

NORTHGATE CROSSING  
MUNICIPAL UTILITY DISTRICT NO. 1  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
DECEMBER 31, 2020

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April 8, 2021

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities and each fund of Northgate Crossing Municipal Utility District No. 1, as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Northgate Crossing Municipal Utility District No. 1 as of December 31, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8, the Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 22 and the Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, Special Revenue Fund, on Page 23 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 24 to 39 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Northgate Crossing Municipal Utility District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2020.

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

#### *Government-Wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

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

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

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

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

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

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

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

Summary of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and other assets	\$ 14,452,655	\$ 13,330,982	\$ 1,121,673
Capital assets	4,341,729	4,474,737	(133,008)
Total assets	<u>18,794,384</u>	<u>17,805,719</u>	<u>988,665</u>
Long-term liabilities	11,554,902	12,077,041	(522,139)
Other liabilities	1,036,185	824,560	211,625
Total liabilities	<u>12,591,087</u>	<u>12,901,601</u>	<u>(310,514)</u>
Total deferred inflows of resources	<u>2,172,278</u>	<u>2,071,691</u>	<u>100,587</u>
Net position:			
Invested in capital assets, net of related debt	(7,735,520)	(8,115,913)	380,393
Restricted	7,801,221	7,816,135	(14,914)
Unrestricted	3,965,318	3,132,205	833,113
Total net position	<u>\$ 4,031,019</u>	<u>\$ 2,832,427</u>	<u>\$ 1,198,592</u>

Summary of Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,016,312	\$ 1,858,315	\$ 157,997
Charges for services	1,516,141	1,472,555	43,586
Other revenues	81,778	220,808	(139,030)
Total revenues	<u>3,614,231</u>	<u>3,551,678</u>	<u>62,553</u>
Expenses:			
Service operations	1,939,942	2,201,833	(261,891)
Debt service	475,697	498,882	(23,185)
Total expenses	<u>2,415,639</u>	<u>2,700,715</u>	<u>(285,076)</u>
Change in net position	1,198,592	850,963	347,629
Net position, beginning of year	<u>2,832,427</u>	<u>1,981,464</u>	<u>850,963</u>
Net position, end of year	<u>\$ 4,031,019</u>	<u>\$ 2,832,427</u>	<u>\$ 1,198,592</u>

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

The District's combined fund balances as of the end of the fiscal year ended December 31, 2020, were \$11,799,276, an increase of \$811,426 from the prior year.

The General Fund balance increased by \$831,281, in accordance with the District's financial plan.

The Special Revenue Fund balance did not change.

The Debt Service Fund balance decreased by \$64,612, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$44,757, due to interest earnings on deposits and investments.

#### *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 22 of this report. The budgetary fund balance as of December 31, 2020, was expected to be \$3,980,995 and the actual end of year fund balance was \$3,958,449.

### **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>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 13,868	\$ 13,868	\$ 0
Construction in progress	4,462	4,462	0
Pavilion	68,195	70,510	(2,315)
Water facilities	1,176,797	1,229,965	(53,168)
Sewer facilities	1,420,159	1,427,603	(7,444)
Drainage facilities	1,654,325	1,728,329	(74,004)
Totals	<u>\$ 4,337,806</u>	<u>\$ 4,474,737</u>	<u>\$ (136,931)</u>

Changes to capital assets during the fiscal year ended December 31, 2020, are summarized as follows:

Additions:		
Improvements at storm water pumping facility		\$ 26,045
Improvements at joint water and sewer facilities		34,963
Water system improvements		15,900
Service road lighting		34,060
Park and recreational improvements		8,385
Total additions to capital assets		<u>119,353</u>
Decreases:		
Depreciation		<u>(256,284)</u>
Net change to capital assets		<u>\$ (136,931)</u>

#### *Debt and Commitments*

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2020, are summarized as follows:

Bonded debt payable, beginning of year	\$ 12,850,000
Bonds paid	<u>(535,000)</u>
Bonded debt payable, end of year	<u>\$ 12,315,000</u>

At December 31, 2020, the District had \$440,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

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

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

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

### *Property Tax Base*

The District's tax base increased approximately \$16,015,000 for the 2020 tax year (approximately 8%). This increase was due to the increase in the average assessed valuations 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 13, 2010. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. No other City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The SPA provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the SPA and received by the City from the Comptroller of Public Accounts of the State of Texas. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

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

### *Water Supply Issues*

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

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

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA's Pumpage Fee Order. At December 31, 2020, the pumpage fee was equal to \$4.25 per 1,000 gallons pumped, and is expected to increase in the future. At December 31, 2020, the Authority's surface water usage fee was equal to \$4.70 per 1,000 gallons, and is expected to increase in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA, including the pumpage fee.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2020

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>							
Cash, including interest-bearing accounts, Note 7	\$ 396,782	\$ 18,173	\$ 1,174,291	\$ 61,320	\$ 1,650,566	\$	\$ 1,650,566
Certificates of deposit, at cost, Note 7	492,651			737,573	1,230,224		1,230,224
Temporary investments, at cost, Note 7	3,360,461		649,529	6,250,067	10,260,057		10,260,057
Receivables:							
Property taxes	649,284		490,990		1,140,274		1,140,274
Accrued penalty and interest on property taxes					0	7,664	7,664
Service accounts	107,498				107,498		107,498
Accrued interest on deposits	317			909	1,226		1,226
Other districts		12,922			12,922		12,922
Due from other funds		15,793			15,793	(15,793)	0
Maintenance taxes collected not yet transferred from other fund	512,603				512,603	(512,603)	0
Prepaid expenditures	12,877				12,877		12,877
Groundwater bank certificates, at cost, Note 13	4,347				4,347		4,347
Operating reserves at joint facilities, Note 9	35,168				35,168	(10,168)	25,000
Capital assets, net of accumulated depreciation, Note 4:							
Capital assets not being depreciated					0	22,253	22,253
Depreciable capital assets					0	4,319,476	4,319,476
<b>Total assets</b>	<b><u>\$ 5,571,988</u></b>	<b><u>\$ 46,888</u></b>	<b><u>\$ 2,314,810</u></b>	<b><u>\$ 7,049,869</u></b>	<b><u>\$ 14,983,555</u></b>	<b><u>3,810,829</u></b>	<b><u>18,794,384</u></b>
<b>LIABILITIES</b>							
Accounts payable	\$ 122,768	\$ 28,401	\$ 89,404	\$	\$ 240,573		240,573
Accrued interest payable					0	36,235	36,235
Customer deposits	156,711				156,711		156,711
Developer advances, Note 5	72,000				72,000		72,000
Due to other funds	15,793				15,793	(15,793)	0
Maintenance taxes collected not yet transferred to other fund			512,603		512,603	(512,603)	0
Other district equity in joint venture					0	8,319	8,319
Long-term liabilities, Note 5:							
Due within one year					0	522,347	522,347
Due in more than one year					0	11,554,902	11,554,902
<b>Total liabilities</b>	<b><u>367,272</u></b>	<b><u>28,401</u></b>	<b><u>602,007</u></b>	<b><u>0</u></b>	<b><u>997,680</u></b>	<b><u>11,593,407</u></b>	<b><u>12,591,087</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property tax revenues	<u>1,246,267</u>	<u>0</u>	<u>940,332</u>	<u>0</u>	<u>2,186,599</u>	<u>(14,321)</u>	<u>2,172,278</u>
<b>FUND BALANCES / NET POSITION</b>							
Fund balances:							
Nonspendable:							
Operating reserve at joint facilities, Note 9	35,168				35,168	(35,168)	0
Possible future maintenance expenditures, Note 10	50,000				50,000	(50,000)	0
Groundwater bank certificates, Note 13	4,347				4,347	(4,347)	0
Assigned to:							
Operating reserve at joint facilities, Note 9		18,487			18,487	(18,487)	0
Debt service			772,471		772,471	(772,471)	0
Capital projects				7,049,869	7,049,869	(7,049,869)	0
Unassigned	<u>3,868,934</u>				<u>3,868,934</u>	<u>(3,868,934)</u>	<u>0</u>
<b>Total fund balances</b>	<b><u>3,958,449</u></b>	<b><u>18,487</u></b>	<b><u>772,471</u></b>	<b><u>7,049,869</u></b>	<b><u>11,799,276</u></b>	<b><u>(11,799,276)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$ 5,571,988</u></b>	<b><u>\$ 46,888</u></b>	<b><u>\$ 2,314,810</u></b>	<b><u>\$ 7,049,869</u></b>	<b><u>\$ 14,983,555</u></b>		
Net position:							
Invested in capital assets, net of related debt, Note 4						(7,735,520)	(7,735,520)
Restricted for debt service						751,352	751,352
Restricted for capital projects						7,049,869	7,049,869
Unrestricted						3,965,318	3,965,318
<b>Total net position</b>						<b><u>\$ 4,031,019</u></b>	<b><u>\$ 4,031,019</u></b>

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

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>							
Property taxes	\$ 1,062,186		\$ 943,156		\$ 2,005,342	\$ 3,362	\$ 2,008,704
Water service	343,749				343,749		343,749
Sewer service	554,740				554,740		554,740
Surface water fees, Note 11	376,554				376,554		376,554
Billings to participants in joint facilities		366,442			366,442	(222,853)	143,589
Penalty, interest and other revenues	43,358		5,859		49,217	1,749	50,966
Sales and Use Taxes, Note 12	5,234				5,234		5,234
Interest on deposits and investments	26,061		5,694	44,757	76,512		76,512
Other	54,151	32			54,183		54,183
<b>Total revenues</b>	<b>2,466,033</b>	<b>366,474</b>	<b>954,709</b>	<b>44,757</b>	<b>3,831,973</b>	<b>(217,742)</b>	<b>3,614,231</b>
<b>EXPENDITURES / EXPENSES</b>							
Service operations:							
Purchased services, Note 9	682,240				682,240	(175,498)	506,742
Professional fees	114,441	1,050	2,142		117,633		117,633
Contracted services	106,280	13,663	23,067		143,010		143,010
Utilities	6,949	11,838			18,787		18,787
Sewer plant capacity lease, Note 9	67,000				67,000		67,000
Repairs, maintenance and other operating expenditures	247,971	266,872			514,843		514,843
Security service	164,964	4,742			169,706		169,706
Garbage disposal	64,954				64,954		64,954
Administrative expenditures	56,677	20,954	3,352		80,983		80,983
Depreciation					0	256,284	256,284
Capital outlay / non-capital outlay	123,276	47,355			170,631	(170,631)	0
Debt service:							
Principal retirement			535,000		535,000	(535,000)	0
Interest and fees			455,760		455,760	19,937	475,697
<b>Total expenditures / expenses</b>	<b>1,634,752</b>	<b>366,474</b>	<b>1,019,321</b>	<b>0</b>	<b>3,020,547</b>	<b>(604,908)</b>	<b>2,415,639</b>
Excess (deficiency) of revenues over expenditures	831,281	0	(64,612)	44,757	811,426	387,166	1,198,592
<b>Net change in fund balances / net position</b>	<b>831,281</b>	<b>0</b>	<b>(64,612)</b>	<b>44,757</b>	<b>811,426</b>	<b>387,166</b>	<b>1,198,592</b>
Beginning of year	3,127,168	18,487	837,083	7,005,112	10,987,850	(8,155,423)	2,832,427
<b>End of year</b>	<b>\$ 3,958,449</b>	<b>\$ 18,487</b>	<b>\$ 772,471</b>	<b>\$ 7,049,869</b>	<b>\$ 11,799,276</b>	<b>\$ (7,768,257)</b>	<b>\$ 4,031,019</b>

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

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2020

## NOTE 1: REPORTING ENTITY

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

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

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

### Interfund Activity

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

### Receivables

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

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

### Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 11,799,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		4,341,729
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	\$ (12,315,000)	
Deferred charge on refunding (to be amortized as interest expense)	2,032	
Issuance discount net of premium (to be amortized as interest expense)	<u>235,719</u>	(12,077,249)
The assets in the Special Revenue Fund are owned by the District and other participants in the joint venture:		
The District's equity	(10,168)	
Other participants' equity	<u>(8,319)</u>	(18,487)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	7,664	
Uncollected property taxes	<u>14,321</u>	21,985
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(36,235)</u>
Net position, end of year		<u>\$ 4,031,019</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		\$ 811,426
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:		
Capital outlay	\$ 123,276	
Depreciation	<u>(256,284)</u>	(133,008)
The issuance of long-term debt provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		535,000
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(745)	
Issuance discount, net of premium	<u>(20,854)</u>	(21,599)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	1,749	
Uncollected property taxes	<u>3,362</u>	5,111
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:		
Accrued interest		<u>1,662</u>
Change in net position		<u>\$ 1,198,592</u>

NOTE 4: CAPITAL ASSETS

At December 31, 2020, "Invested in capital assets, net of related debt" was \$(7,735,520). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 13,868	\$	\$	\$ 13,868
Construction in progress	<u>4,462</u>	<u>8,385</u>	<u>4,462</u>	<u>8,385</u>
Total capital assets not being depreciated	<u>18,330</u>	<u>8,385</u>	<u>4,462</u>	<u>22,253</u>
Depreciable capital assets:				
Pavilion	86,405			86,405
Water system	2,600,228	20,362		2,620,590
Sewer system	2,996,759	72,946		3,069,705
Drainage system	<u>2,928,422</u>	<u>26,045</u>		<u>2,954,467</u>
Total depreciable capital assets	<u>8,611,814</u>	<u>119,353</u>	<u>0</u>	<u>8,731,167</u>
Less accumulated depreciation for:				
Pavilion	(15,895)	(2,315)		(18,210)
Water system	(1,370,263)	(73,530)		(1,443,793)
Sewer system	(1,569,156)	(80,390)		(1,649,546)
Drainage system	<u>(1,200,093)</u>	<u>(100,049)</u>		<u>(1,300,142)</u>
Total accumulated depreciation	<u>(4,155,407)</u>	<u>(256,284)</u>	<u>0</u>	<u>(4,411,691)</u>
Total depreciable capital assets, net	<u>4,456,407</u>	<u>(136,931)</u>	<u>0</u>	<u>4,319,476</u>
Total capital assets, net	<u>\$ 4,474,737</u>	<u>\$ (128,546)</u>	<u>\$ 4,462</u>	<u>\$ 4,341,729</u>
Changes to capital assets:				
Capital outlay		\$ 123,276	\$	
Assets transferred to depreciable assets		4,462	4,462	
Less depreciation expense for the fiscal year		<u>(256,284)</u>		
Net increases / decreases to capital assets		<u>\$ (128,546)</u>	<u>\$ 4,462</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended December 31, 2020, 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	\$ 12,850,000	\$	\$ 535,000	\$ 12,315,000	\$ 545,000
Add (less) deferred amounts:					
For issuance					
(discounts) net of premiums	(256,573)		(20,854)	(235,719)	(22,238)
For refunding	<u>(2,777)</u>		<u>(745)</u>	<u>(2,032)</u>	<u>(415)</u>
Total bonds payable	<u>12,590,650</u>	<u>0</u>	<u>513,401</u>	<u>12,077,249</u>	<u>522,347</u>
Total long-term liabilities	<u>\$ 12,590,650</u>	<u>\$ 0</u>	<u>\$ 513,401</u>	<u>\$ 12,077,249</u>	<u>\$ 522,347</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

As of December 31, 2020, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 545,000	\$ 434,823	\$ 979,823
2022	565,000	413,521	978,521
2023	580,000	391,273	971,273
2024	600,000	367,959	967,959
2025	615,000	344,210	959,210
2026 - 2030	3,420,000	1,394,127	4,814,127
2031 - 2035	4,115,000	733,959	4,848,959
2036 - 2037	<u>1,875,000</u>	<u>94,363</u>	<u>1,969,363</u>
	<u>\$ 12,315,000</u>	<u>\$ 4,174,235</u>	<u>\$ 16,489,235</u>

The bond issues payable at December 31, 2020, were as follows:

	<u>Refunding Series 2012</u>	<u>Series 2014</u>	<u>Series 2017</u>
Amounts outstanding, December 31, 2020	\$2,390,000	\$3,500,000	\$6,425,000
Interest rates	3.00% to 3.375%	3.65% to 4.25%	2.25% to 7.50%
Maturity dates, serially beginning/ending	December 1, 2021/2025	December 1, 2026/2032	December 1, 2021/2037
Interest payment dates	June 1/December 1	June 1/December 1	June 1/December 1
Callable dates	December 1, 2020*	December 1, 2022*	December 1, 2024*

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

Developer Liabilities

A developer within the District have advanced \$72,000 for water system improvements. As of December 31, 2020, the amount of the unexpended developer advances held by the District in the General Fund was \$72,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

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

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

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

On October 8, 2020, the District levied the following ad valorem taxes for the 2020 tax year and the 2021 fiscal year on the adjusted taxable valuation of \$222,114,320:

	Rate	Amount
Debt service	\$ 0.4200	\$ 932,880
Maintenance	0.5580	1,239,398
	\$ 0.9780	\$ 2,172,278

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

2020 tax year total property tax levy	\$ 2,172,278
2020 tax year total property tax levy deferred to 2021 fiscal year	(2,172,278)
2019 tax year total property tax levy deferred to 2020 fiscal year	2,071,689
Appraisal district adjustments to prior year taxes	(62,985)
Statement of Activities property tax revenues	\$ 2,008,704

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 \$2,880,790 and the bank balance was \$2,630,243. Of the bank balance, \$1,730,223 was covered by federal insurance, \$424,846 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta, and \$475,174 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 \$10,260,057.

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	\$ 1,174,291
Temporary investments	<u>649,529</u>
	<u>\$ 1,823,820</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 61,320
Certificates of deposit	737,573
Temporary investments	<u>6,250,067</u>
	<u>\$ 7,048,960</u>

NOTE 8: RISK MANAGEMENT

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

At December 31, 2020, the District had physical damage and boiler and machinery coverage of \$7,350,000, mobile equipment coverage of \$54,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$2,000,000, worker's compensation coverage of \$1,000,000, consultant's crime coverage of \$50,000 and a tax assessor-collector bond of \$10,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 9: JOINT FACILITIES AGREEMENT**

On October 11, 1996, the District and Northgate Crossing Municipal Utility District No. 2 ("No. 2") entered into the Fifth Amended and Restated Joint Facilities Agreement (the "JFA") which superseded the prior agreement. This agreement was amended on October 26, 2003, February 12, 2004, November 10, 2005 and April 30, 2014. The District and No. 2 are working on a revision to the JFA to identify No. 1's capacity allocation with respect to Water Plant 1.

Ownership of the joint wastewater treatment plant facilities under the amended agreement is as follows: No. 1 -- 40.69%, No. 2 -- 59.31%. Oversight of the operation of joint water supply and wastewater treatment facilities (the "Water and Sewer Joint Facilities") is exercised by No. 2. The District's share of the operating costs for this entity was \$506,742 and \$34,963 for capital expenditures for the year ended December 31, 2020. At this date the District had contributed \$25,000 for an operating reserve at the Water and Sewer Joint Facilities. Each participant records its share of the capital assets of the Joint Facilities in its financial statements.

The JFA further provides that the District is responsible for the oversight of the operation of joint storm water pumping facilities (the "Storm Water Facilities"). Ownership of the joint storm water pumping facilities under the agreement is as follows: No. 1 -- 55.00%, No. 2 -- 45.00%. The Storm Water Facilities' activity has been reported as the Special Revenue Fund of the District. The District's share of the operating costs for this entity was \$175,498 and \$26,045 for capital expenditures for the year ended December 31, 2020. At this date the District had contributed \$10,168 for an operating reserve at the Storm Water Facilities. Each participant records its share of the capital assets of the Joint Facilities in its financial statements.

On April 30, 2014, as amended September 28, 2017, the District entered into a lease for additional capacity in the joint sewage treatment plant. The annual payment for this lease is \$67,000. The lease expires on April 30, 2022 under the terms of the lease. The lease contains termination provisions whereby the lease may be terminated prior to the expiration date. As the lease is considered an operating lease, no liability for the future payments has been recorded. District lease costs for the fiscal year ended December 31, 2020 were \$67,000.

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

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

**NOTE 11: REGIONAL WATER AUTHORITY FEES**

The North Harris County Regional Water Authority (the "Authority") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2001. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of December 31, 2020, the Authority had established a well pumpage fee of \$4.25 per 1,000 gallons of water pumped from each regulated well. The District's pumpage fees payable to the Authority during the fiscal year were \$308,201, paid through the Water and Sewer Joint Facilities described in Note 9. The District billed its customers \$376,554 during the fiscal year to pay for the District's share of the fees charged by the Authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 12: STRATEGIC PARTNERSHIP AGREEMENT**

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

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$5,234 from the City for the year ended December 31, 2020.

**NOTE 13: GROUNDWATER BANK CERTIFICATES**

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "HGSD"). These certificates expire in 20 years and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the HGSD. Certificates can also be used in lieu of a disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit, as amended. At December 31, 2020, the District had in its possession certificates totaling 10,584 thousand gallons of water. The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$4,347 at December 31, 2020.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,021,370	\$ 1,021,370	\$ 1,062,186	\$ 40,816
Water service	420,000	420,000	343,749	(76,251)
Sewer service	600,000	600,000	554,740	(45,260)
Surface water fees	330,000	330,000	376,554	46,554
Penalty	0	0	43,358	43,358
Sales and Use Taxes	4,800	4,800	5,234	434
Interest on deposits and investments	36,000	36,000	26,061	(9,939)
Other	0	0	54,151	54,151
<b>TOTAL REVENUES</b>	<b>2,412,170</b>	<b>2,412,170</b>	<b>2,466,033</b>	<b>53,863</b>
<b>EXPENDITURES</b>				
Service operations:				
Purchased services	697,033	697,033	682,240	(14,793)
Professional fees	130,950	130,950	114,441	(16,509)
Contracted services	147,000	147,000	106,280	(40,720)
Utilities	4,000	4,000	6,949	2,949
Sewer plant capacity lease	0	0	67,000	67,000
Repairs, maintenance and other operating expenditures	264,800	264,800	247,971	(16,829)
Security service	153,060	153,060	164,964	11,904
Garbage disposal	65,000	65,000	64,954	(46)
Administrative expenditures	96,500	96,500	56,677	(39,823)
Capital outlay	0	0	123,276	123,276
<b>TOTAL EXPENDITURES</b>	<b>1,558,343</b>	<b>1,558,343</b>	<b>1,634,752</b>	<b>76,409</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>853,827</b>	<b>853,827</b>	<b>831,281</b>	<b>(22,546)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>3,127,168</b>	<b>3,127,168</b>	<b>3,127,168</b>	<b>0</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,980,995</b>	<b>\$ 3,980,995</b>	<b>\$ 3,958,449</b>	<b>\$ (22,546)</b>

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

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From participants:				
Northgate Crossing Municipal Utility District No. 1	\$ 247,032	\$ 247,032	\$ 201,543	\$ (45,489)
Northgate Crossing Municipal Utility District No. 2	<u>202,118</u>	<u>202,118</u>	<u>164,899</u>	<u>(37,219)</u>
	449,150	449,150	366,442	(82,708)
Interest on deposits	<u>0</u>	<u>0</u>	<u>32</u>	<u>32</u>
<b>TOTAL REVENUES</b>	<u>449,150</u>	<u>449,150</u>	<u>366,474</u>	<u>(82,676)</u>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	45,050	45,050	1,050	(44,000)
Contracted services	12,900	12,900	13,663	763
Utilities	10,000	10,000	11,838	1,838
Repairs, maintenance and other operating expenditures	352,550	352,550	266,872	(85,678)
Security services	5,000	5,000	4,742	(258)
Administrative expenditures	23,650	23,650	20,954	(2,696)
Capital outlay	<u>0</u>	<u>0</u>	<u>47,355</u>	<u>47,355</u>
<b>TOTAL EXPENDITURES</b>	<u>449,150</u>	<u>449,150</u>	<u>366,474</u>	<u>(82,676)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	0	0	0	0
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>18,487</u>	<u>18,487</u>	<u>18,487</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 18,487</u>	<u>\$ 18,487</u>	<u>\$ 18,487</u>	<u>\$ 0</u>

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

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
DECEMBER 31, 2020

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

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

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2020

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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$12.50	10,000	N	\$1.50 1.75	10,001 to 20,000 Over 20,000
WASTEWATER:	\$45.00	20,000	N	\$2.50	Over 20,000
SURCHARGE:	\$4.67 per 1,000 gallons of water used. – NHCRWA surface water fees. 0.05% of water and sewer bill. – TCEQ assessment.				

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$12.50    Wastewater: \$45.00    Surcharge: \$49.58

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES (Continued)

DECEMBER 31, 2020

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	389	387	1.0	387
1"	1	0	2.5	0
1-1/2"	1	1	5.0	5
2"	24	19	8.0	152
3"	0	0	15.0	0
4"	1	0	25.0	0
6"	2	2	50.0	100
8"	5	5	80.0	400
10"	1	0	115.0	0
Total Water	<u>424</u>	<u>414</u>		<u>1,044</u>
Total Wastewater	<u>395</u>	<u>393</u>	1.0	<u>393</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited): 211,620 for Northgate Crossing MUD Nos. 1 and 2

Gallons billed to customers (unaudited): 85,099 for Northgate Crossing MUD No. 1  
125,956 for Northgate Crossing MUD No. 2  
211,055 Total

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 99.7%

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

Does the District have Debt Service standby fees? Yes  No

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

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

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

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>					
Purchased services:					
Water and sewer services	\$ 198,541	\$	\$	\$	\$ 198,541
Surface water fees billed through joint facilities	308,201				308,201
Storm water pumping station	175,498				175,498
	<u>682,240</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>682,240</u>
Professional fees:					
Auditing	10,950	1,050			12,000
Legal	71,997		2,142		74,139
Engineering	31,494				31,494
	<u>114,441</u>	<u>1,050</u>	<u>2,142</u>	<u>0</u>	<u>117,633</u>
Contracted services:					
Bookkeeping	18,852	4,225			23,077
Operation and billing	59,606	9,438			69,044
Landscape architect	27,822				27,822
Tax assessor-collector Central appraisal district			7,547		7,547
			15,520		15,520
	<u>106,280</u>	<u>13,663</u>	<u>23,067</u>	<u>0</u>	<u>143,010</u>
Utilities	<u>6,949</u>	<u>11,838</u>	<u>0</u>	<u>0</u>	<u>18,787</u>
Sewer plant capacity lease	<u>67,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,000</u>
Repairs, maintenance and other operating expenditures	<u>247,971</u>	<u>266,872</u>	<u>0</u>	<u>0</u>	<u>514,843</u>
Security service	<u>164,964</u>	<u>4,742</u>	<u>0</u>	<u>0</u>	<u>169,706</u>
Garbage disposal	<u>64,954</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>64,954</u>
Administrative expenditures:					
Director's fees	29,400				29,400
Office supplies and postage	6,407	5,869			12,276
Insurance	4,365	15,085	100		19,550
Permits	3,187				3,187
Other	13,318		3,252		16,570
	<u>56,677</u>	<u>20,954</u>	<u>3,352</u>	<u>0</u>	<u>80,983</u>
<b>CAPITAL OUTLAY</b>					
Authorized expenditures	<u>123,276</u>	<u>47,355</u>	<u>0</u>	<u>0</u>	<u>170,631</u>
<b>DEBT SERVICE</b>					
Principal retirement	<u>0</u>	<u>0</u>	<u>535,000</u>	<u>0</u>	<u>535,000</u>
Interest and fees:					
Interest			454,760		454,760
Paying agent fees			1,000		1,000
	<u>0</u>	<u>0</u>	<u>455,760</u>	<u>0</u>	<u>455,760</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,634,752</u>	<u>\$ 366,474</u>	<u>\$ 1,019,321</u>	<u>\$ 0</u>	<u>\$ 3,020,547</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>					
Cash receipts from revenues	\$1,512,548	\$ 353,362	\$1,126,227	\$ 48,743	\$ 3,040,880
Maintenance tax receipts			1,346,316		1,346,316
Transfer of maintenance taxes	1,043,851				1,043,851
Receipt of interfund receivable	2,192				2,192
Increase in customer deposits	74,938				74,938
Overpayments by taxpayers			332		332
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>2,633,529</u>	<u>353,362</u>	<u>2,472,875</u>	<u>48,743</u>	<u>5,508,509</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>					
Cash disbursements for:					
Current expenditures	1,480,782	305,787	32,449		1,819,018
Capital outlay	123,276	47,355			170,631
Debt service			990,760		990,760
Payment of interfund payable				2,192	2,192
Transfer of maintenance taxes			1,043,851		1,043,851
Refund of taxpayer overpayments			332		332
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>1,604,058</u>	<u>353,142</u>	<u>2,067,392</u>	<u>2,192</u>	<u>4,026,784</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	1,029,471	220	405,483	46,551	1,481,725
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>3,220,423</u>	<u>17,953</u>	<u>1,418,337</u>	<u>7,002,409</u>	<u>11,659,122</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$4,249,894</u>	<u>\$ 18,173</u>	<u>\$1,823,820</u>	<u>\$ 7,048,960</u>	<u>\$ 13,140,847</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

DECEMBER 31, 2020

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
<b>GENERAL FUND</b>				
Certificates of Deposit				
No. 12754	0.40%	5/04/21	\$ 245,964	\$ 156
No. 9590001193769311	0.70%	11/27/21	<u>246,687</u>	<u>161</u>
			<u>\$ 492,651</u>	<u>\$ 317</u>
TexPool				
No. 2574900001	Market	On demand	<u>\$ 3,360,461</u>	<u>\$ 0</u>
<b>DEBT SERVICE FUND</b>				
TexPool				
No. 2574900003	Market	On demand	<u>\$ 649,529</u>	<u>\$ 0</u>
<b>CAPITAL PROJECTS FUND</b>				
Certificates of Deposit				
No. 8054360	0.50%	6/29/21	\$ 247,183	\$ 626
No. 1852005715	0.50%	11/26/21	245,348	118
No. 6000039286	0.70%	5/27/21	<u>245,042</u>	<u>165</u>
			<u>\$ 737,573</u>	<u>\$ 909</u>
TexPool				
No. 2574900002	Market	On demand	<u>\$ 6,250,067</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 11,490,281</u>	<u>\$ 1,226</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 789,459	\$ 702,513
Additions and corrections to prior year taxes	<u>(33,257)</u>	<u>(29,728)</u>
Adjusted receivable, beginning of year	756,202	672,785
2020 ADJUSTED TAX ROLL	<u>1,239,398</u>	<u>932,880</u>
Total to be accounted for	1,995,600	1,605,665
Tax collections: Current tax year	(596,983)	(449,342)
Prior tax years	<u>(749,333)</u>	<u>(665,333)</u>
RECEIVABLE, END OF YEAR	<u>\$ 649,284</u>	<u>\$ 490,990</u>
RECEIVABLE, BY TAX YEAR		
2010 and prior	\$ 109	\$ 169
2011	70	112
2012	73	108
2013	75	96
2014	69	108
2015	754	1,021
2016	680	1,190
2017	812	852
2018	824	774
2019	3,403	3,022
2020	<u>642,415</u>	<u>483,538</u>
RECEIVABLE, END OF YEAR	<u>\$ 649,284</u>	<u>\$ 490,990</u>

Fiscal year 2020 General Fund property tax revenue of \$1,062,186 under the modified accrual basis of accounting is comprised of prior tax year collections of \$749,333 during fiscal year 2020 and 2019 tax year collections of \$312,853 during fiscal year 2019.

Fiscal year 2020 Debt Service Fund property tax revenue of \$943,156 under the modified accrual basis of accounting is comprised of prior tax year collections of \$665,333 during fiscal year 2020 and 2019 tax year collections of \$277,823 during fiscal year 2019.

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 64,323,264	\$ 58,129,381	\$ 52,441,409	\$ 52,440,509
Improvements	183,433,348	171,817,838	167,218,563	152,730,665
Personal property	5,783,341	4,328,485	6,638,521	6,936,282
Less exemptions	<u>(31,425,633)</u>	<u>(28,176,247)</u>	<u>(27,696,350)</u>	<u>(29,620,823)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 222,114,320</u>	 <u>\$ 206,099,457</u>	 <u>\$ 198,602,143</u>	 <u>\$ 182,486,633</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.42000	\$ 0.46000	\$ 0.47000	\$ 0.51200
Maintenance tax rates*	<u>0.55800</u>	<u>0.51800</u>	<u>0.50000</u>	<u>0.48800</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.97800</u>	 <u>\$ 0.97800</u>	 <u>\$ 0.97000</u>	 <u>\$ 1.00000</u>
TAX ROLLS	<u>\$ 2,172,278</u>	<u>\$ 2,015,653</u>	<u>\$ 1,926,441</u>	<u>\$ 1,824,866</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>48.2%**</u>	<u>99.7 %</u>	<u>99.9 %</u>	<u>99.9 %</u>

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

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

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

DECEMBER 31, 2020

<u>Series 2012</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1, December 1</u>	<u>Total</u>
2021	\$ 435,000	\$ 76,663	\$ 511,663
2022	460,000	63,612	523,612
2023	475,000	49,237	524,237
2024	500,000	33,800	533,800
2025	520,000	17,550	537,550
<b>TOTALS</b>	<b><u>\$ 2,390,000</u></b>	<b><u>\$ 240,862</u></b>	<b><u>\$ 2,630,862</u></b>

<u>Series 2014</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1, December 1</u>	<u>Total</u>
2021	\$	\$ 138,098	\$ 138,098
2022		138,097	138,097
2023		138,098	138,098
2024		138,097	138,097
2025		138,098	138,098
2026	435,000	138,097	573,097
2027	455,000	122,220	577,220
2028	475,000	105,158	580,158
2029	500,000	86,870	586,870
2030	520,000	67,370	587,370
2031	545,000	46,570	591,570
2032	570,000	24,225	594,225
<b>TOTALS</b>	<b><u>\$ 3,500,000</u></b>	<b><u>\$ 1,280,998</u></b>	<b><u>\$ 4,780,998</u></b>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2020

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2017</u>		
	<u>Principal Due December 1</u>	<u>Interest Due June 1, December 1</u>	<u>Total</u>
2021	\$ 110,000	\$ 220,062	\$ 330,062
2022	105,000	211,812	316,812
2023	105,000	203,938	308,938
2024	100,000	196,062	296,062
2025	95,000	188,562	283,562
2026	200,000	184,762	384,762
2027	205,000	180,262	385,262
2028	205,000	175,138	380,138
2029	210,000	170,012	380,012
2030	215,000	164,238	379,238
2031	215,000	157,788	372,788
2032	220,000	151,338	371,338
2033	825,000	144,462	969,462
2034	855,000	118,682	973,682
2035	885,000	90,894	975,894
2036	920,000	62,132	982,132
2037	<u>955,000</u>	<u>32,231</u>	<u>987,231</u>
TOTALS	<u>\$ 6,425,000</u>	<u>\$ 2,652,375</u>	<u>\$ 9,077,375</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
DECEMBER 31, 2020

<u>Due During Fiscal Years Ending December 31</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2021	\$ 545,000	\$ 434,823	\$ 979,823
2022	565,000	413,521	978,521
2023	580,000	391,273	971,273
2024	600,000	367,959	967,959
2025	615,000	344,210	959,210
2026	635,000	322,859	957,859
2027	660,000	302,482	962,482
2028	680,000	280,296	960,296
2029	710,000	256,882	966,882
2030	735,000	231,608	966,608
2031	760,000	204,358	964,358
2032	790,000	175,563	965,563
2033	825,000	144,462	969,462
2034	855,000	118,682	973,682
2035	885,000	90,894	975,894
2036	920,000	62,132	982,132
2037	<u>955,000</u>	<u>32,231</u>	<u>987,231</u>
TOTALS	<u>\$ 12,315,000</u>	<u>\$ 4,174,235</u>	<u>\$ 16,489,235</u>

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Totals</u>
Bond Series:	2012	2014	2017	
Interest Rate:	3.00% to 3.375%	3.65% to 4.25%	2.25% to 7.50%	
Dates Interest Payable:	June 1/ December 1	June 1/ December 1	June 1/ December 1	
Maturity Dates:	December 1, 2021/2025	December 1, 2026/2032	December 1, 2021/2037	
Bonds Outstanding at Beginning of Current Year	\$ 2,815,000	\$ 3,500,000	\$ 6,535,000	\$ 12,850,000
Less Retirements	<u>(425,000)</u>	<u>0</u>	<u>(110,000)</u>	<u>(535,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,390,000</u>	<u>\$ 3,500,000</u>	<u>\$ 6,425,000</u>	<u>\$ 12,315,000</u>
Current Year Interest Paid	<u>\$ 88,350</u>	<u>\$ 138,098</u>	<u>\$ 228,312</u>	<u>\$ 454,760</u>

Bond Descriptions and Original Amount of Issue

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

Paying Agent/Registrar

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

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

Net Debt Service Fund deposits and investments balances as of December 31, 2020: \$772,471  
Average annual debt service payment for remaining term of all debt: 969,955

See accompanying independent auditor's report.

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

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
<b>REVENUES</b>										
Property taxes	\$ 1,062,186	\$ 998,873	\$ 885,704	\$ 562,825	\$ 506,261	43.0 %	41.6 %	41.2 %	37.9 %	41.3 %
Water service	343,749	340,764	322,366	238,413	165,064	13.9	14.2	14.9	16.0	13.4
Sewer service	554,740	568,776	562,694	422,963	323,240	22.5	23.7	26.1	28.4	26.3
Surface water fees	376,554	332,705	291,317	210,533	150,683	15.3	13.9	13.5	14.2	12.3
Penalty and other revenues	97,509	98,293	61,406	37,848	35,271	4.0	4.1	2.8	2.5	2.9
Tap connection and inspection fees	0	0	0	0	19,357	0.0	0.0	0.0	0.0	1.6
Sales and Use Taxes	5,234	6,152	4,581	3,284	21,356	0.2	0.3	0.2	0.2	1.7
Interest on deposits and investments	<u>26,061</u>	<u>51,604</u>	<u>28,307</u>	<u>11,880</u>	<u>6,686</u>	<u>1.1</u>	<u>2.2</u>	<u>1.3</u>	<u>0.8</u>	<u>0.5</u>
<b>TOTAL REVENUES</b>	<u>2,466,033</u>	<u>2,397,167</u>	<u>2,156,375</u>	<u>1,487,746</u>	<u>1,227,918</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>EXPENDITURES</b>										
Current:										
Purchased services	682,240	609,768	532,095	467,213	424,438	27.8	25.4	24.7	31.4	34.5
Professional fees	114,441	138,772	170,237	143,405	142,633	4.6	5.8	7.9	9.6	11.6
Contracted services	106,280	96,037	72,166	63,283	60,928	4.3	4.0	3.3	4.3	5.0
Sewer plant capacity lease	67,000	67,000	67,000	67,000	67,000	2.7	2.8	3.1	4.5	5.5
Repairs, maintenance, utilities and other operating expenditures	254,920	320,337	238,363	105,435	120,539	10.3	13.4	11.1	7.1	9.8
Security service	164,964	153,704	86,360	77,615	85,682	6.7	6.4	4.0	5.2	7.0
Garbage disposal	64,954	65,807	64,993	65,190	64,084	2.6	2.7	3.0	4.4	5.2
Administrative expenditures	56,677	65,043	60,871	67,479	70,140	2.3	2.7	2.8	4.5	5.7
Capital outlay	123,276	329,681	56,330	470,400	85,738	5.0	13.8	2.6	31.6	7.0
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,296</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>
<b>TOTAL EXPENDITURES</b>	<u>1,634,752</u>	<u>1,846,149</u>	<u>1,348,415</u>	<u>1,527,020</u>	<u>1,130,478</u>	<u>66.3</u>	<u>77.0</u>	<u>62.5</u>	<u>102.6</u>	<u>92.1</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>\$ 831,281</u>	<u>\$ 551,018</u>	<u>\$ 807,960</u>	<u>\$ (39,274)</u>	<u>\$ 97,440</u>	<u>33.7 %</u>	<u>23.0 %</u>	<u>37.5 %</u>	<u>(2.6) %</u>	<u>7.9 %</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>414</u>	<u>416</u>	<u>412</u>	<u>410</u>	<u>415</u>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>393</u>	<u>395</u>	<u>391</u>	<u>389</u>	<u>392</u>					

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

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
<b>REVENUES</b>										
Property taxes	\$ 943,156	\$ 939,678	\$ 929,450	\$ 984,271	\$ 685,849	98.8 %	97.0 %	98.1 %	97.6 %	98.8 %
Penalty and interest	5,859	12,518	3,233	5,437	6,342	0.6	1.3	0.3	0.5	0.9
Accrued interest on bonds received at date of sale	0	0	0	9,872	0	0.0	0.0	0.0	1.0	0.0
Interest on deposits and investments	5,694	16,176	15,284	8,625	2,325	0.6	1.7	1.6	0.9	0.3
<b>TOTAL REVENUES</b>	<b>954,709</b>	<b>968,372</b>	<b>947,967</b>	<b>1,008,205</b>	<b>694,516</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EXPENDITURES</b>										
Current:										
Professional fees	2,142	1,298	524	2,755	1,859	0.2	0.1	0.1	0.3	0.3
Contracted services	23,067	21,800	20,503	19,276	16,219	2.4	2.3	2.2	1.9	2.3
Other expenditures	3,352	3,124	5,636	2,519	3,675	0.4	0.3	0.6	0.2	0.5
Debt service:										
Principal retirement	535,000	520,000	390,000	375,000	370,000	56.1	53.7	41.1	37.2	53.3
Interest and fees	455,760	474,605	502,637	252,955	260,355	47.7	49.0	53.0	25.1	37.5
<b>TOTAL EXPENDITURES</b>	<b>1,019,321</b>	<b>1,020,827</b>	<b>919,300</b>	<b>652,505</b>	<b>652,108</b>	<b>106.8</b>	<b>105.4</b>	<b>97.0</b>	<b>64.7</b>	<b>93.9</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ (64,612)</b>	<b>\$ (52,455)</b>	<b>\$ 28,667</b>	<b>\$ 355,700</b>	<b>\$ 42,408</b>	<b>(6.8) %</b>	<b>(5.4) %</b>	<b>3.0 %</b>	<b>35.3 %</b>	<b>6.1 %</b>

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSDECEMBER 31, 2020

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

District Business Telephone No.: 713-850-9000

Submission date of the most recent District Registration Form: May 13, 2020

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Jason B. Williams c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/05/18- 5/07/22	\$ 7,200	\$ 124	President
Shane Holman c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/02/20- 5/04/24	7,200	31	Vice President
James Helfrich c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Appointed 2/14/19- 5/07/22	7,200	0	Secretary
Kenny Boeckelman c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/02/20- 5/04/24	1,050	0	Assistant Secretary
Michael Lopez c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/05/18- 5/07/22	6,900	0	Assistant Secretary/ Assistant Vice President

See accompanying independent auditor's report.

NORTHGATE CROSSING MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)DECEMBER 31, 2020CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	1/21/10	\$ 73,175	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	2/11/16	2,142	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	9/16/86	25,835	Bookkeeper
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	3/09/00	0	Investment Officer
Inframark, LLC 2002 Grand Parkway North, Suite 100 Katy, Texas 77449	5/19/86	420,629	Operator
Murr, Inc. 11803 Grand Road, Suite 108 Cypress, Texas 77429	Prior to 2015	77,782	Landscape Architect
Edminster, Hinshaw, Russ & Associates, Inc. 10555 Westoffice Drive Houston, Texas 77042	10/26/11	39,879	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	7/17/85	9,319	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	15,520	Central Appraisal District
Blitch Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079-2118	11/12/09	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1994	12,000	Independent Auditor

See accompanying independent auditor's report.