

HARRIS-FORT BEND COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 1
HARRIS AND FORT BEND COUNTIES, TEXAS
ANNUAL AUDIT REPORT
SEPTEMBER 30, 2024

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January 28, 2025

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris-Fort Bend Counties Municipal
Utility District No. 1
Harris and Fort Bend Counties, 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 Harris-Fort Bend Counties Municipal Utility District No. 1 as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Harris-Fort Bend Counties Municipal Utility District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris-Fort Bend Counties Municipal Utility District No. 1, as of September 30, 2024, 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 Harris-Fort Bend Counties Municipal Utility District No. 1, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris-Fort Bend Counties Municipal Utility District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. 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 Harris-Fort Bend Counties Municipal Utility District No. 1'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 Harris-Fort Bend Counties Municipal Utility District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris-Fort Bend Counties Municipal Utility District No. 1's basic financial statements. The supplementary information on Pages 24 to 42 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. Craig".

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris-Fort Bend Counties Municipal Utility District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2024.

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. Other activities, such as security service and garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Current and other assets	\$ 14,226,674	\$ 15,834,822	\$ (1,608,148)
Capital assets	12,260,177	10,536,724	1,723,453
Total assets	<u>26,486,851</u>	<u>26,371,546</u>	<u>115,305</u>
Long-term liabilities	14,119,518	15,437,419	(1,317,901)
Other liabilities	1,751,624	1,809,011	(57,387)
Total liabilities	<u>15,871,142</u>	<u>17,246,430</u>	<u>(1,375,288)</u>
Net position:			
Invested in capital assets, net of related debt	(2,665,052)	(6,165,946)	3,500,894
Restricted	6,295,293	8,519,774	(2,224,481)
Unrestricted	6,985,468	6,771,288	214,180
Total net position	<u>\$ 10,615,709</u>	<u>\$ 9,125,116</u>	<u>\$ 1,490,593</u>

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,878,305	\$ 2,806,248	\$ 72,057
Charges for services	1,705,408	1,807,004	(101,596)
Other revenues	822,959	544,434	278,525
Total revenues	<u>5,406,672</u>	<u>5,157,686</u>	<u>248,986</u>
Expenses:			
Service operations	3,367,542	3,212,382	155,160
Debt service	548,537	912,612	(364,075)
Total expenses	<u>3,916,079</u>	<u>4,124,994</u>	<u>(208,915)</u>
Excess revenues (expenditures)	1,490,593	1,032,692	457,901
Net position, beginning of year	<u>9,125,116</u>	<u>8,092,424</u>	<u>1,032,692</u>
Net position, end of year	<u>\$ 10,615,709</u>	<u>\$ 9,125,116</u>	<u>\$ 1,490,593</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2024, were \$13,700,770, a decrease of \$1,503,854 from the prior year.

The General Fund balance increased by \$213,639, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$45,725, in accordance with the District's financial plan.

The Capital Projects Fund decreased by \$1,763,218 as authorized expenditures exceeded interest earnings.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of September 30, 2024, was expected to be \$6,749,192 and the actual end of year fund balance was \$6,962,442.

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>2024</u>	<u>2023</u>	<u>Change</u>
Land, detention ponds and easements	\$ 2,227,152	\$ 2,158,690	\$ 68,462
Construction in progress	2,021,511	176,004	1,845,507
Water facilities	1,606,850	1,474,251	132,599
Sewer facilities	2,512,144	2,656,771	(144,627)
Drainage facilities	3,892,520	4,071,008	(178,488)
Totals	<u>\$ 12,260,177</u>	<u>\$ 10,536,724</u>	<u>\$ 1,723,453</u>

Changes to capital assets during the fiscal year ended September 30, 2024, are summarized as follows:

Additions:		
Drainage system improvements		\$ 1,845,507
Water system improvements		214,461
Easements		<u>68,462</u>
		2,128,430
Decreases:		
Depreciation		<u>(404,977)</u>
Net change to capital assets		<u>\$ 1,723,453</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2024, are summarized as follows:

Bonded debt payable, beginning of year	\$ 16,720,000
Bonds paid	<u>(1,230,000)</u>
Bonded debt payable, end of year	<u>\$ 15,490,000</u>

At September 30, 2024, the District had \$9,665,000 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 has an underlying rating of A. The Series 2014, 2015, 2018 and 2020 bonds are insured by Build America Mutual Assurance Company. The Series 2023 bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the outstanding bonds is AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended September 30, 2024.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$45,575,000 for the 2023 tax year (approximately 10%) primarily due to the increase in assessed valuation on existing property.

Relationship to the City of Houston

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

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of December 19, 2011 (amended and restated effective June 8, 2015). The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District by the City. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The SPA provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated from the properties subject to the SPA and received by the City from the Comptroller of Public Accounts of the State of Texas. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

Water Supply Issues

The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. On September 24, 2003, the Subsidence District issued a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District's jurisdiction. Under the Plan, the District was required to have a groundwater reduction plan ("GRP") approved by the Subsidence District by the beginning date of the District's permit term that commenced in 2008, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District's total water demand. Additional disincentive fees would be imposed under the Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2014, and exceeds 40% of the District's total water demand beginning January of 2025. The Texas Legislature has created the North Fort Bend Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the Subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the Subsidence District's requirements. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. As of September 30, 2024, the Authority had established a pumpage fee of \$4.55 per 1,000 gallons of groundwater pumped, payable monthly. The pumpage fee is expected to increase in the future. As of September 30, 2024, the Authority had established a surface water fee of \$4.90 per 1,000 gallons of surface water purchased, payable monthly. The surface water fee is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2024

	<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	\$ 325,482	\$ 64,162	\$ 83,400	\$ 473,044	\$	\$ 473,044
Certificates of deposit, at cost, Note 7	230,000			230,000		230,000
Temporary investments, at cost, Note 7	5,889,035	755,475	6,228,385	12,872,895		12,872,895
Receivables:						
Property taxes	23,026	45,687		68,713		68,713
Accrued penalty and interest on property taxes				0	23,468	23,468
Service accounts	137,824			137,824		137,824
Accrued interest	3,018			3,018		3,018
Sales and Use Taxes, Note 11	6,000			6,000		6,000
Other	55,113			55,113		55,113
Due from other districts	21,880			21,880		21,880
Prepaid expenditures	26,259			26,259		26,259
Due from other fund	231,320			231,320	(231,320)	0
Maintenance taxes collected not yet transferred from other fund	15,162			15,162	(15,162)	0
Deposits at joint ventures, Note 9	308,460			308,460		308,460
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	4,248,663	4,248,663
Depreciable capital assets				0	8,011,514	8,011,514
Total assets	<u>\$7,272,579</u>	<u>\$ 865,324</u>	<u>\$6,311,785</u>	<u>\$ 14,449,688</u>	<u>12,037,163</u>	<u>26,486,851</u>
LIABILITIES						
Accounts payable	\$ 89,136	\$ 2,674	\$ 39,682	\$ 131,492		131,492
Construction contracts payable			104,256	104,256		104,256
Customer and builder deposits	197,975			197,975		197,975
Due to other fund			231,320	231,320	(231,320)	0
Maintenance taxes collected not yet transferred to other fund		15,162		15,162	(15,162)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,317,901	1,317,901
Due in more than one year				0	14,119,518	14,119,518
Total liabilities	<u>287,111</u>	<u>17,836</u>	<u>375,258</u>	<u>680,205</u>	<u>15,190,937</u>	<u>15,871,142</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>23,026</u>	<u>45,687</u>	<u>0</u>	<u>68,713</u>	<u>(68,713)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Reserve at joint ventures, Note 9	308,460			308,460	(308,460)	0
Committed to construction contracts in progress			512,190	512,190	(512,190)	0
Assigned to:						
Debt service		801,801		801,801	(801,801)	0
Capital projects			5,424,337	5,424,337	(5,424,337)	0
Unassigned	<u>6,653,982</u>			<u>6,653,982</u>	<u>(6,653,982)</u>	<u>0</u>
Total fund balances	<u>6,962,442</u>	<u>801,801</u>	<u>5,936,527</u>	<u>13,700,770</u>	<u>(13,700,770)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$7,272,579</u>	<u>\$ 865,324</u>	<u>\$6,311,785</u>	<u>\$ 14,449,688</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(2,665,052)	(2,665,052)
Restricted for debt service					870,956	870,956
Restricted for capital projects					5,424,337	5,424,337
Unrestricted					<u>6,985,468</u>	<u>6,985,468</u>
Total net position					<u>\$ 10,615,709</u>	<u>\$ 10,615,709</u>

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

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 1,020,052	\$ 1,834,205	\$	\$ 2,854,257	\$ 3,654	\$ 2,857,911
Water service	404,791			404,791		404,791
Sewer service	394,156			394,156		394,156
Surface water fees, Note 10	720,347			720,347		720,347
Penalty and interest	43,209	18,305		61,514	2,089	63,603
Tap connection and inspection fees	94,086			94,086		94,086
Sales and Use Taxes, Note 11	17,776			17,776		17,776
Interest on deposits and investments	353,248	61,783	390,152	805,183		805,183
Other revenues	48,819			48,819		48,819
Total revenues	3,096,484	1,914,293	390,152	5,400,929	5,743	5,406,672
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 9	646,256			646,256		646,256
Professional fees	317,854	4,010		321,864		321,864
Contracted services	118,654	49,688		168,342		168,342
Ground water pumpage fees, Note 10	686,906			686,906		686,906
Repairs, maintenance and other operating expenditures	389,498		93,402	482,900		482,900
Security service	334,214			334,214		334,214
Garbage disposal	242,553			242,553		242,553
Administrative expenditures	61,148	1,082		62,230		62,230
Depreciation				0	404,977	404,977
Capital outlay / non-capital outlay	85,762		2,059,968	2,145,730	(2,128,430)	17,300
Debt service:						
Principal retirement		1,230,000		1,230,000	(1,230,000)	0
Interest and fees		583,788		583,788	(35,251)	548,537
Total expenditures / expenses	2,882,845	1,868,568	2,153,370	6,904,783	(2,988,704)	3,916,079
Excess (deficiency) of revenues over expenditures	213,639	45,725	(1,763,218)	(1,503,854)	2,994,447	1,490,593
Net change in fund balances / net position	213,639	45,725	(1,763,218)	(1,503,854)	2,994,447	1,490,593
Beginning of year	6,748,803	756,076	7,699,745	15,204,624	(6,079,508)	9,125,116
End of year	<u>\$ 6,962,442</u>	<u>\$ 801,801</u>	<u>\$ 5,936,527</u>	<u>\$ 13,700,770</u>	<u>\$ (3,085,061)</u>	<u>\$ 10,615,709</u>

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

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSSEPTEMBER 30, 2024

NOTE 1: REPORTING ENTITY

Harris-Fort Bend Counties Municipal Utility District No. 1 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective June 27, 1978, 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 District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, and to provide parks and recreational facilities and equipment. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 13,700,770
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		12,260,177
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	\$ (15,490,000)	
Deferred charge on refunding (to be amortized as interest expense)	24,142	
Issuance premium (to be amortized as interest expense)	<u>28,439</u>	(15,437,419)
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	23,468	
Uncollected property taxes	<u>68,713</u>	<u>92,181</u>
Net position, end of year		<u>\$ 10,615,709</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ (1,503,854)
<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	\$ 2,128,430	
Depreciation	<u>(404,977)</u>	1,723,453
<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		1,230,000
<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	(15,012)	
Issuance premium	<u>50,263</u>	35,251
<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	2,089	
Uncollected property taxes	<u>3,654</u>	<u>5,743</u>
Change in net position		<u>\$ 1,490,593</u>

NOTE 4: CAPITAL ASSETS

At September 30, 2024, "Invested in capital assets, net of related debt" was \$(2,665,052). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended September 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 2,158,690	\$ 68,462	\$	\$ 2,227,152
Construction in progress	<u>176,004</u>	<u>1,845,507</u>		<u>2,021,511</u>
Total capital assets not being depreciated	<u>2,334,694</u>	<u>1,913,969</u>	<u>0</u>	<u>4,248,663</u>
Depreciable capital assets:				
Water system	3,522,131	214,461		3,736,592
Sewer system	5,657,347			5,657,347
Drainage system	<u>8,026,787</u>			<u>8,026,787</u>
Total depreciable capital assets	<u>17,206,265</u>	<u>214,461</u>	<u>0</u>	<u>17,420,726</u>
Less accumulated depreciation for:				
Water system	(2,047,880)	(81,862)		(2,129,742)
Sewer system	(3,000,576)	(144,627)		(3,145,203)
Drainage system	<u>(3,955,779)</u>	<u>(178,488)</u>		<u>(4,134,267)</u>
Total accumulated depreciation	<u>(9,004,235)</u>	<u>(404,977)</u>	<u>0</u>	<u>(9,409,212)</u>
Total depreciable capital assets, net	<u>8,202,030</u>	<u>(190,516)</u>	<u>0</u>	<u>8,011,514</u>
Total capital assets, net	<u>\$ 10,536,724</u>	<u>\$ 1,723,453</u>	<u>\$ 0</u>	<u>\$ 12,260,177</u>
Changes to capital assets:				
Capital outlay		\$ 2,128,430	\$	
Less depreciation expense for the fiscal year		<u>(404,977)</u>		
Net increases / decreases to capital assets		<u>\$ 1,723,453</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2024, 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	\$ 16,720,000	\$	\$ 1,230,000	\$ 15,490,000	\$ 1,280,000
Deferred amounts:					
For issuance premium (discount)	21,824		50,263	(28,439)	48,312
For refunding	<u>(39,154)</u>		<u>(15,012)</u>	<u>(24,142)</u>	<u>(10,411)</u>
Total bonds payable	<u>16,702,670</u>	<u>0</u>	<u>1,265,251</u>	<u>15,437,419</u>	<u>1,317,901</u>
Total long-term liabilities	<u>\$ 16,702,670</u>	<u>\$ 0</u>	<u>\$ 1,265,251</u>	<u>\$ 15,437,419</u>	<u>\$ 1,317,901</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2024, the debt service requirements on the bonds outstanding were follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,280,000	\$ 535,144	\$ 1,815,144
2026	965,000	496,306	1,461,306
2027	1,000,000	466,958	1,466,958
2028	945,000	441,413	1,386,413
2029	975,000	416,462	1,391,462
2030 - 2034	3,175,000	1,723,363	4,898,363
2035 - 2039	2,750,000	1,172,187	3,922,187
2040 - 2044	2,750,000	620,812	3,370,812
2045 - 2047	<u>1,650,000</u>	<u>102,094</u>	<u>1,752,094</u>
	<u>\$ 15,490,000</u>	<u>\$ 5,974,739</u>	<u>\$ 21,464,739</u>

Bonds voted	\$ 43,790,000
Bonds approved for sale and sold	34,125,000
Bonds voted and not issued	9,665,000
Refunding bonds voted	19,230,000
Refunding bonds approved for sale and sold	0
Refunding bonds voted and not issued	19,230,000

The bond issues payable at September 30, 2024, were as follows:

	<u>Refunding Series 2014</u>	<u>Refunding Series 2015</u>	<u>Series 2018</u>
Amounts outstanding, September 30, 2024	\$470,000	\$1,460,000	\$2,085,000
Interest rates	3.75%	3.00% to 3.125%	2.50% to 3.00%
Maturity dates, serially beginning/ending	April 1, 2025/2025	April 1, 2025/2027	April 1, 2026/2030
Interest payment dates	April 1/October 1	April 1/October 1	April 1/October 1
Callable dates	April 1, 2022*	April 1, 2022*	April 1, 2025*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Refunding Series 2020</u>	<u>Series 2023</u>
Amounts outstanding, September 30, 2024	\$2,150,000	\$9,325,000
Interest rates	2.00% to 4.00%	4.00% to 4.125%
Maturity dates, serially beginning/ending	April 1, 2025/2030	April 1, 2031/2047
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates	April 1, 2026*	April 1, 2029*

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

Developer Construction Commitments and Liabilities

At September 30, 2024, there were no developer construction commitments or liabilities.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District and the Fort Bend Central Appraisal District have 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.

At an election held December 17, 1983, the voters within the District authorized a maintenance tax not to exceed \$0.50 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 17, 2023, the District levied the following ad valorem taxes for the 2023 tax year on the adjusted taxable valuation of \$510,988,886:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.36000	\$ 1,839,560
Maintenance	<u>0.20000</u>	<u>1,021,978</u>
	<u>\$ 0.5600</u>	<u>\$ 2,861,538</u>

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

2023 tax year total property tax levy	\$ 2,861,538
Appraisal district adjustments to prior year taxes	<u>(3,627)</u>
Statement of Activities property tax revenues	<u>\$ 2,857,911</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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 \$703,044 and the bank balance was \$586,820. Of the bank balance, \$552,774 was covered by federal insurance and \$34,046 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 \$12,872,895.

Deposits 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	\$ 64,162
Temporary investments	<u>755,475</u>
	<u>\$ 819,637</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 83,400
Temporary investments	<u>6,228,385</u>
	<u>\$ 6,311,785</u>

NOTE 8: RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At September 30, 2024, the District had physical damage and boiler and machinery coverage of \$1,418,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACTS WITH OTHER DISTRICTS

Water Supply Facilities

On April 21, 1994 (amended April 11, 2000, January 16, 2001, June 10, 2003, March 14, 2006 and December 16, 2009), the District and Harris-Fort Bend Counties Municipal Utility District No. 5 ("No. 5") entered into a 40 year water supply contract. As of September 30, 2024, ownership and capacity in the joint water supply plants are as follows: The District - 38.86%; No. 5 - 61.14%. Under the terms of the contract, No. 5 is the operator of the joint facilities. Operating costs of the joint water supply plants are shared based upon percentage of ownership. The District incurred operating costs of \$193,950 during the fiscal year ended September 30, 2024. At this date, the District had deposited \$223,656 as its share of an operating reserve. Separate financial statements of the joint facilities are not available.

Wastewater Treatment Facilities

On April 21, 1994 (amended April 11, 2000, December 18, 2002, March 11, 2003, November 19, 2003, July 12, 2005, December 16, 2009, January 1, 2013 and September 16, 2014), the District and No. 5 entered into a 40 year waste disposal agreement. As of September 30, 2024, ownership and capacity in the joint wastewater treatment facilities are as follows: The District - 39.37%; No. 5 - 60.63%. Under the terms of the agreement, No. 5 is the operator of the joint facilities. Certain operating costs of the joint facilities are shared based upon percentage of ownership and the remaining costs are shared based upon the metered flow into the wastewater treatment plant. The District incurred operating costs of \$452,306 during the fiscal year ended September 30, 2024. At this date, the District had deposited \$84,804 as its share of an operating reserve. Separate financial statements of the joint facilities are not available.

NOTE 10: REGIONAL WATER AUTHORITY

The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. On September 24, 2003, the Subsidence District issued a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District's jurisdiction.

Under the Plan, the District was required to have a groundwater reduction plan ("GRP") approved by the Subsidence District by the beginning date of the District's permit term in 2008, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District's total water demand. Additional disincentive fees would be imposed under the Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2014, and exceeds 40% of the District's total water demand beginning January of 2025. The Texas Legislature has created the North Fort Bend Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the Subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the Subsidence District's requirements. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. As of September 30, 2024, the Authority had established a fee of \$4.55 per 1,000 gallons of groundwater pumped, payable monthly. The well pumpage fees payable by the District to the Authority for the fiscal year ended September 30, 2024, were \$686,906. The District billed its customers \$720,347 during the fiscal year to pay for the fees charged by the Authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT

Effective December 19, 2011 (amended and restated effective June 8, 2015), 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 limited purposes. 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 imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$17,776 from the City for the fiscal year ended September 30, 2024, of which \$6,000 was receivable at that date.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 992,785	\$ 992,785	\$ 1,020,052	\$ 27,267
Water service	465,000	465,000	404,791	(60,209)
Sewer service	375,000	375,000	394,156	19,156
Surface water fees	700,000	700,000	720,347	20,347
Penalty	20,000	20,000	43,209	23,209
Tap connection and inspection fees	22,275	22,275	94,086	71,811
Sales and Use Taxes	26,000	26,000	17,776	(8,224)
Interest on deposits and investments	160,000	160,000	353,248	193,248
Other revenues	28,245	28,245	48,819	20,574
TOTAL REVENUES	2,789,305	2,789,305	3,096,484	307,179
EXPENDITURES				
Service operations:				
Purchased services	490,000	490,000	646,256	156,256
Professional fees	169,380	169,380	317,854	148,474
Contracted services	125,200	125,200	118,654	(6,546)
Ground water pumpage fees	770,000	770,000	686,906	(83,094)
Repairs, maintenance and other operating expenditures	441,500	441,500	389,498	(52,002)
Security service	297,000	297,000	334,214	37,214
Garbage disposal	235,000	235,000	242,553	7,553
Administrative expenditures	60,700	60,700	61,148	448
Capital outlay	200,136	200,136	85,762	(114,374)
TOTAL EXPENDITURES	2,788,916	2,788,916	2,882,845	93,929
EXCESS REVENUES (EXPENSES)	389	389	213,639	213,250
FUND BALANCE, BEGINNING OF YEAR	6,748,803	6,748,803	6,748,803	0
FUND BALANCE, END OF YEAR	\$ 6,749,192	\$ 6,749,192	\$ 6,962,442	\$ 213,250

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.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SEPTEMBER 30, 2024

(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. Certificates of Deposit
- [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

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2024

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

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input checked="" 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:	\$15.00	5,000	N	\$2.00	5,001 to 10,000
				2.50	10,001 to 20,000
				3.00	20,001 to 30,000
				3.50	30,001 to 40,000
				4.00	Over 40,000

WASTEWATER: \$25.53 N/A Y

SURCHARGE: \$4.77 per 1,000 gallons of water used. – NFBWA ground water pumpage fees.

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$25.00 Wastewater: \$25.53 Surcharge: \$47.70

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES (Continued)

SEPTEMBER 30, 2024

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"	911	906	1.0	906
1"	346	346	2.5	865
1-1/2"	2	2	5.0	10
2"	12	12	8.0	96
3"	1	1	15.0	15
4"	0	0	25.0	0
6"	2	2	50.0	100
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>1,275</u>	<u>1,270</u>		<u>2,072</u>
Total Wastewater	<u>1,256</u>	<u>1,251</u>	1.0	<u>1,251</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 342,520 (Water furnished through joint water supply plant.
 Gallons billed to customers (unaudited): 319,257 See Note 9.)

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 93%

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: _____

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased services:				
Water	\$ 193,950	\$	\$	\$ 193,950
Sewer	452,306			452,306
	<u>646,256</u>	<u>0</u>	<u>0</u>	<u>646,256</u>
Professional fees:				
Auditing	14,450			14,450
Legal	244,623	4,010		248,633
Engineering	58,781			58,781
	<u>317,854</u>	<u>4,010</u>	<u>0</u>	<u>321,864</u>
Contracted services:				
Bookkeeping	23,810			23,810
Operation and billing	94,844			94,844
Tax assessor-collector		22,237		22,237
Central appraisal district		27,451		27,451
	<u>118,654</u>	<u>49,688</u>	<u>0</u>	<u>168,342</u>
Ground water pumpage fees	<u>686,906</u>	<u>0</u>	<u>0</u>	<u>686,906</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	373,088		93,402	466,490
Sewer inspection fees	763			763
Utilities	4,086			4,086
TCEQ assessment	11,561			11,561
	<u>389,498</u>	<u>0</u>	<u>93,402</u>	<u>482,900</u>
Security service	<u>334,214</u>	<u>0</u>	<u>0</u>	<u>334,214</u>
Garbage disposal	<u>242,553</u>	<u>0</u>	<u>0</u>	<u>242,553</u>
Administrative expenditures:				
Director's fees	24,217			24,217
Office supplies and postage	13,498			13,498
Insurance	10,717	50		10,767
Permit fees	3,170			3,170
Other	9,546	1,032		10,578
	<u>61,148</u>	<u>1,082</u>	<u>0</u>	<u>62,230</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

EXPENDITURES (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 68,462	\$	\$ 2,059,968	\$ 2,128,430
Tap connection costs	17,300			17,300
	<u>85,762</u>	<u>0</u>	<u>2,059,968</u>	<u>2,145,730</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>1,230,000</u>	<u>0</u>	<u>1,230,000</u>
Interest and fees:				
Interest		579,794		579,794
Paying agent fees		3,994		3,994
	<u>0</u>	<u>583,788</u>	<u>0</u>	<u>583,788</u>
TOTAL EXPENDITURES	<u>\$ 2,882,845</u>	<u>\$ 1,868,568</u>	<u>\$ 2,153,370</u>	<u>\$ 6,904,783</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<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	\$ 2,145,641	\$ 1,914,293	\$ 390,152	\$ 4,450,086
Maintenance tax receipts		1,020,052		1,020,052
Transfer of maintenance taxes	1,030,116			1,030,116
Proceeds from sale of bonds				0
Increase in customer and builder deposits	2,902			2,902
Reimbursement from other fund	117,829			117,829
Overpayments from taxpayers		19,579		19,579
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>3,296,488</u>	<u>2,953,924</u>	<u>390,152</u>	<u>6,640,564</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,946,119	54,781	93,402	3,094,302
Capital outlay	85,762		1,749,076	1,834,838
Debt service		1,813,788		1,813,788
Prepaid expenditures	26,259			26,259
Other fund	231,320			231,320
Transfer of maintenance taxes		1,030,116		1,030,116
Increase in deposits at joint ventures	33,618			33,618
Reimbursement to other fund			117,829	117,829
Refund of taxpayer overpayments		17,504		17,504
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>3,323,078</u>	<u>2,916,189</u>	<u>1,960,307</u>	<u>8,199,574</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	(26,590)	37,735	(1,570,155)	(1,559,010)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>6,471,107</u>	<u>781,902</u>	<u>7,881,940</u>	<u>15,134,949</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 6,444,517</u>	<u>\$ 819,637</u>	<u>\$ 6,311,785</u>	<u>\$13,575,939</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTSSEPTEMBER 30, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 6002400739	5.15%	6/29/25	\$ <u>230,000</u>	\$ <u>3,018</u>
TexPool				
No. 449257610003	Market	On demand	\$ 2,011,139	\$ 0
No. 449257610004	Market	On demand	<u>3,877,896</u>	<u>0</u>
			<u>\$ 5,889,035</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 449257610001	Market	On demand	<u>\$ 755,475</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 449257610002	Market	On demand	<u>\$ 6,228,385</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 13,102,895</u>	<u>\$ 3,018</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 22,485	\$ 42,574
Additions and corrections to prior year taxes	<u>(1,385)</u>	<u>(2,242)</u>
Adjusted receivable, beginning of year	21,100	40,332
2023 ADJUSTED TAX ROLL	<u>1,021,978</u>	<u>1,839,560</u>
Total to be accounted for	1,043,078	1,879,892
Tax collections: Current tax year	(1,015,243)	(1,827,438)
Prior tax years	<u>(4,809)</u>	<u>(6,767)</u>
RECEIVABLE, END OF YEAR	<u>\$ 23,026</u>	<u>\$ 45,687</u>
RECEIVABLE, BY TAX YEAR		
2013 and prior	\$ 2,795	\$ 14,747
2014	567	1,239
2015	715	1,196
2016	774	1,193
2017	838	1,086
2018	1,715	2,223
2019	1,681	2,304
2020	1,867	2,401
2021	2,589	2,934
2022	2,750	4,242
2023	<u>6,735</u>	<u>12,122</u>
RECEIVABLE, END OF YEAR	<u>\$ 23,026</u>	<u>\$ 45,687</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED SEPTEMBER 30, 2024

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 58,097,433	\$ 58,085,674	\$ 58,087,774	\$ 58,062,994
Improvements	509,409,359	461,910,226	353,883,569	341,894,686
Personal property	5,271,408	5,062,450	4,855,800	3,704,550
Less exemptions	<u>(61,789,314)</u>	<u>(59,643,286)</u>	<u>(12,097,587)</u>	<u>(11,004,782)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 510,988,886</u>	<u>\$ 465,415,064</u>	<u>\$ 404,729,556</u>	<u>\$ 392,657,448</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.36000	\$ 0.36000	\$ 0.34000	\$ 0.36000
Maintenance tax rates*	<u>0.20000</u>	<u>0.23339</u>	<u>0.30000</u>	<u>0.28000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.56000</u>	<u>\$ 0.59339</u>	<u>\$ 0.64000</u>	<u>\$ 0.64000</u>
TAX ROLLS	<u>\$ 2,861,538</u>	<u>\$ 2,761,727</u>	<u>\$ 2,590,269</u>	<u>\$ 2,513,008</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.3 %</u>	<u>99.8 %</u>	<u>99.8 %</u>	<u>99.8 %</u>

*Maximum tax rate approved by voters on December 17, 1983: \$0.50

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

SEPTEMBER 30, 2024

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2024, the debt service requirements on the bonds outstanding were follows:

<u>Series 2014</u>			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2025	\$ 470,000	\$ 8,813	\$ 478,813
 <u>Series 2015</u> 			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2025	\$ 450,000	\$ 37,694	\$ 487,694
2026	495,000	23,518	518,518
2027	<u>515,000</u>	<u>8,046</u>	<u>523,046</u>
TOTALS	<u>\$ 1,460,000</u>	<u>\$ 69,258</u>	<u>\$ 1,529,258</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)SEPTEMBER 30, 2024

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2024, the debt service requirements on the bonds outstanding were follows:

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2018</u>		
	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2025	\$	\$ 61,800	\$ 61,800
2026	100,000	60,550	160,550
2027	100,000	57,925	157,925
2028	565,000	48,075	613,075
2029	585,000	30,825	615,825
2030	<u>735,000</u>	<u>11,025</u>	<u>746,025</u>
TOTALS	<u>\$ 2,085,000</u>	<u>\$ 270,200</u>	<u>\$ 2,355,200</u>

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2020</u>		
	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2025	\$ 360,000	\$ 50,400	\$ 410,400
2026	370,000	35,800	405,800
2027	385,000	24,550	409,550
2028	380,000	16,900	396,900
2029	390,000	9,200	399,200
2030	<u>265,000</u>	<u>2,650</u>	<u>267,650</u>
TOTALS	<u>\$ 2,150,000</u>	<u>\$ 139,500</u>	<u>\$ 2,289,500</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)SEPTEMBER 30, 2024

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2024, the debt service requirements on the bonds outstanding were follows:

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2023</u>		<u>Total</u>
	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	
2025		376,437	376,437
2026		376,438	376,438
2027		376,437	376,437
2028		376,438	376,438
2029		376,437	376,437
2030		376,438	376,438
2031	525,000	365,937	890,937
2032	550,000	344,438	894,438
2033	550,000	322,437	872,437
2034	550,000	300,438	850,438
2035	550,000	278,437	828,437
2036	550,000	256,438	806,438
2037	550,000	234,437	784,437
2038	550,000	212,438	762,438
2039	550,000	190,437	740,437
2040	550,000	168,438	718,438
2041	550,000	146,437	696,437
2042	550,000	124,438	674,438
2043	550,000	102,093	652,093
2044	550,000	79,406	629,406
2045	550,000	56,719	606,719
2046	550,000	34,031	584,031
2047	550,000	11,344	561,344
TOTALS	<u>\$ 9,325,000</u>	<u>\$ 5,486,968</u>	<u>\$ 14,811,968</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)SEPTEMBER 30, 2024

The District has been paying the amount due October 1 within the fiscal year preceding this due date. The following schedule has been prepared assuming that this practice will be followed in future years. As of September 30, 2024, the debt service requirements on the bonds outstanding were follows:

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2025	\$ 1,280,000	\$ 535,144	\$ 1,815,144
2026	965,000	496,306	1,461,306
2027	1,000,000	466,958	1,466,958
2028	945,000	441,413	1,386,413
2029	975,000	416,462	1,391,462
2030	1,000,000	390,113	1,390,113
2031	525,000	365,937	890,937
2032	550,000	344,438	894,438
2033	550,000	322,437	872,437
2034	550,000	300,438	850,438
2035	550,000	278,437	828,437
2036	550,000	256,438	806,438
2037	550,000	234,437	784,437
2038	550,000	212,438	762,438
2039	550,000	190,437	740,437
2040	550,000	168,438	718,438
2041	550,000	146,437	696,437
2042	550,000	124,438	674,438
2043	550,000	102,093	652,093
2044	550,000	79,406	629,406
2045	550,000	56,719	606,719
2046	550,000	34,031	584,031
2047	550,000	11,344	561,344
TOTALS	<u>\$ 15,490,000</u>	<u>\$ 5,974,739</u>	<u>\$ 21,464,739</u>

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM DEBT

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2014	2015	2018
Interest Rate:	3.75%	3.00% to 3.125%	2.50% to 3.00%
Dates Interest Payable:	April 1/ October 1	April 1/ October 1	April 1/ October 1
Maturity Dates:	April 1, 2025/2025	April 1, 2025/2027	April 1, 2026/2030
Bonds Outstanding at Beginning of Current Year	\$ 920,000	\$ 1,890,000	\$ 2,085,000
Less Retirements	<u>(450,000)</u>	<u>(430,000)</u>	<u>0</u>
Bonds Outstanding at End of Current Year	<u>\$ 470,000</u>	<u>\$ 1,460,000</u>	<u>\$ 2,085,000</u>
Current Year Interest Paid:	<u>\$ 26,063</u>	<u>\$ 50,894</u>	<u>\$ 61,800</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris-Fort Bend Counties Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2014 (\$4,280,000)
- (2) Harris-Fort Bend Counties Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2015 (\$3,190,000)
- (3) Harris-Fort Bend Counties Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2018 (\$2,085,000)

Paying Agent/Registrar

- (1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- (3) Regions Bank, Houston, Texas

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM DEBT (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>(4)</u>	<u>(5)</u>	<u>Totals</u>
Bond Series:	2020	2023	
Interest Rate:	2.00% to 4.00%	4.00% to 4.125%	
Dates Interest Payable:	April 1/ October 1	April 1/ October 1	
Maturity Dates:	April 1, 2025/2030	April 1, 2031/2047	
Bonds Outstanding at Beginning of Current Year	\$ 2,500,000	\$ 9,325,000	\$ 16,720,000
Less Retirements	<u>(350,000)</u>	<u>0</u>	<u>(1,230,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,150,000</u>	<u>\$ 9,325,000</u>	<u>\$ 15,490,000</u>
Current Year Interest Paid:	<u>\$ 64,600</u>	<u>\$ 376,437</u>	<u>\$ 579,794</u>

Bond Descriptions and Original Amount of Issue

(4) Harris-Fort Bend Counties Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2020 (\$3,295,000)

(5) Harris-Fort Bend Counties Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2023 (\$9,325,000)

Paying Agent/Registrar

(4) (5) Regions Bank, Houston, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 43,790,000	\$ 0	19,230,000
Amount Issued:	34,125,000		0
Remaining to be Issued:	9,665,000		19,230,000

Net Debt Service Fund deposits and investments balances as of September 30, 2024: \$ 801,801
 Average annual debt service payment for remaining term of all debt: 933,250

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 1,020,052	\$ 1,132,118	\$ 1,160,701	\$ 1,098,505	\$ 1,038,694	32.9 %	34.8 %	36.8 %	41.1 %	40.2 %
Water service	404,791	418,082	439,463	374,100	402,111	13.1	12.9	13.9	14.0	15.6
Sewer service	394,156	369,000	392,384	387,196	377,412	12.7	11.4	12.4	14.5	14.6
Surface water fees	720,347	802,351	793,428	596,618	622,957	23.3	24.7	25.1	22.3	24.1
Fire protection fees	0	131,218	229,802	76,771	0	0.0	4.0	7.3	2.9	0.0
Penalty	43,209	41,968	29,444	25,727	15,548	1.4	1.3	0.9	1.0	0.6
Tap connection and inspection fees	94,086	0	0	47,389	0	3.0	0.0	0.0	1.8	0.0
Sales and Use Taxes	17,776	38,532	31,034	27,505	27,412	0.6	1.2	1.0	1.0	1.1
Interest on deposits and investments	353,248	269,575	49,522	4,201	64,626	11.4	8.3	1.6	0.2	2.5
Other revenues	48,819	44,385	32,864	33,275	33,140	1.6	1.4	1.0	1.2	1.3
TOTAL REVENUES	3,096,484	3,247,229	3,158,642	2,671,287	2,581,900	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Purchased services	646,256	438,435	504,014	379,897	337,051	20.9	13.5	16.0	14.2	13.1
Professional fees	317,854	206,354	130,441	184,675	120,058	10.3	6.4	4.1	6.9	4.6
Contracted services	118,654	122,933	117,044	108,968	100,116	3.8	3.8	3.7	4.1	3.9
Ground water pumpage fees	686,906	867,684	803,953	681,820	638,063	22.2	26.7	25.5	25.6	24.7
Repairs, maintenance and other operating expenditures	389,498	413,540	371,900	368,709	395,199	12.5	12.8	11.7	13.8	15.3
Security service	334,214	309,534	233,792	216,365	233,601	10.8	9.5	7.4	8.1	9.0
Garbage disposal	242,553	230,643	224,726	216,213	209,549	7.8	7.1	7.1	8.1	8.1
Emergency services	0	47,071	186,692	188,271	0	0.0	1.4	5.9	7.0	0.0
Administrative expenditures	61,148	48,389	43,117	42,524	33,188	2.0	1.5	1.4	1.6	1.3
Capital outlay	85,762	153,463	196,691	18,563	56,724	2.8	4.7	6.2	0.7	2.2
TOTAL EXPENDITURES	2,882,845	2,838,046	2,812,370	2,406,005	2,123,549	93.1	87.4	89.0	90.1	82.2
EXCESS REVENUES (EXPENDITURES)	\$ 213,639	\$ 409,183	\$ 346,272	\$ 265,282	\$ 458,351	6.9 %	12.6 %	11.0 %	9.9 %	17.8 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,270</u>	<u>1,265</u>	<u>1,270</u>	<u>1,271</u>	<u>1,272</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,251</u>	<u>1,246</u>	<u>1,246</u>	<u>1,249</u>	<u>1,250</u>					

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 1,834,205	\$ 1,725,060	\$ 1,315,894	\$ 1,412,540	\$ 1,424,666	95.8 %	93.5 %	98.0 %	98.6 %	97.0 %
Penalty and interest	18,305	69,857	21,149	18,349	25,990	1.0	3.8	1.6	1.3	1.8
Accrued interest on bonds received at date of sale	0	0	0	0	6,606	0.0	0.0	0.0	0.0	0.4
Interest on deposits and investments	61,783	50,459	5,337	888	11,933	3.2	2.7	0.4	0.1	0.8
TOTAL REVENUES	1,914,293	1,845,376	1,342,380	1,431,777	1,469,195	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	4,010	32,523	4,062	3,204	6,318	0.2	1.8	0.3	0.2	0.4
Contracted services	49,688	41,415	37,373	34,873	35,646	2.6	2.2	2.8	2.4	2.4
Other expenditures	1,082	6,864	7,402	7,048	5,833	0.1	0.4	0.6	0.5	0.4
Debt service:										
Principal retirement	1,230,000	1,190,000	1,225,000	1,205,000	1,145,000	64.2	64.4	91.2	84.2	77.9
Interest and fees	583,788	418,120	289,932	333,419	368,082	30.5	22.7	21.6	23.3	25.1
TOTAL EXPENDITURES	1,868,568	1,688,922	1,563,769	1,583,544	1,560,879	97.6	91.5	116.5	110.6	106.2
EXCESS REVENUES (EXPENDITURES)	\$ 45,725	\$ 156,454	\$ (221,389)	\$ (151,767)	\$ (91,684)	2.4 %	8.5 %	(16.5) %	(10.6) %	(6.2) %

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

SEPTEMBER 30, 2024

Complete District Mailing Address: Harris-Fort Bend Counties Municipal Utility District No. 1
 c/o Schwartz, Page & Harding, L.L.P.
 1300 Post Oak Boulevard, Suite 2400
 Houston, Texas 77056

District Business Telephone No.: 713-623-4531

Submission date of the most recent District Registration Form: May 22, 2024

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>
David Beyer c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd, Suite 2400 Houston, Texas 77056	Elected 5/04/24- 5/06/28	\$ 6,188	\$ 1,240	President
Kristen Scott c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd, Suite 2400 Houston, Texas 77056	Elected 5/07/22- 5/02/26	4,862	1,705	Vice President
Ron Lovett c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd, Suite 2400 Houston, Texas 77056	Elected 5/04/24- 5/06/28	2,210	244	Secretary
Richard Hughes c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd, Suite 2400 Houston, Texas 77056	Elected 5/07/22- 5/02/26	3,757	366	Assistant Secretary
Joseph R. Longacre c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd, Suite 2400 Houston, Texas 77056	Elected 5/04/24- 5/06/28	7,200	366	Director

See accompanying independent auditor's report.

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)SEPTEMBER 30, 2024CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056	9/12/80	\$ 122,080	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	1/14/97	4,010	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	7/12/83	28,494	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	10/13/09	0	Investment Officer
Inframark, LLC 2002 Grand Parkway North, Suite 100 Katy, Texas 77449	7/12/83	417,626	Operator
Vogler & Spencer Engineering, Inc. 777 North Eldridge Parkway, Suite 500 Houston, Texas 77079	11/29/83	362,588	Engineer
Equi-Tax, Inc. P.O. Box 73109 Houston, Texas 77273	7/12/83	22,237	Tax Assessor- Collector
Fort Bend Central Appraisal District 2801 B. F. Terry Rosenberg, Texas 77471	Legislative Action	24,054	Central Appraisal District
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	3,397	Central Appraisal District
Masterson Advisors LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	Hired 6/19/18	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	9/08/09	13,950 500 Other	Independent Auditor

See accompanying independent auditor's report.