

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 28
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
DECEMBER 31, 2018

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	10
NOTES TO THE FINANCIAL STATEMENTS	11-21
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	22
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	23
SCHEDULE OF SERVICES AND RATES	24-25
EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2018	26-27
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS, ALL GOVERNMENTAL FUND TYPES	28
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS	29
TAXES LEVIED AND RECEIVABLE	30-31
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS	32-34
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT	35
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	36
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND	37
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	38-39

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April 23, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Harris County Municipal
Utility District No. 28
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of Northwest Harris County Municipal Utility District No. 28, as of and for the year ended December 31, 2018, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 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 we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our 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 Northwest Harris County Municipal Utility District No. 28 as of December 31, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 22 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 23 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 our 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, we 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 our firm.

North & Cousins, PLLC

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Northwest Harris County Municipal Utility District No. 28 (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, 2018.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 3,279,174	\$ 3,106,070	\$ 173,104
Capital assets	3,731,803	2,840,285	891,518
Total assets	<u>7,010,977</u>	<u>5,946,355</u>	<u>1,064,622</u>
Long-term liabilities	3,515,327	2,865,801	649,526
Other liabilities	709,315	592,334	116,981
Total liabilities	<u>4,224,642</u>	<u>3,458,135</u>	<u>766,507</u>
Total deferred inflows of resources	<u>780,838</u>	<u>781,580</u>	<u>(742)</u>
Net position:			
Invested in capital assets, net of related debt	(203,181)	(432,110)	228,929
Restricted	953,677	935,199	18,478
Unrestricted	1,255,001	1,203,551	51,450
Total net position	<u>\$ 2,005,497</u>	<u>\$ 1,706,640</u>	<u>\$ 298,857</u>

Summary of Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 784,408	\$ 750,040	\$ 34,368
Charges for services	645,520	544,395	101,125
Other revenues	36,854	17,088	19,766
Total revenues	<u>1,466,782</u>	<u>1,311,523</u>	<u>155,259</u>
Expenses:			
Service operations	942,634	1,019,988	(77,354)
Debt service	225,291	103,875	121,416
Total expenses	<u>1,167,925</u>	<u>1,123,863</u>	<u>44,062</u>
Excess revenues (expenditures)	298,857	187,660	111,197
Special Items:			
Gain on sale of asset	<u>0</u>	<u>68,517</u>	<u>(68,517)</u>
Change in net position	298,857	256,177	42,680
Net position, beginning of year	<u>1,706,640</u>	<u>1,450,463</u>	<u>256,177</u>
Net position, end of year	<u>\$ 2,005,497</u>	<u>\$ 1,706,640</u>	<u>\$ 298,857</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, 2018, were \$2,239,790, an increase of \$77,108 from the prior year.

The General Fund balance increased by \$51,293, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by \$18,067, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$43,882 as proceeds from the Series 2018 park bonds and interest earnings exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of December 31, 2018, was expected to be \$1,149,628 and the actual end of year fund balance was \$1,252,413.

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>2018</u>	<u>2017</u>	<u>Change</u>
Land and easements	\$ 100,869	\$ 100,869	\$ 0
Construction in progress	1,131,194	140,429	990,765
Detention ponds	455,887	455,887	0
Buildings and improvements	40,392	47,124	(6,732)
Water facilities	780,648	822,559	(41,911)
Sewer facilities	1,222,813	1,273,417	(50,604)
Totals	<u>\$ 3,731,803</u>	<u>\$ 2,840,285</u>	<u>\$ 891,518</u>

Changes to capital assets during the fiscal year ended December 31, 2018, are summarized as follows:

Additions:		
Boundary wall construction		\$ 990,765
Decreases:		
Depreciation		<u>(99,247)</u>
Net change to capital assets		<u>\$ 891,518</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bonded debt payable, beginning of year	\$ 3,265,000
Bonds sold	1,100,000
Bonds paid	<u>(405,000)</u>
Bonded debt payable, end of year	<u>\$ 3,960,000</u>

At December 31, 2018, the District had \$5,380,000 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 2018 bonds have an underlying rating of Baa1 from Moody's. The Series 2018 bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2018 bonds is AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended December 31, 2018.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base was essentially unchanged for the 2018 tax year.

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.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

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 fees to the NHCRWA.

As further described in Note 9 of the Notes to the Financial Statements, the District obtains its water supply from joint water plants managed by Meadowhill Regional Municipal Utility District ("Meadowhill") and Northwest Harris County Municipal Utility District No. 36 ("No. 36"). No. 36 has been required by the NHCRWA to participate in the groundwater conversion project by converting a portion of its water production to surface water. Groundwater pumped from wells located within Meadowhill is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within Meadowhill 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, 2018, the pumpage fee was equal to \$3.40 per 1,000 gallons pumped, and is expected to increase significantly in the future. At December 31, 2018, the Authority's surface water usage fee was equal to \$3.85 per 1,000 gallons, and is expected to increase significantly 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 four issues of 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.

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 No. 36 and Meadowhill.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 184,811	\$ 195,512	\$ 394,516	\$ 774,839	\$	\$ 774,839
Certificates of deposit, at cost, Note 7	962,290	217,056		1,179,346		1,179,346
Temporary investments, at cost, Note 7	109,046	50,004	390,241	549,291		549,291
Receivables:						
Property taxes	211,335	387,515		598,850		598,850
Accrued penalty and interest on property taxes				0	2,113	2,113
Service accounts	37,066			37,066		37,066
Accrued interest	1,069			1,069		1,069
Maintenance taxes collected not yet transferred from other fund	43,529			43,529	(43,529)	0
Prepaid expenditures	11,525			11,525		11,525
Operating reserve at joint ventures, Note 9	125,075			15,000		15,000
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	1,687,950	1,687,950
Depreciable capital assets				0	2,043,853	2,043,853
Total assets	<u>\$1,685,746</u>	<u>\$ 850,087</u>	<u>\$ 784,757</u>	<u>\$ 3,320,590</u>	<u>3,690,387</u>	<u>7,010,977</u>
LIABILITIES						
Accounts payable, Note 9	\$ 80,480	\$ 14	\$	\$ 80,494		80,494
Construction contract payable			93,863	93,863		93,863
Accrued interest payable				0	40,626	40,626
Customer deposits	74,675			74,675		74,675
Maintenance taxes collected not yet transferred to other fund		43,529		43,529	(43,529)	0
Long-term liabilities, Note 5:						
Due within one year				0	419,657	419,657
Due in more than one year				0	3,515,327	3,515,327
Total liabilities	<u>155,155</u>	<u>43,543</u>	<u>93,863</u>	<u>292,561</u>	<u>3,932,081</u>	<u>4,224,642</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>278,178</u>	<u>510,061</u>	<u>0</u>	<u>788,239</u>	<u>(7,401)</u>	<u>780,838</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Operating reserve at joint ventures, Note 9	125,075			125,075	(125,075)	0
Committed to construction contracts in progress			212,377	212,377	(212,377)	0
Assigned to:						
Debt service		296,483		296,483	(296,483)	0
Capital projects			478,517	478,517	(478,517)	0
Unassigned	<u>1,127,338</u>			<u>1,127,338</u>	<u>(1,127,338)</u>	<u>0</u>
Total fund balances	<u>1,252,413</u>	<u>296,483</u>	<u>690,894</u>	<u>2,239,790</u>	<u>(2,239,790)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$1,685,746</u>	<u>\$ 850,087</u>	<u>\$ 784,757</u>	<u>\$ 3,320,590</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(203,181)	(203,181)
Restricted for debt service					262,783	262,783
Restricted for capital projects					690,894	690,894
Unrestricted					<u>1,255,001</u>	<u>1,255,001</u>
Total net position					<u>\$ 2,005,497</u>	<u>\$ 2,005,497</u>

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

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 267,003	\$ 511,581	\$	\$ 778,584	\$ 574	\$ 779,158
Water service	182,402			182,402		182,402
Sewer service	189,405			189,405		189,405
Surface water fees, Note 10	255,461			255,461		255,461
Penalty and interest	13,494	4,895		18,389	355	18,744
Interest on deposits and investments	14,286	7,135	15,433	36,854		36,854
Accrued interest on bonds received at date of sale		2,125		2,125	(2,125)	0
Other revenues	4,758			4,758		4,758
Total revenues	926,809	525,736	15,433	1,467,978	(1,196)	1,466,782
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 9	411,025			411,025		411,025
Professional fees	91,779	1,296		93,075		93,075
Contracted services	44,667	15,441		60,108		60,108
Repairs, maintenance and other operating expenditures	38,537			38,537		38,537
Security service	68,830			68,830		68,830
Garbage disposal	95,474			95,474		95,474
Administrative expenditures	73,072	3,266		76,338		76,338
Depreciation				0	99,247	99,247
Capital outlay / non-capital outlay	52,132		938,633	990,765	(990,765)	0
Debt service:						
Principal retirement		405,000		405,000	(405,000)	0
Bond issuance expenditures			102,101	102,101		102,101
Interest and fees		118,800		118,800	4,390	123,190
Total expenditures / expenses	875,516	543,803	1,040,734	2,460,053	(1,292,128)	1,167,925
Excess (deficiency) of revenues over expenditures	51,293	(18,067)	(1,025,301)	(992,075)	1,290,932	298,857
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		30,817	1,069,183	1,100,000	(1,100,000)	0
Bond issuance discount, Note 5		(30,817)		(30,817)	30,817	0
Total other financing sources (uses)	0	0	1,069,183	1,069,183	(1,069,183)	0
Net change in fund balances / net position	51,293	(18,067)	43,882	77,108	221,749	298,857
Beginning of year	1,201,120	314,550	647,012	2,162,682	(456,042)	1,706,640
End of year	\$ 1,252,413	\$ 296,483	\$ 690,894	\$ 2,239,790	\$ (234,293)	\$ 2,005,497

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

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2018

NOTE 1: REPORTING ENTITY

Northwest Harris County Municipal Utility District No. 28 (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective July 11, 1984, 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 August 9, 1984, and the first bonds were sold on December 23, 1996. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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 \$25,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

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

Plant and equipment	10-45 years
Underground lines	45 years

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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		\$ 2,239,790
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		3,731,803
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (3,960,000)	
Deferred charge on refunding (to be amortized as interest expense)	27,459	
Issuance premium (to be amortized as interest expense)	<u>(2,443)</u>	(3,934,984)
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	2,113	
Uncollected property taxes	<u>7,401</u>	9,514
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(40,626)</u>
Net position, end of year		<u>\$ 2,005,497</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	\$	77,108
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 990,765	
Depreciation	<u>(99,247)</u>	891,518
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Bonds issued	(1,100,000)	
Principal reduction	<u>405,000</u>	(695,000)
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(7,444)	
Issuance premium	<u>39,855</u>	32,411
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	355	
Uncollected property taxes	<u>574</u>	929
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued and accreted interest		<u>(8,109)</u>
Change in net position	\$	<u><u>298,857</u></u>

NOTE 4: CAPITAL ASSETS

At December 31, 2018, "Invested in capital assets, net of related debt" was \$(203,181). 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 \$25,000 (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, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 100,869	\$	\$	\$ 100,869
Construction in progress	140,429	990,765		1,131,194
Detention ponds	<u>455,887</u>			<u>455,887</u>
Total capital assets not being depreciated	<u>697,185</u>	<u>990,765</u>	<u>0</u>	<u>1,687,950</u>
Depreciable capital assets:				
Buildings and improvements	67,320			67,320
Water system	1,659,909			1,659,909
Sewer system	<u>2,138,257</u>			<u>2,138,257</u>
Total depreciable capital assets	<u>3,865,486</u>	<u>0</u>	<u>0</u>	<u>3,865,486</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,196)	(6,732)		(26,928)
Water system	(837,350)	(41,911)		(879,261)
Sewer system	<u>(864,840)</u>	<u>(50,604)</u>		<u>(915,444)</u>
Total accumulated depreciation	<u>(1,722,386)</u>	<u>(99,247)</u>	<u>0</u>	<u>(1,821,633)</u>
Total depreciable capital assets, net	<u>2,143,100</u>	<u>(99,247)</u>	<u>0</u>	<u>2,043,853</u>
Total capital assets, net	<u>\$ 2,840,285</u>	<u>\$ 891,518</u>	<u>\$ 0</u>	<u>\$ 3,731,803</u>
Changes to capital assets:				
Capital outlay		\$ 990,765	\$	
Less depreciation expense for the fiscal year		<u>(99,247)</u>		
Net increases / decreases to capital assets		<u>\$ 891,518</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 3,265,000	\$ 1,100,000	\$ 405,000	\$ 3,960,000	\$ 420,000
Add issuance premium (discount)	42,298	(30,817)	9,038	2,443	6,136
Less deferred refunding costs	<u>(34,903)</u>		<u>(7,444)</u>	<u>(27,459)</u>	<u>(6,479)</u>
Total bonds payable	<u>3,272,395</u>	<u>1,069,183</u>	<u>406,594</u>	<u>3,934,984</u>	<u>419,657</u>
Total long-term liabilities	<u>\$ 3,272,395</u>	<u>\$ 1,069,183</u>	<u>\$ 406,594</u>	<u>\$ 3,934,984</u>	<u>\$ 419,657</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2018, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 420,000	\$ 121,878	\$ 541,878
2020	425,000	109,329	534,329
2021	435,000	96,632	531,632
2022	350,000	83,636	433,636
2023	385,000	73,177	458,177
2024 - 2028	845,000	240,377	1,085,377
2029 - 2033	320,000	162,138	482,138
2034 - 2038	400,000	106,193	506,193
2039 - 2042	<u>380,000</u>	<u>33,775</u>	<u>413,775</u>
	<u>\$ 3,960,000</u>	<u>\$ 1,027,135</u>	<u>\$ 4,987,135</u>

Bonds voted	\$ 12,400,000
Bonds approved for sale and sold	7,020,000
Bonds voted and not issued	5,380,000
Parks and recreational facilities bonds voted	1,100,000
Parks and recreational facilities bonds approved for sale and sold	1,100,000
Parks and recreational facilities bonds voted and not issued	0

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

The bond issues payable at December 31, 2018, were as follows:

	<u>Refunding Series 2011</u>	<u>Refunding Series 2015</u>	<u>Series 2018</u>
Amounts outstanding, December 31, 2018	\$805,000	\$2,055,000	\$1,100,000
Interest rates	2.99%	2.987%	3.125% to 3.50%
Maturity dates, serially beginning/ending	September 1, 2019/2024	September 1, 2019/2028	September 1, 2029/2042
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2019*	September 1, 2020*	September 1, 2024*

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

Developer Construction Commitments and Liabilities

At December 31, 2018, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

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

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

At an election held September 22, 1984, the voters within the District authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 23, 2018, the District levied the following ad valorem taxes for the 2018 tax year and the 2019 fiscal year on the adjusted taxable valuation of \$114,825,534:

	Rate	Amount
Debt service	\$ 0.4400	\$ 505,248
Maintenance	0.2400	275,590
	\$ 0.6800	\$ 780,838

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

2018 tax year total property tax levy	\$ 780,838
2018 tax year total property tax levy deferred to 2019 fiscal year	(780,838)
2017 tax year total property tax levy deferred to 2018 fiscal year	778,361
Appraisal district adjustments to prior year taxes	797
Statement of Activities property tax revenues	\$ 779,158

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,954,185 and the bank balance was \$1,996,362. Of the bank balance, \$1,281,220 was covered by federal insurance and \$715,142 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 \$549,291.

Deposits restricted by state statutes and the Bond Orders:

Debt Service Fund

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

Cash	\$	195,512
Certificates of deposit		217,056
Temporary investments		<u>50,004</u>
	<u>\$</u>	<u>462,572</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$	394,516
Temporary investments		<u>390,241</u>
	<u>\$</u>	<u>784,757</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, 2018, the District had comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, consultant's crime coverage of \$250,000 and a tax assessor-collector bond of \$10,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: JOINT VENTURES

Wastewater Treatment Facilities Agreement

On June 1, 1994 (amended August 27, 1996 and September 13, 2000), the District, Meadowhill Regional Municipal Utility District (“Meadowhill”) and Shasla Public Utility District (“Shasla”) entered into a 40 year Wastewater Treatment Facilities Agreement which superseded prior agreements. Meadowhill subsequently expanded the facilities at its sole cost. As of December 31, 2018, the beneficial interest in the existing wastewater treatment plant (the “Plant”) is as follows: Meadowhill – 71.30% (1,282,500 GPD capacity); Shasla – 14.00% (252,500 GPD capacity); the District – 14.70% (265,000 GPD capacity). Under the terms of the agreement, Meadowhill is the operator of the Plant and, as such, has full and complete management of the Plant. Expansion costs of the Plant are to be funded by the contribution of funds from each participating district in proportion to their share of the expansion. The Plant issues no debt.

The agreement provides for a three month operating reserve based upon an annual budget and for all operation costs to be billed based upon fixed and variable costs of operating the system with fixed costs defined in the agreement based upon owned capacity and variable costs based upon each participant’s equivalent single family connections. During the year ended December 31, 2018, the District accrued \$82,973 for its share of Plant and lift station expenditures. At this date the District had contributed \$25,334 of the Plant’s operating reserve.

Water Production Facilities Agreement

On January 17, 2005, the District and Meadowhill entered into a 40 year Second Amended and Restated Water Production Facilities Agreement which superseded prior agreements. It was agreed that the current beneficial interest in the existing Meadowhill water plant is as follows: The District – 25% of capacity; Meadowhill – 75% of capacity. It was further agreed that the current beneficial interest in the 2004 Improvements (the new Shasla water well) is as follows: The District – 12.6% of capacity; Meadowhill – 87.4% of capacity. Under the terms of the agreement, Meadowhill is the operator of the water plant and, as such, has full and complete management of the water plant. Expansion costs of the water plant are to be funded by the contribution of funds from each participating district in proportion to their share of the expansion. The water plant issues no debt.

The agreement provides for a three month operating reserve based upon an annual budget and for all operation costs to be billed based upon fixed and variable costs of operating the system with fixed costs defined in the agreement based upon owned capacity and variable costs based upon each participant’s equivalent single family connections. The agreement further provides that Meadowhill is to account for and bill separately in the same manner all expenditures related to the facilities constructed as part of the 2004 Improvements. During the year ended December 31, 2018, the District accrued \$218,762 for its share of water plant expenditures, which included its proportional 6.6% share of 2004 improvement expenditures and the regional water authority fees described in Note 10. At this date the District had contributed \$53,566 of the water plant’s operating reserve.

On April 23, 2010, the District received a letter and invoice in the amount of \$77,368 from Meadowhill. The letter alleged that Meadowhill had underbilled the District and outlined a new methodology for billing which was not contemplated under the Second Amended Restated Water Production Facilities Agreement. The District denies that it has any liability to Meadowhill and has continued to pay Meadowhill by estimating the amount it owes under the terms outlined in the Second Amended Restated Water Production Facilities Agreement. Meadowhill’s records indicate that the unpaid and unrecorded amount to Meadowhill was \$238,747 as of December 31, 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Joint Water Supply Agreement

On February 8, 1999, the District and Klein Independent School District ("KISD") entered into a 40 year agreement to provide a water supply and sewage treatment capacity for KISD. In connection with this contract, the District reserved capacity in the Meadowhill wastewater treatment plant for KISD and on December 20, 1999, the District and Northwest Harris County Municipal Utility District No. 36 ("No. 36") entered into a 40 year Joint Water Supply Agreement (the "JWSA") for the construction of a water supply for KISD. The JWSA was for the construction and operation of a water supply plant to be constructed and operated by No. 36 for the benefit of the participating districts. The District owns 25% and No. 36 owns 75% of the water supply plant. The JWSA was amended on September 27, 2006 to update the basis for sharing the operating costs of a second water plant. On May 6, 2010, the districts entered into an Amended and Restated Joint Water Supply Agreement. Under the terms of the agreements, No. 36 is the operator of the joint water supply plants and, as such, has full and complete management of the plants. Expansion costs of the plants are to be funded by the contribution of funds from each participating district in proportion to their share of the expansion. The plants issue no debt.

The JWSA provides for a three month operating reserve based upon an annual budget and for all operation costs to be billed based upon fixed and variable costs (only variable costs with regard to the second water plant) of operating the system with fixed costs defined in the agreement based upon owned capacity and variable costs based upon each participant's equivalent single family connections. During the year ended December 31, 2018, the District accrued \$109,290 for its share of plant expenditures which included its share of the regional water authority fees described in Note 10. At this date the District had contributed \$46,175 of the plants' operating reserve.

NOTE 10: 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, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of December 31, 2018, the Authority had established a pumpage fee of \$3.40 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$3.85 per 1,000 gallons of surface water received from the Authority. The District's fees payable to the Authority for the year ended December 31, 2018, in the amount of \$239,112, were paid through the water supply contract billings described in Note 9. The District billed its customers \$255,461 during the fiscal year to pay for the fees charged by the Authority.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 250,000	\$ 250,000	\$ 267,003	\$ 17,003
Water service	186,624	186,624	182,402	(4,222)
Sewer service	192,839	192,839	189,405	(3,434)
Surface water fees	262,129	262,129	255,461	(6,668)
Penalty	9,817	9,817	13,494	3,677
Interest on deposits and investments	10,878	10,878	14,286	3,408
Other revenues	5,178	5,178	4,758	(420)
TOTAL REVENUES	917,465	917,465	926,809	9,344
EXPENDITURES				
Service operations:				
Purchased services	438,759	438,759	411,025	(27,734)
Professional fees	122,000	122,000	91,779	(30,221)
Contracted services	46,740	46,740	44,667	(2,073)
Repairs, maintenance and other operating expenditures	36,800	36,800	38,537	1,737
Security service	69,168	69,168	68,830	(338)
Garbage disposal	95,081	95,081	95,474	393
Administrative expenditures	83,124	83,124	73,072	(10,052)
Capital outlay	77,285	77,285	52,132	(25,153)
TOTAL EXPENDITURES	968,957	968,957	875,516	(93,441)
EXCESS REVENUES (EXPENDITURES)	(51,492)	(51,492)	51,293	102,785
FUND BALANCE, BEGINNING OF YEAR	1,201,120	1,201,120	1,201,120	0
FUND BALANCE, END OF YEAR	\$ 1,149,628	\$ 1,149,628	\$ 1,252,413	\$ 102,785

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.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DECEMBER 31, 2018

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

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

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2018

1. Services Provided by the District during the Fiscal Year (unaudited):

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$13.50	10,000	N	\$1.50 1.75	10,000 to 20,000 Over 20,000
WASTEWATER:	\$13.50	10,000	N	\$1.50	Over 10,000
SURCHARGE:	\$3.74 per 1,000 gallons of water used -- for NHCRWA fee.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$13.50 Wastewater: \$13.50 Surcharge: \$37.40

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

SCHEDULE OF SERVICES AND RATES (Continued)

DECEMBER 31, 2018

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"	533	532	1.0	532
1"	1	1	2.5	3
1-1/2"	0	0	5.0	0
2"	3	3	8.0	24
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>538</u>	<u>537</u>		<u>639</u>
Total Wastewater	<u>534</u>	<u>533</u>	1.0	<u>533</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 68,491 Water purchased from other districts via
 Gallons billed to customers (unaudited): 61,032 unmetered interconnects (See Note 9)

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 89%

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: _____

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased services:				
Water	\$ 328,052	\$	\$	\$ 328,052
Sewer	82,973			82,973
	<u>411,025</u>	<u>0</u>	<u>0</u>	<u>411,025</u>
Professional fees:				
Auditing	10,950			10,950
Legal	75,618	1,296		76,914
Engineering	5,211			5,211
	<u>91,779</u>	<u>1,296</u>	<u>0</u>	<u>93,075</u>
Contracted services:				
Bookkeeping	19,250			19,250
Operation and billing	25,417			25,417
Tax assessor-collector		9,617		9,617
Central appraisal district		5,824		5,824
	<u>44,667</u>	<u>15,441</u>	<u>0</u>	<u>60,108</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	27,945			27,945
Laboratory costs	2,614			2,614
Reconnection costs	5,732			5,732
TCEQ assessment	1,828			1,828
Other	418			418
	<u>38,537</u>	<u>0</u>	<u>0</u>	<u>38,537</u>
Security service	<u>68,830</u>	<u>0</u>	<u>0</u>	<u>68,830</u>
Garbage disposal	<u>95,474</u>	<u>0</u>	<u>0</u>	<u>95,474</u>
Administrative expenditures:				
Director's fees	26,550			26,550
Office supplies and postage	9,301			9,301
Insurance	6,696	100		6,796
Permits	1,316			1,316
Other	29,209	3,166		32,375
	<u>73,072</u>	<u>3,266</u>	<u>0</u>	<u>76,338</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

EXPENDITURES (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>\$ 52,132</u>	<u>\$ 0</u>	<u>\$ 938,633</u>	<u>\$ 990,765</u>
DEBT SERVICE				
Principal retirement	<u> 0</u>	<u> 405,000</u>	<u> 0</u>	<u> 405,000</u>
Bond issuance expenditures	<u> 0</u>	<u> 0</u>	<u> 102,101</u>	<u> 102,101</u>
Interest and fees:				
Interest	<u> 0</u>	<u> 118,800</u>	<u> 0</u>	<u> 118,800</u>
TOTAL EXPENDITURES	<u>\$ 875,516</u>	<u>\$ 543,803</u>	<u>\$ 1,040,734</u>	<u>\$ 2,460,053</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 684,552	\$ 571,588	\$ 15,433	\$ 1,271,573
Maintenance tax receipts		296,564		296,564
Transfer of maintenance taxes	271,416			271,416
Proceeds from sale of bonds			1,069,183	1,069,183
Increase in customer deposits	3,475			3,475
Overpayments by taxpayers		<u>3,387</u>		<u>3,387</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>959,443</u>	<u>871,539</u>	<u>1,084,616</u>	<u>2,915,598</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	835,975	20,004		855,979
Capital outlay	52,132		844,770	896,902
Debt service		523,800	102,101	625,901
Maintenance tax transfers		271,416		271,416
Increase in reserve at joint ventures	5,818			5,818
Refund of taxpayer overpayments		<u>5,060</u>		<u>5,060</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>893,925</u>	<u>820,280</u>	<u>946,871</u>	<u>2,661,076</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	65,518	51,259	137,745	254,522
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>1,190,629</u>	<u>411,313</u>	<u>647,012</u>	<u>2,248,954</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 1,256,147</u>	<u>\$ 462,572</u>	<u>\$ 784,757</u>	<u>\$ 2,503,476</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS
DECEMBER 31, 2018

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 1002054730	1.10%	5/07/19	\$ 217,056	\$ 0
No. 688515	1.35%	4/28/19	515,874	780
No. 3116001611	2.30%	9/11/19	<u>229,360</u>	<u>289</u>
			<u>\$ 962,290</u>	<u>\$ 1,069</u>
TexPool				
No. 2571400002	Market	On demand	<u>\$ 109,046</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 1002056778	1.10%	5/07/19	<u>\$ 217,056</u>	<u>\$ 0</u>
TexPool				
No. 2571400005	Market	On demand	<u>\$ 50,004</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2571400001	Market	On demand	<u>\$ 390,241</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 1,728,637</u>	<u>\$ 1,069</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 232,034	\$ 439,177
Additions and corrections to prior year taxes	<u>275</u>	<u>522</u>
Adjusted receivable, beginning of year	232,309	439,699
2018 ADJUSTED TAX ROLL	<u>275,590</u>	<u>505,248</u>
Total to be accounted for	507,899	944,947
Tax collections: Current tax year	(66,843)	(122,546)
Prior tax years	<u>(229,721)</u>	<u>(434,886)</u>
RECEIVABLE, END OF YEAR	<u>\$ 211,335</u>	<u>\$ 387,515</u>
RECEIVABLE, BY TAX YEAR		
2014	\$ 39	\$ 119
2015	26	48
2016	1,143	2,033
2017	1,380	2,613
2018	<u>208,747</u>	<u>382,702</u>
	<u>\$ 211,335</u>	<u>\$ 387,515</u>

Fiscal year 2018 General Fund property tax revenue of \$267,003 under the modified accrual basis of accounting is comprised of prior tax year collections of \$229,721 during fiscal year 2018 and 2017 tax year collections of \$37,282 during fiscal year 2017.

Fiscal year 2018 Debt Service Fund property tax revenue of \$511,581 under the modified accrual basis of accounting is comprised of prior tax year collections of \$434,886 during fiscal year 2018 and 2017 tax year collections of \$76,695 during fiscal year 2017.

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 43,748,713	\$ 43,506,475	\$ 33,461,846	\$ 33,340,338
Improvements	165,078,644	165,222,512	163,107,336	157,871,632
Personal property	1,000,987	1,163,633	1,822,475	2,075,353
Less exemptions	<u>(95,002,810)</u>	<u>(94,854,830)</u>	<u>(85,466,534)</u>	<u>(85,450,748)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 114,825,534</u>	 <u>\$ 115,037,790</u>	 <u>\$ 112,925,123</u>	 <u>\$ 107,836,575</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.44000	\$ 0.44500	\$ 0.42250	\$ 0.44000
Maintenance tax rates*	<u>0.24000</u>	<u>0.23500</u>	<u>0.23750</u>	<u>0.24000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.68000</u>	 <u>\$ 0.68000</u>	 <u>\$ 0.66000</u>	 <u>\$ 0.68000</u>
 TAX ROLLS	 <u>\$ 780,838</u>	 <u>\$ 782,378</u>	 <u>\$ 745,443</u>	 <u>\$ 733,446</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>24.3%**</u>	 <u>99.5 %</u>	 <u>99.6 %</u>	 <u>99.9 %</u>

*Maximum tax rate approved by voters on September 22, 1984: \$0.50

**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.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

DECEMBER 31, 2018

<u>Series 2011</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 85,000	\$ 24,070	\$ 109,070
2020	80,000	21,528	101,528
2021	80,000	19,136	99,136
2022	160,000	16,744	176,744
2023	190,000	11,960	201,960
2024	<u>210,000</u>	<u>6,279</u>	<u>216,279</u>
TOTALS	<u>\$ 805,000</u>	<u>\$ 99,717</u>	<u>\$ 904,717</u>

<u>Series 2015</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 335,000	\$ 61,383	\$ 396,383
2020	345,000	51,376	396,376
2021	355,000	41,071	396,071
2022	190,000	30,467	220,467
2023	195,000	24,792	219,792
2024	200,000	18,967	218,967
2025	105,000	12,993	117,993
2026	105,000	9,857	114,857
2027	110,000	6,721	116,721
2028	<u>115,000</u>	<u>3,435</u>	<u>118,435</u>
TOTALS	<u>\$ 2,055,000</u>	<u>\$ 261,062</u>	<u>\$ 2,316,062</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2018

<u>Due During Fiscal Years Ending December 31</u>	<u>Series 2018</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$	\$ 36,425	\$ 36,425
2020		36,425	36,425
2021		36,425	36,425
2022		36,425	36,425
2023		36,425	36,425
2024		36,425	36,425
2025		36,425	36,425
2026		36,425	36,425
2027		36,425	36,425
2028		36,425	36,425
2029	60,000	36,425	96,425
2030	60,000	34,475	94,475
2031	65,000	32,525	97,525
2032	65,000	30,413	95,413
2033	70,000	28,300	98,300
2034	75,000	26,112	101,112
2035	75,000	23,769	98,769
2036	80,000	21,425	101,425
2037	85,000	18,825	103,825
2038	85,000	16,062	101,062
2039	90,000	13,300	103,300
2040	95,000	10,150	105,150
2041	95,000	6,825	101,825
2042	100,000	3,500	103,500
TOTALS	<u>\$ 1,100,000</u>	<u>\$ 666,356</u>	<u>\$ 1,766,356</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)DECEMBER 31, 2018

<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>
2019	\$ 420,000	\$ 121,878	\$ 541,878
2020	425,000	109,329	534,329
2021	435,000	96,632	531,632
2022	350,000	83,636	433,636
2023	385,000	73,177	458,177
2024	410,000	61,671	471,671
2025	105,000	49,418	154,418
2026	105,000	46,282	151,282
2027	110,000	43,146	153,146
2028	115,000	39,860	154,860
2029	60,000	36,425	96,425
2030	60,000	34,475	94,475
2031	65,000	32,525	97,525
2032	65,000	30,413	95,413
2033	70,000	28,300	98,300
2034	75,000	26,112	101,112
2035	75,000	23,769	98,769
2036	80,000	21,425	101,425
2037	85,000	18,825	103,825
2038	85,000	16,062	101,062
2039	90,000	13,300	103,300
2040	95,000	10,150	105,150
2041	95,000	6,825	101,825
2042	100,000	3,500	103,500
TOTALS	<u>\$ 3,960,000</u>	<u>\$ 1,027,135</u>	<u>\$ 4,987,135</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Totals</u>
Bond Series:	2011	2015	2018	
Interest Rate:	2.99%	2.987%	3.125% to 3.50%	
Dates Interest Payable:	March1/ September 1	March1/ September 1	March1/ September 1	
Maturity Dates:	September 1, 2019/2024	September 1, 2019/2028	September 1, 2029/2042	
Bonds Outstanding at Beginning of Current Year	\$ 890,000	\$ 2,375,000	\$ 0	\$ 3,265,000
Add bonds sold			1,100,000	1,100,000
Less Retirements	<u>(85,000)</u>	<u>(320,000)</u>	<u>0</u>	<u>(405,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 805,000</u>	<u>\$ 2,055,000</u>	<u>\$ 1,100,000</u>	<u>\$ 3,960,000</u>
Current Year Interest Paid	<u>\$ 26,611</u>	<u>\$ 70,941</u>	<u>\$ 21,248</u>	<u>\$ 118,800</u>

Bond Descriptions and Original Amount of Issue

- (1) Northwest Harris County Municipal Utility District No. 28 Unlimited Tax and Refunding Bonds, Series 2011 (\$1,280,000)
- (2) Northwest Harris County Municipal Utility District No. 28 Unlimited Tax and Refunding Bonds, Series 2015 (\$3,000,000)
- (2) Northwest Harris County Municipal Utility District No. 28 Unlimited Tax Park Bonds, Series 2018 (\$1,100,000)

Paying Agent/Registrar

- (1) Branch Banking & Trust Company, Charlotte, North Carolina
- (2) Regions Equipment Finance Corporation, Birmingham, Alabama
- (3) Regions Bank, Houston, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Park & Rec. Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 12,400,000	\$ 1,100,000	\$ 0
Amount Issued:	7,020,000	1,100,000	
Remaining to be Issued:	5,380,000	0	

Debt Service Fund deposits and investment balances as of December 31, 2018: \$296,483
 Average annual debt service payment for remaining term of all debt: 207,798

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
REVENUES										
Property taxes	\$ 267,003	\$ 267,004	\$ 258,427	\$ 164,269	\$ 149,800	28.8 %	32.6 %	31.1 %	23.8 %	21.7 %
Water service	182,402	157,825	176,910	171,846	176,170	19.7	19.2	21.3	24.8	25.5
Sewer service	189,405	171,765	184,105	176,366	181,606	20.4	20.9	22.2	25.5	26.3
Surface water fees	255,461	202,015	188,245	161,084	162,519	27.6	24.6	22.7	23.3	23.5
Penalty	13,494	8,027	9,279	7,151	7,355	1.5	1.0	1.1	1.0	1.1
Interest on deposits and investments	14,286	9,374	8,647	5,253	3,465	1.5	1.1	1.0	0.8	0.5
Other revenues	4,758	4,763	5,222	5,596	9,421	0.5	0.6	0.6	0.8	1.4
TOTAL REVENUES	926,809	820,773	830,835	691,565	690,336	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchased services	411,025	429,878	344,112	313,162	300,077	44.4	52.4	41.3	45.4	43.6
Professional fees	91,779	125,200	159,320	98,150	57,881	9.9	15.3	19.2	14.2	8.4
Contracted services	44,667	42,644	43,818	41,062	39,682	4.8	5.2	5.3	5.9	5.7
Repairs, maintenance and other operating expenditures	38,537	49,913	41,731	43,750	43,308	4.1	6.0	5.1	6.3	6.2
Security service	68,830	67,150	67,150	66,569	63,952	7.4	8.2	8.1	9.6	9.3
Garbage disposal	95,474	101,587	102,580	102,146	99,533	10.4	12.4	12.3	14.8	14.4
Administrative expenditures	73,072	84,938	71,443	53,288	50,617	7.9	10.3	8.6	7.7	7.3
Capital outlay	52,132	106,956	38,473	67,320	0	5.6	13.0	4.6	9.7	0.0
TOTAL EXPENDITURES	875,516	1,008,266	868,627	785,447	655,050	94.5	122.8	104.5	113.6	94.9
EXCESS REVENUES (EXPENDITURES)	\$ 51,293	\$ (187,493)	\$ (37,792)	\$ (93,882)	\$ 35,286	5.5 %	(22.8) %	(4.5) %	(13.6) %	5.1 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	537	536	534	534	535					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	533	532	530	530	532					

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
REVENUES										
Property taxes	\$ 511,581	\$ 475,415	\$ 474,220	\$ 492,806	\$ 449,400	97.3 %	98.4 %	98.4 %	99.3 %	98.9 %
Penalty and interest	4,895	4,325	4,998	2,636	2,069	0.9	0.9	1.0	0.5	0.5
Accrued interest on bonds received at date of sale	2,125	0	0	0	0	0.4	0.0	0.0	0.0	0.0
Interest on deposits and investments	<u>7,135</u>	<u>3,593</u>	<u>2,995</u>	<u>1,168</u>	<u>2,662</u>	<u>1.4</u>	<u>0.7</u>	<u>0.6</u>	<u>0.2</u>	<u>0.6</u>
TOTAL REVENUES	<u>525,736</u>	<u>483,333</u>	<u>482,213</u>	<u>496,610</u>	<u>454,131</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	1,296	1,290	991	767	1,117	0.2	0.3	0.2	0.2	0.2
Contracted services	15,441	15,098	15,144	14,849	14,033	2.9	3.1	3.1	3.0	3.1
Other expenditures	3,266	3,043	3,685	4,824	2,473	0.6	0.6	0.8	1.0	0.5
Debt service:										
Principal retirement	405,000	410,000	395,000	355,000	345,000	77.1	84.8	81.9	71.4	76.0
Refunding contribution	0	0	0	52,787	0	0.0	0.0	0.0	10.6	0.0
Interest and fees	<u>118,800</u>	<u>109,802</u>	<u>121,603</u>	<u>103,830</u>	<u>191,056</u>	<u>22.6</u>	<u>22.7</u>	<u>25.2</u>	<u>20.9</u>	<u>42.1</u>
TOTAL EXPENDITURES	<u>543,803</u>	<u>539,233</u>	<u>536,423</u>	<u>532,057</u>	<u>553,679</u>	<u>103.4</u>	<u>111.5</u>	<u>111.2</u>	<u>107.1</u>	<u>121.9</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (18,067)</u>	<u>\$ (55,900)</u>	<u>\$ (54,210)</u>	<u>\$ (35,447)</u>	<u>\$ (99,548)</u>	<u>(3.4) %</u>	<u>(11.5) %</u>	<u>(11.2) %</u>	<u>(7.1) %</u>	<u>(21.9) %</u>

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSDECEMBER 31, 2018

Complete District Mailing Address: Northwest Harris County Municipal Utility District No. 28
 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: August 3, 2018

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>
E. Dwight Osteen, II c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/06/17- 5/02/20	\$ 5,250	\$ 0	President
Thomas Pratt c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/06/17- 5/02/20	6,150	72	Vice President/ Treasurer
Richard Doll c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/09/15- 5/04/19	7,200	238	Secretary
Denean Bennett c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Elected 5/09/15- 5/04/19	5,400	143	Assistant Secretary
Harry B. Walker c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP 1980 Post Oak Boulevard Suite 1380 Houston, Texas 77056	Appointed 8/03/18- 5/04/19	1,350	0	Director

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 28BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)DECEMBER 31, 2018CONSULTANTS

<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	7/06/17	\$ 80,100	Attorney
VLB Bookkeeping Services P.O. Box 867 Groesbeck, Texas 76642-0867	6/28/05	22,478	Bookkeeper
Vicki Busboom P.O. Box 867 Groesbeck, Texas 76642-0867	11/22/11	0	Investment Officer
Hays Utility South Corp. P.O. Box 1209 Houston, Texas 77373	3/13/95	60,309	Operator
Bleyl & Associates 400 Randal Way, Suite 300 Spring, Texas 77388	2/23/16	57,934	Engineer
Equi-Tax, Inc. P.O. Box 73109 Houston, Texas 77273	2/08/96	11,936	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	5,824	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	5/26/16	0	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	11/11/08	10,950	Independent Auditor

See accompanying independent auditor's report.