

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Harris County Municipal
Utility District No. 23
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Harris County Municipal Utility District No. 23 (the "District"), as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 from 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 from 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 the assessment of the risks 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, 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 major fund of the District as of May 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

Management's discussion and analysis of Northwest Harris County Municipal Utility District No. 23's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,968,849 as of May 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings and equipment as well as water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 5,491,023	\$ 5,667,147	\$ (176,124)
Capital Assets (Net of Accumulated Depreciation)	<u>9,143,325</u>	<u>8,882,543</u>	<u>260,782</u>
Total Assets	<u>\$ 14,634,348</u>	<u>\$ 14,549,690</u>	<u>\$ 84,658</u>
Long -Term Liabilities	\$ 4,190,000	\$ 4,510,000	\$ 320,000
Other Liabilities	<u>6,475,499</u>	<u>6,502,713</u>	<u>27,214</u>
Total Liabilities	<u>\$ 10,665,499</u>	<u>\$ 11,012,713</u>	<u>\$ 347,214</u>
Net Position:			
Net Investment in Capital Assets	\$ 105,087	\$ (83,814)	\$ 188,901
Restricted	768,385	723,576	44,809
Unrestricted	<u>3,095,377</u>	<u>2,897,215</u>	<u>198,162</u>
Total Net Position	<u>\$ 3,968,849</u>	<u>\$ 3,536,977</u>	<u>\$ 431,872</u>

The following table provides a summary of the District's operations for the years ending May 31, 2018, and May 31, 2017.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 1,052,968	\$ 1,010,695	\$ 42,273
Charges for Services	1,028,585	934,191	94,394
Regional Water Authority Credits	16,365	16,679	(314)
Other Revenues	<u>37,152</u>	<u>21,849</u>	<u>15,303</u>
Total Revenues	<u>\$ 2,135,070</u>	<u>\$ 1,983,414</u>	<u>\$ 151,656</u>
Expenses for Services	<u>(1,703,198)</u>	<u>(1,675,693)</u>	<u>(27,505)</u>
Change in Net Position	\$ 431,872	\$ 307,721	\$ 124,151
Net Position, Beginning of Year	<u>3,536,977</u>	<u>3,229,256</u>	<u>307,721</u>
Net Position, End of Year	<u>\$ 3,968,849</u>	<u>\$ 3,536,977</u>	<u>\$ 431,872</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2018, were \$4,811,033, a decrease of \$172,021 from the prior year.

The General Fund fund balance increased by \$198,628 primarily due to service revenues exceeding service operations and capital costs.

The Debt Service Fund fund balance increased by \$14,451, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$385,100, primarily due the use of bond proceeds received in a prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal. Actual revenues were \$113,126 more than budgeted revenues. Actual expenditures were \$82,305 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of May 31, 2018, total \$9,143,325 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater service and drainage systems. Construction in progress includes wastewater treatment plant improvements and engineering for water plant improvements, Water Plant No. 2, Phase 1 and a North Harris County Regional Water Authority Surface Water Transmission Line.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 23,795	\$ 23,795	\$
Construction in Progress	827,417	224,784	602,633
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,493,796	1,600,036	(106,240)
Wastewater System	2,417,092	2,505,647	(88,555)
Drainage System	2,792,254	2,872,038	(79,784)
Investment in Wastewater Treatment Plant Capacity	1,588,971	1,656,243	(67,272)
Total Net Capital Assets	\$ 9,143,325	\$ 8,882,543	\$ 260,782

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

LONG-TERM DEBT ACTIVITY

As of May 31, 2018, the District had total long-term debt payable of \$4,510,000.

The changes in the debt position of the District during the fiscal year ended May 31, 2018, are summarized as follows:

Bond Debt Payable, June 1, 2017	\$ 4,825,000
Less: Bond Principal Paid	<u>315,000</u>
Bond Debt Payable, May 31, 2018	<u>\$ 4,510,000</u>

The Series 2013 Bonds carry an underlying rating of “A3/A-” and the Series 2015 Bonds carry an underlying rate of “A3”. The Series 2013 and Series 2015 Bonds also carry an insured rating of “AA” by virtue of bond insurance by Build America Mutual Assurance Company. The above ratings reflect all changes through May 31, 2018.

SUBSEQUENT EVENT - BOND SALE

Subsequent to year-end, on July 12, 2018, the District closed on the sale of its \$3,080,000 Series 2018 Unlimited Tax and Revenue Bonds. The District will use proceeds of the bonds to fund the construction and engineering of Water Plant No. 2, Phase I, the North Harris County Regional Water Authority Surface Water Transmission Line, Water Plant No. 1 electrical code upgrades and motor control center replacement; Water Plant No. 2 site acquisition; 12 months of capitalized interest; and pay for the bond issuance costs.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Northwest Harris County Municipal Utility District No. 23, c/o Strawn & Richardson, P.C., 6750 West Loop South, Suite 865, Bellaire, Texas 77401.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 292,486	\$ 456,057
Investments	2,677,762	255,469
Receivables:		
Property Taxes	33,349	31,099
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$10,400)	133,319	
Accrued Interest	14,703	
Other	3,609	
Due from Other Funds	7,681	
Prepaid Costs	15,881	
Due from Other Governmental Units		
Advance for Regional Wastewater Treatment Plant Operations	35,410	
Chloramine Credits Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,214,200	\$ 742,625

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 716,260	\$ 1,464,803	\$	\$ 1,464,803
	2,933,231		2,933,231
	64,448		64,448
		47,045	47,045
	133,319		133,319
	14,703		14,703
	3,609		3,609
86,363	94,044	(94,044)	
	15,881		15,881
511,381	511,381		511,381
	35,410		35,410
		267,193	267,193
		23,795	23,795
		827,417	827,417
		8,292,113	8,292,113
<u>\$ 1,314,004</u>	<u>\$ 5,270,829</u>	<u>\$ 9,363,519</u>	<u>\$ 14,634,348</u>

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 70,326	\$
Accrued Interest Payable		
Due to Other Governments	64,090	
Due to Developers	2,812	
Due to Other Funds	86,363	7,681
Due to Taxpayers		1,651
Security Deposits	162,425	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 386,016</u>	<u>\$ 9,332</u>
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 33,349</u>	<u>\$ 31,099</u>
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 15,881	\$
Advance for Regional Wastewater Treatment Plant Operations	35,410	
Restricted for Authorized Construction:		
Bond Proceeds		
Net Investment Revenues		
Restricted for Debt Service		702,194
Unassigned	<u>2,743,544</u>	
TOTAL FUND BALANCES	<u>\$ 2,794,835</u>	<u>\$ 702,194</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,214,200</u>	<u>\$ 742,625</u>
 NET POSITION		
Net Investment in Capital Assets		
Restricted for:		
Debt Service		
Capital Projects		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 70,326	\$	\$ 70,326
		20,723	20,723
	64,090		64,090
	2,812	5,833,472	5,836,284
	94,044	(94,044)	
	1,651		1,651
	162,425		162,425
		320,000	320,000
		4,190,000	4,190,000
<u>\$ -0-</u>	<u>\$ 395,348</u>	<u>\$ 10,270,151</u>	<u>\$ 10,665,499</u>
<u>\$ -0-</u>	<u>\$ 64,448</u>	<u>\$ (64,448)</u>	<u>\$ -0-</u>
\$	\$ 15,881	\$ (15,881)	\$
	35,410	(35,410)	
1,305,234	1,305,234	(1,305,234)	
8,770	8,770	(8,770)	
	702,194	(702,194)	
	2,743,544	(2,743,544)	
<u>\$ 1,314,004</u>	<u>\$ 4,811,033</u>	<u>\$ (4,811,033)</u>	<u>\$ - 0 -</u>
<u>\$ 1,314,004</u>	<u>\$ 5,270,829</u>		
		\$ 105,087	\$ 105,087
		759,615	759,615
		8,770	8,770
		3,095,377	3,095,377
		<u>\$ 3,968,849</u>	<u>\$ 3,968,849</u>

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2018**

Total Fund Balances - Governmental Funds		\$ 4,811,033
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Credits due from the North Harris County Regional Water Authority for capital advances are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		267,193
<p>Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		9,143,325
<p>Deferred inflows of resources related to property tax revenues for the 2017 and prior tax levies and penalty and interest receivable for the 2017 and prior tax levies became part of recognized revenues in the governmental activities of the District.</p>		111,493
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:</p>		
Accrued Interest Payable	\$ (20,723)	
Due to Developers	(5,833,472)	
Bonds Payable Within One Year	(320,000)	
Bonds Payable After One Year	<u>(4,190,000)</u>	<u>(10,364,195)</u>
Total Net Position - Governmental Activities		<u>\$ 3,968,849</u>

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

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**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2018**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 583,164	\$ 462,849
Water Service	284,709	
Wastewater Service	278,471	
Regional Water Authority Fees	378,417	
Penalty and Interest	38,357	22,978
Investment Revenues	27,596	4,236
Regional Water Authority Credits	21,912	
Miscellaneous Revenues	3,500	
	<u>\$ 1,616,126</u>	<u>\$ 490,063</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 164,572	\$ 4,617
Contracted Services	88,400	25,139
Purchased Water Service	250,832	
Purchased Wastewater Service	212,128	
Utilities	28,410	
Regional Water Authority Assessments	40,633	
Repairs and Maintenance	237,697	
Depreciation		
Other	132,496	3,369
Capital Outlay	262,330	
Debt Service:		
Bond Principal		315,000
Bond Interest		127,487
	<u>\$ 1,417,498</u>	<u>\$ 475,612</u>
TOTAL EXPENDITURES/EXPENSES		
NET CHANGE IN FUND BALANCES	\$ 198,628	\$ 14,451
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2017	<u>2,596,207</u>	<u>687,743</u>
FUND BALANCES/NET POSITION - MAY 31, 2018	<u>\$ 2,794,835</u>	<u>\$ 702,194</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,046,013	\$ 6,955	\$ 1,052,968
	284,709		284,709
	278,471		278,471
	378,417		378,417
	61,335	25,653	86,988
1,820	33,652		33,652
	21,912	(5,547)	16,365
	3,500		3,500
\$ 1,820	\$ 2,108,009	\$ 27,061	\$ 2,135,070
\$	\$ 169,189	\$	\$ 169,189
	113,539		113,539
	250,832		250,832
	212,128		212,128
	28,410		28,410
	40,633		40,633
	237,697		237,697
		341,851	341,851
39	135,904		135,904
386,881	649,211	(602,633)	46,578
	315,000	(315,000)	
	127,487	(1,050)	126,437
\$ 386,920	\$ 2,280,030	\$ (576,832)	\$ 1,703,198
\$ (385,100)	\$ (172,021)	\$ 172,021	\$
		431,872	431,872
1,699,104	4,983,054	(1,446,077)	3,536,977
\$ 1,314,004	\$ 4,811,033	\$ (842,184)	\$ 3,968,849

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ (172,021)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.</p>	6,955
<p>Governmental funds report penalty and interest revenue on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.</p>	25,653
<p>Governmental funds report North Harris County Regional Water Authority credits as revenues. In the government-wide financial statements, the principal portion of the credits decreases long-term receivables and the balance is recorded as investment revenues.</p>	(5,547)
<p>Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>	(341,851)
<p>Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.</p>	602,633
<p>Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities.</p>	315,000
<p>Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.</p>	1,050
Change in Net Position - Governmental Activities	<u>\$ 431,872</u>

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 1. CREATION OF DISTRICT

Northwest Harris County Municipal Utility District No. 23, located in Harris County, Texas (the “District”) was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective July 3, 1979. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on July 12, 1979, and the first bonds were sold on July 7, 1980.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

The District has entered into an agreement with Northwest Harris County Municipal Utility District No. 21 (“District No. 21”) and Northwest Harris County Municipal Utility District No. 22 (“District No. 22”) for wastewater disposal. Oversight responsibility of the Northchase Regional Sewage Treatment Plant is with District No. 21. Additional disclosure concerning this agreement is provided in Note 8.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (GASB Codification).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each fund to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years following the date of acquisition. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 3. LONG-TERM DEBT

	<u>Series 2013</u>	<u>Series 2015</u>
Amounts Outstanding - May 31, 2018	\$ 2,190,000	\$ 2,320,000
Interest Rates	2.00% - 3.625%	2.00% - 3.25%
Maturity Dates - Serially Beginning/Ending	October 1, 2018/2021, 2023, 2025, 2027, 2029	October 1, 2018/2019, 2021/2029
Interest Payment Dates	October 1/ April 1	October 1/ April 1
Callable Dates	October 1, 2020*	October 1, 2022*

* Or on any date thereafter, at the option of the District, in whole or in part, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Series 2013 term bonds maturing October 1, 2023, October 1, 2025, October 1, 2027, and October 1, 2029, are subject to mandatory redemption beginning October 1, 2022, October 1, 2024, October 1, 2026, and October 1, 2028, respectively. The Series 2015 term bonds maturing October 1, 2021, are subject to mandatory redemption beginning October 1, 2020.

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2018:

	<u>June 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>May 31, 2018</u>
Bonds Payable	<u>\$ 4,825,000</u>	<u>\$ -0-</u>	<u>\$ 315,000</u>	<u>\$ 4,510,000</u>
			Amount Due Within One Year	\$ 320,000
			Amount Due After One Year	<u>4,190,000</u>
			Bonds Payable, Net	<u>\$ 4,510,000</u>

As of May 31, 2018, the District had authorized but unissued bonds in the amount of \$20,135,000 for utility facilities and \$2,940,000 for refunding bonds.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 3. LONG-TERM DEBT (Continued)

As of May 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 320,000	\$ 121,138	\$ 441,138
2020	330,000	114,637	444,637
2021	340,000	107,938	447,938
2022	350,000	100,812	450,812
2023	355,000	92,418	447,418
2024-2028	1,945,000	299,413	2,244,413
2029-2030	870,000	29,712	899,712
	<u>\$ 4,510,000</u>	<u>\$ 866,068</u>	<u>\$ 5,376,068</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and wastewater system.

During the year ended May 31, 2018, the District levied an ad valorem debt service tax rate of \$0.34 per \$100 of assessed valuation, which resulted in a tax levy of \$466,510 on the adjusted taxable valuation of \$137,209,099 for the 2017 tax year. The bond order requires the District to 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. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

Levy Date	- October 1 or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that any profit realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken.
- B. The bond orders state that the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of the bonds.
- C. The bond orders state that the District is required to provide continuing disclosure of certain financial and operating data with respect to the District to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”). This information, along with audited annual financial statements, is to be provided within six months after the end of the District’s fiscal year, throughout the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s bank deposits was \$3,559,558 and the bank balance was \$3,547,070. Of the bank balance, \$1,821,529 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2018, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 292,486	\$ 2,094,755	\$ 2,387,241
DEBT SERVICE FUND	456,057		456,057
CAPITAL PROJECTS FUND	<u>716,260</u>		<u>716,260</u>
TOTAL DEPOSITS	<u>\$ 1,464,803</u>	<u>\$ 2,094,755</u>	<u>\$ 3,559,558</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of May 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 583,007	\$ 583,007	\$	\$	\$
Certificates of Deposit	2,094,755	2,094,755			
<u>DEBT SERVICE FUND</u>					
TexPool	255,469	255,469			
TOTAL INVESTMENTS	\$ 2,933,231	\$ 2,933,231	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2018, the District's investment in TexPool was rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2018:

	June 1, 2017	Increases	Decreases	May 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 23,795	\$	\$	\$ 23,795
Construction in Progress	<u>224,784</u>	<u>649,211</u>	<u>46,578</u>	<u>827,417</u>
Total Capital Assets Not Being Depreciated	<u>\$ 248,579</u>	<u>\$ 649,211</u>	<u>\$ 46,578</u>	<u>\$ 851,212</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,577,532	\$	\$	\$ 3,577,532
Wastewater System	3,659,545			3,659,545
Drainage System	3,567,416			3,567,416
Investment in Wastewater Treatment Plant Capacity	<u>2,654,651</u>			<u>2,654,651</u>
Total Capital Assets Subject to Depreciation	<u>\$ 13,459,144</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 13,459,144</u>
Less Accumulated Depreciation				
Water System	\$ 1,977,496	\$ 106,240	\$	\$ 2,083,736
Wastewater System	1,153,898	88,555		1,242,453
Drainage System	695,378	79,784		775,162
Investment in Wastewater Treatment Plant Capacity	<u>998,408</u>	<u>67,272</u>		<u>1,065,680</u>
Total Accumulated Depreciation	<u>\$ 4,825,180</u>	<u>\$ 341,851</u>	<u>\$ - 0 -</u>	<u>\$ 5,167,031</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,633,964</u>	<u>\$ (341,851)</u>	<u>\$ - 0 -</u>	<u>\$ 8,292,113</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,882,543</u>	<u>\$ 307,360</u>	<u>\$ 46,578</u>	<u>\$ 9,143,325</u>

NOTE 7. MAINTENANCE TAX

On August 11, 1979, the voters of the District approved the levy and collection of a maintenance tax, without limitation as to rate or amount, on all taxable property within the District. This maintenance tax is to be used in the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.43 per \$100 of assessed valuation, which resulted in a tax levy of \$590,000 on the taxable valuation of \$137,209,099 for the 2017 tax year.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 8. REGIONAL SEWAGE TREATMENT PLANT AGREEMENT

On December 13, 1979, the District entered into an agreement with District No. 21 and District No. 22 to share in the construction, ownership and operating costs of a 500,000 gallon per day regional sewage treatment plant (the “Plant”). The agreement was amended on September 16, 1985, May 9, 2006, December 13, 2014, and December 31, 2016.

In 1981, the Plant was expanded to 1,000,000 gallons per day capacity, and in 2005, the Plant was again expanded to 1,500,000 gallons per day capacity. The agreement provides for each district to pay a portion of the construction costs based upon its pro rata share of capacity. Each district owns an undivided interest in the Plant equal to its pro rata share of total capacity. The District purchased 50,000 gallons per day sewage treatment capacity from District No. 22 for \$199,500 on November 1, 2005. Effective December 13, 2014, the agreement was extended for a term of 40 years and shall automatically renew for additional one-year terms unless terminated under any provision of the agreement or by any party within 90 days of the expiration of any extension term. Effective December 31, 2016, District No. 21 sold 95,100 gallons per day capacity to the District.

The participating districts and their respective pro rata share of capacity in the Plant are:

	<u>Capacity in Total Gallons Per day</u>	<u>Percentage of Total Capacity</u>
District No. 21	429,900	28.66%
District No. 22	505,000	33.67
The District	<u>565,100</u>	<u>37.67</u>
TOTAL	<u>1,500,000</u>	<u>100.00%</u>

District No. 21 is responsible for operating and maintaining the Plant and bills each participant on a monthly basis for their share of operating expenditures.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 8. REGIONAL SEWAGE TREATMENT PLANT AGREEMENT (Continued)

Certain fixed operating costs are allocated based on each district's pro rata share of Plant ownership; all other operating costs are allocated based on each district's pro rata share of billed water consumption served by the Plant. In the current fiscal year, the District maintained its advance for operations and maintenance of the Plant at \$35,410. The District recorded \$212,128 as its share of operating costs of the Plant. Of this amount, \$35,554 was payable to the Plant at the fiscal year-end.

The following summary financial data on the Northchase Regional Sewage Treatment Plant is presented for the fiscal year ended May 31, 2018. Separate financial statements are issued on the Plant and can be obtained from the District's attorney.

Total Assets	\$ 1,795,988
Total Liabilities	<u>1,701,988</u>
Total Fund Balance	<u>\$ 94,000</u>
Total Revenues	\$ 2,319,109
Total Expenditures	<u>1,770,713</u>
Excess Expenditures	\$ 548,396
Other Financing Sources (Uses)	
Capital Outlay Expenditures	<u>\$ (548,396)</u>
Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2017	<u>94,000</u>
Fund Balance – May 31, 2018	<u>\$ 94,000</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 9. EMERGENCY WATER SUPPLY CONTRACT

On August 18, 1981, the District entered into an emergency water supply contract with District No. 22 whereby each district will furnish the other district emergency water supply service for a period of 40 years. The District will maintain the interconnect and all such maintenance costs will be equally shared between the two districts.

The charge for emergency water service will be a daily rate calculated as the minimum monthly water bill of the district selling water times the number of connections in the district purchasing water divided by 30. On June 10, 2004, the District approved the First Amendment to the Emergency Water Supply Contract. This contract includes District No. 21 as well as District No. 22 and the District. The amended contract provides for the repayment of water in-kind within 180 days and eliminated the need for the supplying district to recoup the Authority assessment from the receiving district. After 180 days, an invoice will be issued for emergency water service to be paid in cash at a rate of \$1.00 per 1,000 gallons of water used plus the Authority assessment and any and all other assessments or regulation charges paid by the supplying district.

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The current fee is \$3.85 for each 1,000 gallons of surface water purchased. The District recorded an expenditure of \$250,832 for water purchased from the Authority during the current fiscal year, of which \$27,406 was payable at May 31, 2018. A five-member board of directors governs the Authority. The directors serve staggered four-year terms. The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$3.40 for each 1,000 gallons of water pumped. The District recorded an expenditure of \$40,633 for fees assessed during the current fiscal year.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

**NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)**

Chloramine Conversion Reimbursement

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority's system. The District has completed its chloramine system. The District's reimbursable cost of this system was \$301,606. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the January 2011 Authority billing. Total credits earned in the current fiscal year were \$21,912. Of this amount, \$5,547 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

Fiscal Year	Principal	Interest	Total
2019	\$ 5,880	\$ 16,032	\$ 21,912
2020	6,232	15,679	21,911
2021	6,606	15,305	21,911
2022	7,003	14,908	21,911
2023	7,423	14,488	21,911
2024-2028	44,355	65,202	109,557
2029-2033	59,356	50,200	109,556
2034-2038	79,432	30,124	109,556
2039-2041	50,906	5,699	56,605
	<u>\$ 267,193</u>	<u>\$ 227,637</u>	<u>\$ 494,830</u>

NOTE 11. 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; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 12. UNREIMBURSED DEVELOPER COSTS

The District has executed several development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with the construction of new water, wastewater and drainage facilities until such time as the District can sell bonds. These developers advanced \$380,000 for the purchase of capacity in the wastewater treatment plant, construction of a 16-inch water transmission line to connect to the North Harris County Regional Water Authority and engineering fees related to ongoing District projects. The cost basis of projects funded by a developer and the related liability are recorded in the Statement of Net Position when the project is completed and ready for use and the District operates or maintains the facility. The District has recorded a liability of \$5,833,472 as of May 31, 2018, for completed projects.

Amounts reported by the developers may be estimates. Actual amounts may vary. Any reimbursement for these costs will come from the proceeds of a future bond sale.

NOTE 13. INTERFUND BALANCES

The Debt Service Fund (Tax Account) owed the General Fund \$7,681 for maintenance tax collections. The General Fund owed the Capital Projects Fund \$63,525 for the amounts spent in excess from the Capital Projects Fund for the 2015 Wastewater Treatment Plant Rehabilitation, wastewater treatment plant lift station pump replacement and dewatering box expansion and \$22,838 for the refund of funds related to the District No. 22 joint project.

NOTE 14. WATER SUPPLY AGREEMENT

On February 18, 2010, the District entered into a Water Supply Agreement with the North Harris County Regional Water Authority (the "Authority") in order for the District to maintain compliance with the Commission's requirements related to the District's minimum water supply capacity. The Authority agrees to sell and deliver to the District a volume of the Authority's water between 0.2 and 0.7 million gallons per day. The term of this agreement shall end on January 1, 2040.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2018**

NOTE 15. ESCROW REQUIREMENT

The District was directed by the Commission to escrow \$1,434,864 (\$728,696 for construction for 2015 wastewater treatment plant rehabilitation, \$535,680 for 2017 wastewater treatment plant rehabilitation, \$38,818 for wastewater treatment plant lift station pump replacement, \$82,609 for wastewater trunkline rehabilitation and \$49,061 for dewatering box expansion) of its Series 2015 Bonds pending approval. On May 20, 2016, the Commission approved the release of \$816,575 for the 2015 wastewater treatment plant rehabilitation, wastewater treatment plant lift station pump replacement and dewatering box expansion. On March 3, 2017, the Commission approved the release of \$82,609 for wastewater trunkline rehabilitation. As of year-end, \$535,680 was required to remain in escrow.

NOTE 16. SUBSEQUENT EVENT - BOND SALE

Subsequent to year-end, on July 12, 2018, the District closed on the sale of its \$3,080,000 Series 2018 Unlimited Tax and Revenue Bonds. The District will use proceeds of the bonds to fund the construction and engineering of Water Plant No. 2, Phase I, the North Harris County Regional Water Authority Surface Water Transmission Line, Water Plant No. 1 electrical code upgrades and motor control center replacement; Water Plant No. 2 site acquisition; 12 months of capitalized interest; and pay for the bond issuance costs.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23**

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2018

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 533,000	\$ 583,164	\$ 50,164
Water Service	295,000	284,709	(10,291)
Wastewater Service	285,000	278,471	(6,529)
Regional Water Authority Fees	338,000	378,417	40,417
Penalty and Interest	40,000	38,357	(1,643)
Investment Revenues	12,000	27,596	15,596
Regional Water Authority Credits		21,912	21,912
Miscellaneous Revenues		3,500	3,500
TOTAL REVENUES	<u>\$ 1,503,000</u>	<u>\$ 1,616,126</u>	<u>\$ 113,126</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 195,500	\$ 164,572	\$ 30,928
Contracted Services	90,000	88,400	1,600
Purchased Water Service	323,000	250,832	72,168
Purchased Wastewater Service	225,000	212,128	12,872
Utilities	30,000	28,410	1,590
Regional Water Authority Assessments		40,633	(40,633)
Repairs and Maintenance	250,000	237,697	12,303
Other	144,880	132,496	12,384
Capital Outlay	76,813	262,330	(185,517)
TOTAL EXPENDITURES	<u>\$ 1,335,193</u>	<u>\$ 1,417,498</u>	<u>\$ (82,305)</u>
NET CHANGE IN FUND BALANCE	\$ 167,807	\$ 198,628	\$ 30,821
FUND BALANCE - JUNE 1, 2017	<u>2,596,207</u>	<u>2,596,207</u>	
FUND BALANCE - MAY 31, 2018	<u>\$ 2,764,014</u>	<u>\$ 2,794,835</u>	<u>\$ 30,821</u>

See accompanying independent auditor's report.

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**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MAY 31, 2018**

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	<u> X </u>	Security
_____	Solid Waste/Garbage	_____	Flood Control	_____	Roads
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
_____	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved February 11, 2016.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 14.00	3,000	N	\$ 1.00 \$ 1.25 \$ 1.75 \$ 2.00 \$ 2.50	3,001 to 10,000 10,001 to 15,000 15,001 25,000 25,001 to 50,000 50,001 and up
WASTEWATER:	\$ 18.00		Y		
SURCHARGE:					
Regional Water Authority Fees			N	\$ 4.62	All
District employs winter averaging for wastewater usage?					_____ <u> X </u> Yes No

Total monthly charges per 10,000 gallons usage: Water: \$21.00 Wastewater: \$18.00 Surcharge: \$46.20 Total \$85.20

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

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			x 1.0	
≤ ³ / ₄ "	<u>1,135</u>	<u>1,113</u>	x 1.0	<u>1,113</u>
1"	<u>7</u>	<u>7</u>	x 2.5	<u>18</u>
1½"	<u>4</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>13</u>	<u>12</u>	x 8.0	<u>96</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"			x 25.0	
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,161</u>	<u>1,137</u>		<u>1,307</u>
Total Wastewater Connections	<u>1,154</u>	<u>1,130</u>	x 1.0	<u>1,130</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	80,488,000	Water Accountability Ratio: 100.0% (Gallons billed, sold, flushing and breaks/Gallons pumped and purchased)
Gallons purchased:	12,288,000	From: Northwest Harris County Municipal Utility District No. 21/22
Gallons sold:	1,042,000	To: Northwest Harris County Municipal Utility District No. 21/22
Gallons billed to customers:	91,734,000	

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2018**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 15,725
Engineering	82,418
Legal	<u>66,429</u>
TOTAL PROFESSIONAL FEES	<u>\$ 164,572</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 250,832
Purchased Wastewater Service	<u>212,128</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 462,960</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,363
Operations and Billing	<u>44,737</u>
TOTAL CONTRACTED SERVICES	<u>\$ 64,100</u>
UTILITIES:	
Electricity	<u>\$ 28,410</u>
REPAIRS AND MAINTENANCE	<u>\$ 237,697</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 22,800
Dues	650
Insurance	19,331
Office Supplies and Postage	27,490
Payroll Taxes	1,928
Travel and Meetings	<u>12,740</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 84,939</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 262,330
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 262,330</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2018**

SECURITY	\$ <u>24,300</u>
OTHER EXPENDITURES:	
Chemicals	\$ 5,727
Laboratory Fees	16,720
Permit Fees	2,881
Reconnection Fees	18,270
Inspection Fees	1,200
Regulatory Assessment	2,759
Regional Water Authority Assessments	<u>40,633</u>
TOTAL OTHER EXPENDITURES	\$ <u>88,190</u>
TOTAL EXPENDITURES	\$ <u>1,417,498</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
INVESTMENTS
MAY 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0002	1.7692%	Daily	\$ 583,007	\$
Certificate of Deposit	XXXX7577	1.5000%	02/10/19	241,444	2,907
Certificate of Deposit	XXXX0105	1.2700%	07/18/18	343,000	3,784
Certificate of Deposit	XXXX3200	1.1000%	08/06/18	243,044	2,183
Certificate of Deposit	XXXX0940	1.1000%	08/09/18	236,601	2,104
Certificate of Deposit	XXXX2316	1.0000%	09/14/18	101,367	719
Certificate of Deposit	XXXX5612	0.9030%	10/17/18	104,342	581
Certificate of Deposit	XXXX1235	1.6000%	09/13/18	480,000	1,620
Certificate of Deposit	XXXX1821	2.0000%	04/19/19	240,000	552
Certificate of Deposit	XXXX2507	2.0000%	04/17/19	104,957	253
TOTAL GENERAL FUND				<u>\$ 2,677,762</u>	<u>\$ 14,703</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	1.7692%	Daily	\$ 255,469	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 2,933,231</u>	<u>\$ 14,703</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2017	\$	28,268		\$ 29,225
Adjustments to Beginning				
Balance		<u>(1,755)</u>	\$ 26,513	<u>(1,787)</u> \$ 27,438
Original 2017 Tax Levy	\$	534,158		\$ 422,357
Adjustment to 2017 Tax Levy		<u>55,842</u>	<u>590,000</u>	<u>44,153</u> <u>466,510</u>
TOTAL TO BE				
ACCOUNTED FOR			\$ 616,513	\$ 493,948
TAX COLLECTIONS:				
Prior Years	\$	11,841		\$ 11,105
Current Year		<u>571,323</u>	<u>583,164</u>	<u>451,744</u> <u>462,849</u>
TAXES RECEIVABLE -				
MAY 31, 2018			<u>\$ 33,349</u>	<u>\$ 31,099</u>
TAXES RECEIVABLE BY				
YEAR:				
2017			\$ 18,677	\$ 14,766
2016			3,625	3,119
2015			2,116	2,328
2014			1,705	2,018
2013			1,242	1,462
2012 and Prior			<u>5,984</u>	<u>7,406</u>
TOTAL			<u>\$ 33,349</u>	<u>\$ 31,099</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 35,400,983	\$ 32,017,841	\$ 31,534,258	\$ 27,898,889
Improvements	134,054,127	126,326,282	115,869,068	91,219,229
Personal Property	4,287,304	3,949,219	3,264,100	3,119,561
Exemptions	<u>(36,533,315)</u>	<u>(35,591,850)</u>	<u>(38,856,842)</u>	<u>(26,109,338)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 137,209,099</u></u>	<u><u>\$ 126,701,492</u></u>	<u><u>\$ 111,810,584</u></u>	<u><u>\$ 96,128,341</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.34	\$ 0.37	\$ 0.44	\$ 0.51
Maintenance**	<u>0.43</u>	<u>0.43</u>	<u>0.40</u>	<u>0.43</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 0.77</u></u>	<u><u>\$ 0.80</u></u>	<u><u>\$ 0.84</u></u>	<u><u>\$ 0.94</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 1,056,510</u></u>	<u><u>\$ 1,013,612</u></u>	<u><u>\$ 939,209</u></u>	<u><u>\$ 903,607</u></u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u><u>96.83 %</u></u>	<u><u>99.33 %</u></u>	<u><u>99.53 %</u></u>	<u><u>99.59 %</u></u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

** Maintenance Tax – Voters approved a maintenance tax without limitation on August 11, 1979.

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018**

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending May 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2019	\$ 175,000	\$ 60,600	\$ 235,600
2020	175,000	57,100	232,100
2021	180,000	53,550	233,550
2022	180,000	49,725	229,725
2023	180,000	45,000	225,000
2024	180,000	39,600	219,600
2025	185,000	34,125	219,125
2026	185,000	28,575	213,575
2027	185,000	22,794	207,794
2028	185,000	16,781	201,781
2029	190,000	10,331	200,331
2030	190,000	3,444	193,444
	\$ 2,190,000	\$ 421,625	\$ 2,611,625

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending May 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2019	\$ 145,000	\$ 60,538	\$ 205,538
2020	155,000	57,537	212,537
2021	160,000	54,388	214,388
2022	170,000	51,087	221,087
2023	175,000	47,418	222,418
2024	185,000	43,138	228,138
2025	195,000	37,900	232,900
2026	205,000	31,900	236,900
2027	215,000	25,600	240,600
2028	225,000	19,000	244,000
2029	240,000	11,875	251,875
2030	250,000	4,062	254,062
	\$ 2,320,000	\$ 444,443	\$ 2,764,443

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2018**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 320,000	\$ 121,138	\$ 441,138
2020	330,000	114,637	444,637
2021	340,000	107,938	447,938
2022	350,000	100,812	450,812
2023	355,000	92,418	447,418
2024	365,000	82,738	447,738
2025	380,000	72,025	452,025
2026	390,000	60,475	450,475
2027	400,000	48,394	448,394
2028	410,000	35,781	445,781
2029	430,000	22,206	452,206
2030	440,000	7,506	447,506
	<u>\$ 4,510,000</u>	<u>\$ 866,068</u>	<u>\$ 5,376,068</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding June 1, 2017
Northwest Harris County Municipal Utility District No. 23 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	\$ 2,540,000	\$ 2,365,000
Northwest Harris County Municipal Utility District No. 23 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	<u>2,590,000</u>	<u>2,460,000</u>
TOTAL	<u>\$ 5,130,000</u>	<u>\$ 4,825,000</u>
Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 31,000,000	\$ 9,750,000
Amount Issued	<u>10,865,000</u>	<u>6,810,000</u>
Remaining to be Issued	<u>\$ 20,135,000</u>	<u>\$ 2,940,000</u>
Debt Service Fund cash and investment balances as of May 31, 2018:		<u>\$ 711,526</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 448,006</u>

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 175,000	\$ 64,100	\$ 2,190,000	The Bank of New York Mellon Trust Company, N.A. New York, NY
	<u>140,000</u>	<u>63,387</u>	<u>2,320,000</u>	The Bank of New York Mellon Trust Company, N.A. New York, NY
<u>\$ - 0 -</u>	<u>\$ 315,000</u>	<u>\$ 127,487</u>	<u>\$ 4,510,000</u>	

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amount		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 583,164	\$ 538,556	\$ 446,148
Water Service	284,709	284,345	271,932
Wastewater Service	278,471	280,611	265,917
Regional Water Authority Fee	378,417	315,472	273,000
Penalty and Interest	38,357	36,045	37,078
Tap Connection and Inspection Fees			35,285
Investment Revenues	27,596	13,620	10,223
Regional Water Authority Credits	21,912	21,912	21,912
Miscellaneous Revenues	3,500	4,671	4,553
TOTAL REVENUES	\$ 1,616,126	\$ 1,495,232	\$ 1,366,048
EXPENDITURES			
Professional Fees	\$ 164,572	\$ 245,788	\$ 221,002
Contracted Services	88,400	89,197	88,158
Purchased Water Service	250,832	251,562	232,426
Purchased Wastewater Service	212,128	208,587	209,272
Utilities	28,410	29,140	32,573
Regional Water Authority Assessments	40,633	34,136	28,228
Repairs and Maintenance	237,697	197,566	276,335
Other	132,496	134,637	143,712
Capital Outlay	262,330	1,312,066	293,000
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 1,417,498	\$ 2,502,679	\$ 1,524,706
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 198,628	\$ (1,007,447)	\$ (158,658)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$	\$	\$ 641,871
Developer Contributions		927,225	179,982
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 927,225	\$ 821,853
NET CHANGE IN FUND BALANCE	\$ 198,628	\$ (80,222)	\$ 663,195
BEGINNING FUND BALANCE	2,596,207	2,676,429	2,013,234
ENDING FUND BALANCE	\$ 2,794,835	\$ 2,596,207	\$ 2,676,429

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 407,085	\$ 400,089	36.1 %	36.0 %	32.7 %	31.1 %	29.2 %
264,484	435,727	17.6	19.0	19.9	20.2	31.8
257,139	250,527	17.2	18.8	19.5	19.7	18.3
209,149	198,054	23.4	21.1	20.0	16.0	14.5
37,341	39,631	2.4	2.4	2.7	2.9	2.9
97,832	12,090			2.6	7.5	0.9
7,425	7,206	1.7	0.9	0.7	0.6	0.5
21,909	22,479	1.4	1.5	1.6	1.7	1.6
4,376	4,427	0.2	0.3	0.3	0.3	0.3
<u>\$ 1,306,740</u>	<u>\$ 1,370,230</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 223,319	\$ 171,716	10.2 %	16.4 %	16.2 %	17.1 %	12.5 %
83,623	78,100	5.5	6.0	6.5	6.4	5.7
236,408	468,560	15.5	16.8	17.0	18.1	34.2
220,846	208,145	13.1	14.0	15.3	16.9	15.2
21,745	30,885	1.8	1.9	2.4	1.7	2.3
14,906	373	2.5	2.3	2.1	1.1	
148,672	431,448	14.7	13.2	20.2	11.4	31.5
152,288	118,207	8.2	9.0	10.5	11.7	8.6
691,140	116,399	16.2	87.7	21.4	52.9	8.5
47,000					3.6	
<u>\$ 1,839,947</u>	<u>\$ 1,623,833</u>	<u>87.7 %</u>	<u>167.3 %</u>	<u>111.6 %</u>	<u>140.9 %</u>	<u>118.5 %</u>
<u>\$ (533,207)</u>	<u>\$ (253,603)</u>	<u>12.3 %</u>	<u>(67.3) %</u>	<u>(11.6) %</u>	<u>(40.9) %</u>	<u>(18.5) %</u>
\$ 718,752	\$ 209,488					
136,331						
<u>\$ 855,083</u>	<u>\$ 209,488</u>					
\$ 321,876	\$ (44,115)					
<u>1,691,358</u>	<u>1,735,473</u>					
<u>\$ 2,013,234</u>	<u>\$ 1,691,358</u>					

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amount		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 462,849	\$ 465,342	\$ 491,553
Penalty and Interest	22,978	17,554	10,591
Investment Revenues	4,236	1,983	1,145
Miscellaneous Revenues			395
TOTAL REVENUES	<u>\$ 490,063</u>	<u>\$ 484,879</u>	<u>\$ 503,684</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 31,875	\$ 29,102	\$ 32,743
Debt Service Principal	315,000	305,000	530,000
Debt Service Interest and Fees	128,737	134,938	127,220
TOTAL EXPENDITURES	<u>\$ 475,612</u>	<u>\$ 469,040</u>	<u>\$ 689,963</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 14,451</u>	<u>\$ 15,839</u>	<u>\$ (186,279)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$	\$
Long-Term Debt Issued			67,387
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 67,387</u>
NET CHANGE IN FUND BALANCE	\$ 14,451	\$ 15,839	\$ (118,892)
BEGINNING FUND BALANCE	<u>687,743</u>	<u>671,904</u>	<u>790,796</u>
ENDING FUND BALANCE	<u><u>\$ 702,194</u></u>	<u><u>\$ 687,743</u></u>	<u><u>\$ 671,904</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,137</u>	<u>1,139</u>	<u>1,132</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,130</u>	<u>1,137</u>	<u>1,127</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 482,689	\$ 470,400	94.4 %	96.0 %	97.6 %	97.9 %	96.4 %
8,907	9,537	4.7	3.6	2.1	1.8	2.0
1,333	1,986	0.9	0.4	0.2	0.3	0.4
10	5,932			0.1		1.2
<u>\$ 492,939</u>	<u>\$ 487,855</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 26,932	\$ 27,683	6.5 %	6.0 %	6.5 %	5.5 %	5.7 %
520,000	505,000	64.3	62.9	105.2	105.5	103.5
91,450	82,436	26.3	27.8	25.3	18.6	16.9
<u>\$ 638,382</u>	<u>\$ 615,119</u>	<u>97.1 %</u>	<u>96.7 %</u>	<u>137.0 %</u>	<u>129.6 %</u>	<u>126.1 %</u>
<u>\$ (145,443)</u>	<u>\$ (127,264)</u>	<u>2.9 %</u>	<u>3.3 %</u>	<u>(37.0) %</u>	<u>(29.6) %</u>	<u>(26.1) %</u>
\$ 138,700	\$					
	138,700					
<u>\$ 138,700</u>	<u>\$ 138,700</u>					
\$ (6,743)	\$ 11,436					
797,539	786,103					
<u>\$ 790,796</u>	<u>\$ 797,539</u>					
<u>1,133</u>	<u>1,129</u>					
<u>1,130</u>	<u>1,127</u>					

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018**

District Mailing Address - Northwest Harris County Municipal Utility District No. 23
c/o Strawn & Richardson, P.C.
6750 West Loop South, Suite 865
Bellaire, TX 77401

District Telephone Number - (713) 864-5466

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>May 31, 2018</u>	Expense Reimbursements for the year ended <u>May 31, 2018</u>	<u>Title</u>
Victoria Hawkins	11/14 11/18 (Elected)	\$ 1,500	\$ 754	President
Barbara Benson	11/14 11/18 (Elected)	\$ 4,350	\$ 2,431	First Vice President
Lenora Flores	11/14 11/18 (Elected)	\$ 5,550	\$ 2,265	Second Vice President
Earlinda Trujillo	11/16 11/20 (Elected)	\$ 6,750	\$ 1,484	Secretary
Dan Young	05/17 11/20 (Appointed)	\$ 4,650	\$ 2,227	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): July 9, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 10, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 23
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2018**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2018</u>	<u>Title</u>
Strawn & Richardson, P.C.	08/01/99	\$ 72,258 \$ -0- \$ 4,581	General Counsel Bond Counsel Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	06/08/89	\$ 15,725	Auditor
Myrtle Cruz, Inc.	Prior to 06/01/83	\$ 21,596	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	12/13/17	\$ 2,386	Delinquent Tax Attorney
JNS Engineers, LLC	01/14/88	\$ 200,213	Engineer
Masterson Advisors LLC	04/24/18	\$ -0-	Financial Advisor
Mary Jarmon	04/14/11	\$ -0-	Investment Officer
Hays Utility South Corporation	07/11/80	\$ 303,905	Operator
Bob Leared Interests	08/16/79	\$ 18,431	Tax Assessor/ Collector

See accompanying independent auditor's report.

