,350,734)</u> | <u>(460,319)</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 \$58,416 at the Board on November 30, 2022.

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, 2022, 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, 2022, were \$901,482. The District billed its service customers \$910,649 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, 2022, the District received credits of \$47,360 under the provisions of the Contract. Of this amount, \$24,436 was a repayment of principal and \$22,924 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 |
|--|-------------------|-------------------|-------------------|
| 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 | 30,906 | 16,454 | 47,360 |
| 2028-2032 | 178,314 | 58,486 | 236,800 |
| 2033-2036 | 132,847 | 13,180 | 146,027 |
| | <u>\$ 452,145</u> | <u>\$ 167,482</u> | <u>\$ 619,627</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, 2022, the District received chloramine credits of \$12,342. Of this amount, \$3,785 was a repayment of principal and \$8,557 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 |
|--|------------|-----------|------------|
| 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 | 5,128 | 7,214 | 12,342 |
| 2028-2032 | 30,880 | 30,830 | 61,710 |
| 2033-2037 | 41,843 | 19,867 | 61,710 |
| 2038-2041 | 42,909 | 5,430 | 48,339 |
| | \$ 138,423 | \$ 95,046 | \$ 233,469 |

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 \$46,763 from the City for the year ended November 30, 2022, of which \$11,400 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, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 452,800 | \$ 452,800 | \$ 503,194 | \$ 50,394 |
| Water service | 315,000 | 315,000 | 255,387 | (59,613) |
| Sewer service | 255,000 | 255,000 | 263,386 | 8,386 |
| Surface water fees | 740,000 | 740,000 | 910,649 | 170,649 |
| Penalty | 16,000 | 16,000 | 32,882 | 16,882 |
| Tap connection and inspection fees | 2,500 | 2,500 | 162,000 | 159,500 |
| Sales and Use Taxes | 0 | 0 | 46,763 | 46,763 |
| Interest on surface water chloramine costs | 0 | 0 | 8,557 | 8,557 |
| Interest on prepaid surface water capital contributions | 0 | 0 | 22,924 | 22,924 |
| Interest on deposits and investments | 3,000 | 3,000 | 22,921 | 19,921 |
| Other revenues | 0 | 0 | 23,496 | 23,496 |
| TOTAL REVENUES | <u>1,784,300</u> | <u>1,784,300</u> | <u>2,252,159</u> | <u>467,859</u> |
| EXPENDITURES | | | | |
| Service operations: | | | | |
| Purchased sewer services | 165,000 | 165,000 | 184,949 | 19,949 |
| Professional fees | 121,000 | 121,000 | 127,040 | 6,040 |
| Contracted services | 105,000 | 105,000 | 104,247 | (753) |
| Utilities | 65,000 | 65,000 | 63,959 | (1,041) |
| Surface water fees | 740,000 | 740,000 | 901,482 | 161,482 |
| Repairs and maintenance | 365,000 | 365,000 | 323,348 | (41,652) |
| Other operating expenditures | 8,000 | 8,000 | 33,931 | 25,931 |
| Administrative expenditures | 88,700 | 88,700 | 99,442 | 10,742 |
| Capital outlay | 416,750 | 416,750 | 346,985 | (69,765) |
| TOTAL EXPENDITURES | <u>2,074,450</u> | <u>2,074,450</u> | <u>2,185,383</u> | <u>110,933</u> |
| EXCESS REVENUES (EXPENDITURES) | (290,150) | (290,150) | 66,776 | 356,926 |
| FUND BALANCE, BEGINNING OF YEAR | <u>2,793,183</u> | <u>2,793,183</u> | <u>2,793,183</u> | <u>0</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 2,503,033</u> | <u>\$ 2,503,033</u> | <u>\$ 2,859,959</u> | <u>\$ 356,926</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, 2022

(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, 2022

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 | 10,001 to 15,000 |
| | | | | 1.05 | 15,001 to 20,000 |
| | | | | 1.50 | 20,001 to 25,000 |
| | | | | 3.00 | 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, 2022

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): 180,927
 Gallons billed to customers (unaudited): 173,211

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 96%

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 DISTRICTEXPENDITURESFOR THE YEAR ENDED NOVEMBER 30, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Totals (Memorandum Only)</u> |
|-------------------------------|-------------------------|----------------------------------|--------------------------------------|---|
| CURRENT | | | | |
| Purchased sewer services | \$ 184,949 | \$ 0 | \$ 0 | \$ 184,949 |
| Professional fees: | | | | |
| Auditing | 10,950 | | | 10,950 |
| Legal | 69,707 | 6,640 | | 76,347 |
| Engineering | 46,383 | | | 46,383 |
| | <u>127,040</u> | <u>6,640</u> | <u>0</u> | <u>133,680</u> |
| Contracted services: | | | | |
| Bookkeeping | 23,918 | | | 23,918 |
| Operation and billing | 80,329 | | | 80,329 |
| Tax assessor-collector | | 30,328 | | 30,328 |
| Central appraisal district | | 7,641 | | 7,641 |
| | <u>104,247</u> | <u>37,969</u> | <u>0</u> | <u>142,216</u> |
| Utilities | <u>63,959</u> | <u>0</u> | <u>0</u> | <u>63,959</u> |
| Surface water fees: | | | | |
| Ground water pumpage fees | 102,607 | | | 102,607 |
| Purchased surface water | 798,875 | | | 798,875 |
| | <u>901,482</u> | <u>0</u> | <u>0</u> | <u>901,482</u> |
| Repairs and maintenance | <u>323,348</u> | <u>0</u> | <u>0</u> | <u>323,348</u> |
| Other operating expenditures: | | | | |
| Chemicals | 4,430 | | | 4,430 |
| Laboratory costs | 3,515 | | | 3,515 |
| Reconnection costs | 23,295 | | | 23,295 |
| Sewer inspection costs | 280 | | | 280 |
| TCEQ assessment | 2,401 | | | 2,401 |
| | <u>33,921</u> | <u>0</u> | <u>0</u> | <u>33,921</u> |
| Administrative expenditures: | | | | |
| Director's fees | 13,650 | | | 13,650 |
| Office supplies and postage | 42,332 | | | 42,332 |
| Insurance | 12,324 | | | 12,324 |
| Permits | 8,036 | | | 8,036 |
| Other | 23,100 | 13,751 | 738 | 37,589 |
| | <u>99,442</u> | <u>13,751</u> | <u>738</u> | <u>113,931</u> |

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED NOVEMBER 30, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Totals (Memorandum Only)</u> |
|---------------------------|-------------------------|----------------------------------|--------------------------------------|---|
| CAPITAL OUTLAY | | | | |
| Authorized expenditures | \$ 346,985 | \$ 0 | \$ 0 | \$ 346,985 |
| DEBT SERVICE | | | | |
| Principal retirement | 0 | 550,000 | 0 | 550,000 |
| Interest and fees: | | | | |
| Interest | | 102,725 | | 102,725 |
| Paying agent fees | | 1,275 | | 1,275 |
| | <u>0</u> | <u>104,000</u> | <u>0</u> | <u>104,000</u> |
| TOTAL EXPENDITURES | <u>\$ 2,185,383</u> | <u>\$ 712,360</u> | <u>\$ 738</u> | <u>\$ 2,898,481</u> |

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICTANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED NOVEMBER 30, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------------|----------------------------------|--------------------------------------|---|
| SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS | | | | |
| Cash receipts from revenues excluding maintenance taxes | \$ 1,594,426 | \$ 575,068 | \$ | \$ 2,169,494 |
| Maintenance tax receipts | | 528,772 | | 528,772 |
| Transfer of maintenance taxes | 514,357 | | | 514,357 |
| Principal portion of NHCRWA credits received | 28,221 | | | 28,221 |
| Increase in customer and builder deposits | 7,600 | | | 7,600 |
| Overpayments from taxpayers | | <u>11,241</u> | | <u>11,241</u> |
| TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED | <u>2,144,604</u> | <u>1,115,081</u> | <u>0</u> | <u>3,259,685</u> |
| APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS | | | | |
| Cash disbursements for: | | | | |
| Current expenditures | 1,872,253 | 57,285 | 738 | 1,930,276 |
| Capital outlay | 76,817 | | | 76,817 |
| Debt service | | 654,000 | | 654,000 |
| Transfer of maintenance taxes | | 514,357 | | 514,357 |
| Refund of taxpayer overpayments | | <u>10,428</u> | | <u>10,428</u> |
| TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED | <u>1,949,070</u> | <u>1,236,070</u> | <u>738</u> | <u>3,185,878</u> |
| INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS | 195,534 | (120,989) | (738) | 73,807 |
| DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR | <u>2,150,965</u> | <u>336,554</u> | <u>20,020</u> | <u>2,507,539</u> |
| DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR | <u>\$ 2,346,499</u> | <u>\$ 215,565</u> | <u>\$ 19,282</u> | <u>\$ 2,581,346</u> |

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS
NOVEMBER 30, 2022

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Year End Balance</u> | <u>Accrued Interest Receivable</u> |
|-------------------------|--------------------------|--------------------------|-----------------------------|--|
| GENERAL FUND | | | | |
| Certificates of Deposit | | | | |
| No. 1852005001 | 0.45% | 4/18/23 | \$ 240,000 | \$ 669 |
| No. 6000021961 | 1.25% | 6/23/23 | 120,648 | 661 |
| No. 9009002568 | 2.05% | 7/07/23 | <u>240,000</u> | <u>1,968</u> |
| | | | <u>\$ 600,648</u> | <u>\$ 3,298</u> |
| TexPool | | | | |
| No. 2674200003 | Market | On demand | <u>\$ 1,423,723</u> | <u>\$ 0</u> |
| DEBT SERVICE FUND | | | | |
| TexPool | | | | |
| No. 2674200001 | Market | On demand | <u>\$ 75,075</u> | <u>\$ 0</u> |
| Total – All Funds | | | <u>\$ 2,099,446</u> | <u>\$ 3,298</u> |

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED NOVEMBER 30, 2022

| | <u>Maintenance Taxes</u> | <u>Debt Service Taxes</u> |
|---|------------------------------|-----------------------------------|
| RECEIVABLE, BEGINNING OF YEAR | \$ 475,082 | \$ 516,630 |
| Additions and corrections to prior year taxes | <u>6,121</u> | <u>6,484</u> |
| Adjusted receivable, beginning of year | 481,203 | 523,114 |
| 2022 ADJUSTED TAX ROLL | <u>635,784</u> | <u>494,499</u> |
| Total to be accounted for | 1,116,987 | 1,017,613 |
| Tax collections: Current tax year | (54,042) | (42,032) |
| Prior tax years | <u>(474,730)</u> | <u>(514,453)</u> |
| RECEIVABLE, END OF YEAR | <u>\$ 588,215</u> | <u>\$ 461,128</u> |
| RECEIVABLE, BY TAX YEAR: | | |
| 2013 | \$ 9 | \$ 36 |
| 2014 | 5 | 16 |
| 2015 | 13 | 44 |
| 2016 | 17 | 39 |
| 2017 | 261 | 708 |
| 2018 | 548 | 1,488 |
| 2019 | 1,334 | 1,556 |
| 2020 | 1,557 | 1,817 |
| 2021 | 2,729 | 2,957 |
| 2022 | <u>581,742</u> | <u>452,467</u> |
| RECEIVABLE, END OF YEAR | <u>\$ 588,215</u> | <u>\$ 461,128</u> |

Fiscal year 2022 General Fund property tax revenue of \$503,194 under the modified accrual basis of accounting is comprised of prior tax year collections of \$474,730 during fiscal year 2022 and 2021 tax year collections of \$28,464 during fiscal year 2021.

Fiscal year 2022 Debt Service Fund property tax revenue of \$545,287 under the modified accrual basis of accounting is comprised of prior tax year collections of \$514,453 during fiscal year 2022 and 2021 tax year collections of \$30,834 during fiscal year 2021.

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED NOVEMBER 30, 2022

| ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Land | \$ 113,050,332 | \$ 72,255,238 | \$ 72,283,469 | \$ 69,702,594 |
| Improvements | 365,044,797 | 354,036,320 | 327,844,596 | 318,919,349 |
| Personal property | 7,123,281 | 6,225,048 | 7,153,905 | 6,924,994 |
| Less exemptions | <u>(14,264,048)</u> | <u>(12,516,280)</u> | <u>(12,465,778)</u> | <u>(11,369,740)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 470,954,362</u> | <u>\$ 420,000,326</u> | <u>\$ 394,816,192</u> | <u>\$ 384,177,197</u> |
| TAX RATES PER \$100 VALUATION | | | | |
| Debt service tax rates | \$ 0.10500 | \$ 0.13000 | \$ 0.14000 | \$ 0.14000 |
| Maintenance tax rates* | <u>0.13500</u> | <u>0.12000</u> | <u>0.12000</u> | <u>0.12000</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.24000</u> | <u>\$ 0.25000</u> | <u>\$ 0.26000</u> | <u>\$ 0.26000</u> |
| TAX ROLLS | <u>\$ 1,130,283</u> | <u>\$ 1,049,994</u> | <u>\$ 1,026,335</u> | <u>\$ 998,749</u> |
| PERCENT OF TAXES COLLECTED TO TAXES LEVIED | <u>8.5%**</u> | <u>99.5 %</u> | <u>99.7 %</u> | <u>99.7 %</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, 2022

| <u>Due During Fiscal Years Ending November 30</u> | <u>Series 2013</u> | | |
|---|--------------------------------------|--|---------------------|
| | <u>Principal Due April 1</u> | <u>Interest Due April 1, October 1</u> | <u>Total</u> |
| 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>\$ 2,760,000</u> | <u>\$ 330,912</u> | <u>\$ 3,090,912</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, 2022

| | <u>(1)</u> | <u>(2)</u> | <u>Totals</u> |
|---|-------------------|-----------------------|---------------------|
| Bond Series: | 2011 | 2013 | |
| Interest Rate: | Not Applicable | 3.00% to 3.25% | |
| Dates Interest Payable: | Not Applicable | April 1, October 1 | |
| Maturity Dates: | Not Applicable | April 1, 2023/2029 | |
| Bonds Outstanding at Beginning of Current Year | \$ 225,000 | \$ 3,085,000 | \$ 3,310,000 |
| Less Retirements | <u>(225,000)</u> | <u>(325,000)</u> | <u>(550,000)</u> |
| Bonds Outstanding at End of Current Year | <u>\$ 0</u> | <u>\$ 2,760,000</u> | <u>\$ 2,760,000</u> |
| Current Year Interest Paid | <u>\$ 9,000</u> | <u>\$ 93,725</u> | <u>\$ 102,725</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, 2022: \$124,770
Average annual debt service payment for remaining term of all debt: 441,559

See accompanying independent auditor's report.

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

| | <u>AMOUNT</u> | | | | | <u>PERCENT OF TOTAL REVENUES</u> | | | | |
|--|------------------|------------------|-------------------|-------------------|-------------------|----------------------------------|--------------|---------------|---------------|---------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 503,194 | \$ 473,073 | \$ 459,588 | \$ 254,352 | \$ 249,355 | 22.3 % | 26.6 % | 24.9 % | 16.6 % | 16.9 % |
| Water service | 255,387 | 211,497 | 238,083 | 231,599 | 236,398 | 11.3 | 11.9 | 12.9 | 15.1 | 16.1 |
| Sewer service | 263,386 | 252,397 | 265,500 | 259,810 | 261,711 | 11.7 | 14.2 | 14.4 | 17.0 | 17.8 |
| Surface water fees | 910,649 | 713,169 | 738,743 | 630,247 | 588,881 | 40.5 | 40.2 | 40.1 | 41.2 | 40.1 |
| Penalty | 32,882 | 34,171 | 30,058 | 16,543 | 16,096 | 1.5 | 1.9 | 1.6 | 1.1 | 1.1 |
| Tap connection and inspection fees | 162,000 | 1,950 | 10,900 | 0 | 1,650 | 7.2 | 0.1 | 0.6 | 0.0 | 0.1 |
| Sales and Use Taxes | 46,763 | 35,560 | 34,091 | 30,328 | 28,208 | 2.1 | 2.0 | 1.9 | 2.0 | 1.9 |
| Interest on surface water chloramine costs | 8,557 | 8,780 | 8,990 | 9,188 | 9,374 | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 |
| Interest on prepaid surface water capital contribution | 22,924 | 24,045 | 25,115 | 26,136 | 27,110 | 1.0 | 1.4 | 1.4 | 1.7 | 1.8 |
| Interest on deposits and investments | 22,921 | 3,743 | 18,925 | 41,338 | 25,812 | 1.0 | 0.2 | 1.0 | 2.7 | 1.8 |
| Other revenues | 23,496 | 17,594 | 12,711 | 30,497 | 26,911 | 1.0 | 1.0 | 0.7 | 2.0 | 1.8 |
| TOTAL REVENUES | <u>2,252,159</u> | <u>1,775,979</u> | <u>1,842,704</u> | <u>1,530,038</u> | <u>1,471,506</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Purchased sewer services | 184,949 | 168,612 | 173,770 | 108,858 | 138,159 | 8.2 | 9.5 | 9.5 | 7.1 | 9.4 |
| Professional fees | 127,040 | 106,126 | 110,739 | 94,554 | 77,349 | 5.6 | 6.0 | 6.0 | 6.2 | 5.3 |
| Contracted services | 104,247 | 103,805 | 92,586 | 91,825 | 88,602 | 4.6 | 5.8 | 5.0 | 6.0 | 6.0 |
| Utilities | 63,959 | 48,447 | 39,392 | 34,207 | 39,071 | 2.8 | 2.7 | 2.1 | 2.2 | 2.7 |
| Surface water pumpage fees | 901,482 | 715,492 | 753,964 | 651,436 | 601,522 | 40.1 | 40.4 | 41.0 | 42.7 | 40.8 |
| Repairs and maintenance | 323,348 | 295,929 | 249,425 | 232,677 | 173,261 | 14.4 | 16.7 | 13.6 | 15.2 | 11.8 |
| Other operating expenditures | 33,931 | 29,273 | 24,284 | 34,210 | 34,195 | 1.5 | 1.6 | 1.3 | 2.2 | 2.3 |
| Administrative expenditures | 99,442 | 70,064 | 96,370 | 70,630 | 72,408 | 4.4 | 3.9 | 5.2 | 4.6 | 4.9 |
| Capital outlay | 346,985 | 147,302 | 102,260 | 50,403 | 65,117 | 15.4 | 8.3 | 5.5 | 3.3 | 4.4 |
| TOTAL EXPENDITURES | <u>2,185,383</u> | <u>1,685,050</u> | <u>1,642,790</u> | <u>1,368,800</u> | <u>1,289,684</u> | <u>97.0</u> | <u>94.9</u> | <u>89.2</u> | <u>89.5</u> | <u>87.6</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>\$ 66,776</u> | <u>\$ 90,929</u> | <u>\$ 199,914</u> | <u>\$ 161,238</u> | <u>\$ 181,822</u> | <u>3.0 %</u> | <u>5.1 %</u> | <u>10.8 %</u> | <u>10.5 %</u> | <u>12.4 %</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>1,661</u> | <u>1,661</u> | <u>1,660</u> | <u>1,659</u> | <u>1,659</u> | | | | | |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>1,632</u> | <u>1,632</u> | <u>1,631</u> | <u>1,630</u> | <u>1,630</u> | | | | | |

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>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 545,287 | \$ 554,285 | \$ 542,275 | \$ 690,363 | \$ 679,198 | 96.7 % | 97.8 % | 97.7 % | 97.2 % | 97.6 % |
| Penalty and interest | 16,035 | 12,326 | 11,126 | 12,620 | 12,170 | 2.8 | 2.2 | 2.0 | 1.8 | 1.8 |
| Interest on deposits and investments | <u>2,549</u> | <u>81</u> | <u>1,409</u> | <u>7,201</u> | <u>3,858</u> | <u>0.5</u> | <u>0.0</u> | <u>0.3</u> | <u>1.0</u> | <u>0.6</u> |
| TOTAL REVENUES | <u>563,871</u> | <u>566,692</u> | <u>554,810</u> | <u>710,184</u> | <u>695,226</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 | 6,640 | 3,307 | 2,271 | 3,642 | 5,272 | 1.2 | 0.6 | 0.4 | 0.5 | 0.8 |
| Contracted services | 37,969 | 34,854 | 28,250 | 34,208 | 35,802 | 6.7 | 6.2 | 5.1 | 4.8 | 5.1 |
| Other expenditures | 13,751 | 8,844 | 20,028 | 13,033 | 12,141 | 2.4 | 1.6 | 3.6 | 1.8 | 1.7 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 550,000 | 315,000 | 515,000 | 495,000 | 455,000 | 97.6 | 55.5 | 92.9 | 69.8 | 65.5 |
| Interest and fees | <u>104,000</u> | <u>118,850</u> | <u>138,275</u> | <u>156,325</u> | <u>172,825</u> | <u>18.4</u> | <u>21.0</u> | <u>24.9</u> | <u>22.0</u> | <u>24.9</u> |
| TOTAL EXPENDITURES | <u>712,360</u> | <u>480,855</u> | <u>703,824</u> | <u>702,208</u> | <u>681,040</u> | <u>126.3</u> | <u>84.9</u> | <u>126.9</u> | <u>98.9</u> | <u>98.0</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>\$ (148,489)</u> | <u>\$ 85,837</u> | <u>\$ (149,014)</u> | <u>\$ 7,976</u> | <u>\$ 14,186</u> | <u>(26.3) %</u> | <u>15.1 %</u> | <u>(26.9) %</u> | <u>1.1 %</u> | <u>2.0 %</u> |

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSNOVEMBER 30, 2022

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: February 9, 2023

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 5/07/22- 5/02/26 | \$ 1,800 | \$ 515 | President |
| Albert Wetzel, III 8919 Tweedbrook Drive Spring, Texas 77379 | Elected 5/07/22- 5/02/26 | 1,650 | 1,277 | Vice President |
| Dale Clowson 17118 Park Lodge Spring, Texas 77379 | Elected 5/02/20- 5/04/24 | 7,200 | 3,023 | Secretary |
| Merko Slavych 4423 Rustic Montell Lane Katy, Texas 77493 | Elected 5/02/20- 5/04/24 | 1,350 | 157 | Assistant Secretary |
| Brian Aulbaugh 9015 Kelsey Springs Court Spring, Texas 77379 | Elected 5/07/22- 5/02/26 | 1,650 | 177 | Director |

See accompanying independent auditor's report.

LOUETTA NORTH PUBLIC UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)NOVEMBER 30, 2022CONSULTANTS

| <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 | \$ 67,407 | Attorney |
| Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002 | 9/21/78 | 26,722 | 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 | 379,126 | Operator |
| Koehn & Associates Engineers, Inc. 2500 Central Parkway, Suite Z Houston, Texas 77092 | 6/7/89 | 46,383 | Engineer |
| Wheeler and Associates, Inc. 6935 Barney Road, Suite 110 Houston, Texas 77092 | 2/17/77 | 42,882 | Tax Assessor- Collector |
| Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292 | Legislative Action | 7,641 | 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 | 10,984 | Independent Auditor |

See accompanying independent auditor's report.