

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

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MAY 31, 2020**



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MUNICIPAL UTILITY DISTRICT NO. 23**

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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, 2020, 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.





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

## 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, 2020, 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.



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

September 9, 2020



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2020**

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, 2020. 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 collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2020**

**FUND FINANCIAL STATEMENTS (Continued)**

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 \$5,346,134 as of May 31, 2020.

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, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 7,467,968	\$ 9,444,136	\$ (1,976,168)
Capital Assets (Net of Accumulated Depreciation)	14,968,242	10,283,992	4,684,250
Total Assets	\$ 22,436,210	\$ 19,728,128	\$ 2,708,082
Long -Term Liabilities	\$ 10,248,484	\$ 6,908,531	\$ (3,339,953)
Other Liabilities	6,841,592	7,402,680	561,088
Total Liabilities	\$ 17,090,076	\$ 14,311,211	\$ (2,778,865)
Net Position:			
Net Investment in Capital Assets	\$ 774,678	\$ (123,326)	\$ 898,004
Restricted	1,071,643	905,461	166,182
Unrestricted	3,499,813	4,634,782	(1,134,969)
Total Net Position	\$ 5,346,134	\$ 5,416,917	\$ (70,783)

The following table provides a summary of the District's operations for the years ending May 31, 2020, and May 31, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,232,384	\$ 1,107,629	\$ 124,755
Charges for Services	1,296,579	1,402,168	(105,589)
Regional Water Authority Credits	15,680	16,032	(352)
Other Revenues	118,674	1,196,734	(1,078,060)
Total Revenues	\$ 2,663,317	\$ 3,722,563	\$ (1,059,246)
Expenses for Services	2,734,100	2,274,495	(459,605)
Change in Net Position	\$ (70,783)	\$ 1,448,068	\$ (1,518,851)
Net Position, Beginning of Year	5,416,917	3,968,849	1,448,068
Net Position, End of Year	\$ 5,346,134	\$ 5,416,917	\$ (70,783)

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of May 31, 2020, were \$6,411,883, a decrease of \$1,762,367 from the prior year.

The General Fund fund balance decreased by \$1,135,529 primarily due to service operations and capital costs exceeding service revenues.

The Debt Service Fund fund balance increased by \$183,855, primarily due to the structure of the District's outstanding debt service requirements and the sale of Series 2020 bonds.

The Capital Projects Fund fund balance decreased by \$810,693, primarily due to the sale of Series 2020 bonds and the use of current and prior year bond proceeds in the current year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors amended the budget during the current fiscal to increase budgeted property tax revenues, repair and maintenance costs, and website costs. Actual revenues were \$246,865 more than budgeted revenues primarily due to higher revenues across most categories. Actual expenditures were \$1,590,115 more than budgeted primarily due to capital outlay costs that were not budgeted for in the current year.

**CAPITAL ASSETS**

Capital assets as of May 31, 2020, total \$14,968,242 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater service and drainage systems. Completed assets for the current year include construction and engineering for the wastewater treatment plant improvements, water plant improvements, Water Plant No. 1 motor control center, and Water Plant No. 2, Phase 1. Construction in progress includes construction and engineering for various projects at the water plant and wastewater treatment plant and the North Harris County Regional Water Authority Surface Water Transmission Line.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 115,009	\$ 115,009	
Construction in Progress	1,285,791	2,214,975	(929,184)
Capital Assets, Net of Accumulated Depreciation:			
Water System	5,117,038	1,391,301	3,725,737
Wastewater System	2,500,739	2,328,537	172,202
Drainage System	3,354,251	2,712,470	641,781
Investment in Wastewater Treatment Plant Capacity	2,595,414	1,521,700	1,073,714
Total Net Capital Assets	\$ 14,968,242	\$ 10,283,992	\$ 4,684,250

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2020**

**LONG-TERM DEBT ACTIVITY**

As of May 31, 2020, the District had total long-term debt payable of \$10,630,000.

The changes in the debt position of the District during the fiscal year ended May 31, 2020, are summarized as follows:

Bond Debt Payable, June 1, 2019	\$ 7,270,000
Add: Bond Sale	3,690,000
Less: Bond Principal Paid	<u>330,000</u>
Bond Debt Payable, May 31, 2020	<u>\$ 10,630,000</u>

The Series 2013 Bonds carry an underlying rating of "A-" and the Series 2015, Series 2018 Bonds, and Series 2020 carry an underlying rate of "A3". The Series 2013, Series 2015, Series 2018, and Series 2020 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, 2020.

**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., 1155 Dairy Ashford Road, Suite 875, Houston, TX 77079.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
MAY 31, 2020**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 209,054	\$ 753,448
Investments	3,274,884	265,455
Receivables:		
Property Taxes	64,079	67,552
Penalty and Interest on Delinquent Taxes		
Service Accounts	176,644	
Accrued Interest	18,274	
Other	91,301	
Due from Other Funds	2,421	
Prepaid Costs	16,574	
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)		
<b>TOTAL ASSETS</b>	<b>\$ 3,888,641</b>	<b>\$ 1,086,455</b>

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>
\$ 1,745,974	\$ 2,708,476	\$	\$ 2,708,476
391,505	3,931,844		3,931,844
	131,631		131,631
		32,947	32,947
	176,644		176,644
	18,274		18,274
	91,301		91,301
61,548	63,969	(63,969)	
	16,574		16,574
69,786	69,786		69,786
	35,410		35,410
		255,081	255,081
		115,009	115,009
		1,285,791	1,285,791
		13,567,442	13,567,442
<u>\$ 2,268,813</u>	<u>\$ 7,243,909</u>	<u>\$ 15,192,301</u>	<u>\$ 22,436,210</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, 2020**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 344,561	\$
Accrued Interest Payable		
Due to Other Governments	52,825	
Due to Developers		
Due to Other Funds	61,548	2,421
Due to Taxpayers		4,739
Security Deposits	184,975	
Accrued Interest at Time of Sale		3,255
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 643,909</b>	<b>\$ 10,415</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 64,079	\$ 67,552
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 16,574	\$
Advance for Regional Wastewater Treatment Plant Operations	35,410	
Restricted for Authorized Construction:		
Restricted for Debt Service		1,008,488
Assigned to 2021 Budget	186,357	
Unassigned	2,942,312	
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,180,653</b>	<b>\$ 1,008,488</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,888,641</b>	<b>\$ 1,086,455</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 46,071	\$ 390,632	\$	\$ 390,632
	52,825	40,599	40,599
	63,969	5,827,822	52,825
	4,739	(63,969)	5,827,822
	184,975		4,739
	3,255	(3,255)	184,975
		340,000	340,000
		10,248,484	10,248,484
<u>\$ 46,071</u>	<u>\$ 700,395</u>	<u>\$ 16,389,681</u>	<u>\$ 17,090,076</u>
<u>\$ -0-</u>	<u>\$ 131,631</u>	<u>\$ (131,631)</u>	<u>\$ -0-</u>
\$	\$ 16,574	\$ (16,574)	\$
	35,410	(35,410)	
2,222,742	2,222,742	(2,222,742)	
	1,008,488	(1,008,488)	
	186,357	(186,357)	
	2,942,312	(2,942,312)	
<u>\$ 2,222,742</u>	<u>\$ 6,411,883</u>	<u>\$ (6,411,883)</u>	<u>\$ - 0 -</u>
<u>\$ 2,268,813</u>	<u>\$ 7,243,909</u>		
		\$ 774,678	\$ 774,678
		1,071,643	1,071,643
		3,499,813	3,499,813
		<u>\$ 5,346,134</u>	<u>\$ 5,346,134</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, 2020**

Total Fund Balances - Governmental Funds	\$	6,411,883
<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>		255,081
<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>		14,968,242
<p>Deferred inflows of resources related to property tax revenues for the 2019 and prior tax levies and penalty and interest receivable for the 2019 and prior tax levies became part of recognized revenues in the governmental activities of the District.</p>		164,578
<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	\$ (37,344)	
Due to Developers	(5,827,822)	
Bonds Payable Within One Year	(340,000)	
Bonds Payable After One Year	<u>(10,248,484)</u>	<u>(16,453,650)</u>
Total Net Position - Governmental Activities	\$	<u><u>5,346,134</u></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, 2020**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 593,131	\$ 625,030
Water Service	358,627	
Wastewater Service	312,160	
Regional Water Authority Fees	546,808	
Penalty and Interest	47,624	44,502
Tap Connection and Inspection Fees	11,796	
Investment Revenues	83,107	5,572
Regional Water Authority Credits	21,912	
Miscellaneous Revenues	6,700	10
<b>TOTAL REVENUES</b>	<b>\$ 1,981,865</b>	<b>\$ 675,114</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 166,131	\$ 2,337
Contracted Services	103,127	32,348
Purchased Water Service	565,626	
Purchased Wastewater Service	270,267	
Utilities	29,357	
Regional Water Authority Assessments	50,766	
Repairs and Maintenance	212,654	
Depreciation		
Other	160,354	4,455
Capital Outlay	1,548,953	
Developer Reimbursement Interest		
Debt Service:		
Bond Issuance Costs		
Bond Principal		330,000
Bond Interest		219,769
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 3,107,235</b>	<b>\$ 588,909</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (1,125,370)</b>	<b>\$ 86,205</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In(Out)	\$ (10,159)	\$
Bond Premiums		
Bond Discounts		
Long-Term Debt Issued		97,650
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (10,159)</b>	<b>\$ 97,650</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (1,135,529)</b>	<b>\$ 183,855</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JUNE 1, 2019</b>	4,316,182	824,633
<b>FUND BALANCES/NET POSITION - MAY 31, 2020</b>	<b>\$ 3,180,653</b>	<b>\$ 1,008,488</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,218,161	\$ 14,223	\$ 1,232,384
	358,627		358,627
	312,160		312,160
	546,808		546,808
	92,126	(24,938)	67,188
	11,796		11,796
23,285	111,964		111,964
	21,912	(6,232)	15,680
	6,710		6,710
<u>\$ 23,285</u>	<u>\$ 2,680,264</u>	<u>\$ (16,947)</u>	<u>\$ 2,663,317</u>
\$	\$ 168,468	\$	\$ 168,468
	135,475		135,475
	565,626		565,626
	270,267		270,267
	29,357		29,357
	50,766		50,766
	212,654		212,654
		480,683	480,683
445	165,254		165,254
3,990,379	5,539,332	(5,539,332)	
116,121	116,121		116,121
318,175	318,175		318,175
	330,000	(330,000)	
	219,769	1,485	221,254
<u>\$ 4,425,120</u>	<u>\$ 8,121,264</u>	<u>\$ (5,387,164)</u>	<u>\$ 2,734,100</u>
<u>\$ (4,401,835)</u>	<u>\$ (5,441,000)</u>	<u>\$ 5,370,217</u>	<u>\$ (70,783)</u>
\$ 10,159	\$ 30,545	\$ (30,545)	\$
30,545	30,545	(30,545)	
(41,912)	(41,912)	41,912	
<u>3,592,350</u>	<u>3,690,000</u>	<u>(3,690,000)</u>	
<u>\$ 3,591,142</u>	<u>\$ 3,678,633</u>	<u>\$ (3,678,633)</u>	<u>\$ -0-</u>
\$ (810,693)	\$ (1,762,367)	\$ 1,762,367	\$
		(70,783)	(70,783)
3,033,435	8,174,250	(2,757,333)	5,416,917
<u>\$ 2,222,742</u>	<u>\$ 6,411,883</u>	<u>\$ (1,065,749)</u>	<u>\$ 5,346,134</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 FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$	(1,762,367)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		14,223
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.		(24,938)
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.		(6,232)
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.		(480,683)
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.		5,539,332
Governmental funds report bond premiums and bond discounts as other financing sources and uses in the year paid. However, in the Statement of Net Position, the bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		11,367
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities.		330,000
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.		(1,485)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements.		<u>(3,690,000)</u>
Change in Net Position - Governmental Activities	\$	<u>(70,783)</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, 2020**

**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, 2020**

**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).

The 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.

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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

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 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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Engineering fees and certain other costs are capitalized as part of the asset.

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

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:

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

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current 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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 appropriable 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.

*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. The District assigned \$186,357 of its May 31, 2020 General Fund fund balance to use for a budgeted General Fund deficit during the year ended May 31, 2021.

*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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**NOTE 3. LONG-TERM DEBT**

	Series 2015	Series 2018
Amounts Outstanding – May 31, 2020	\$ 1,840,000	\$ 2,020,000
Interest Rates	2.00% - 3.625%	2.00% - 3.25%
Maturity Dates - Serially Beginning/Ending	October 1, 2020/2029	October 1, 2020/2029
Interest Payment Dates	October 1/ April 1	October 1/ April 1
Callable Dates	October 1, 2020*	October 1, 2022*
	Series 2018	Series 2020
Amounts Outstanding – May 31, 2020	\$ 3,080,000	\$ 3,690,000
Interest Rates	3.00% - 3.75%	2.00% - 3.00%
Maturity Dates - Serially Beginning/Ending	October 1, 2030/2043	October 1, 2030/2043
Interest Payment Dates	October 1/ April 1	October 1/ April 1
Callable Dates	October 1, 2023*	October 1, 2025*

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

\* 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 Series 2020 term bonds maturing October 1, 2039 and October 1, 2043, are subject to mandatory redemption beginning October 1, 2037 and October 1, 2040, respectively.

The following is a summary of transactions regarding long-term liabilities for the year ended May 31, 2020:

	June 1, 2019	Additions	Retirements	May 31, 2020
Bonds Payable	\$ 7,270,000	\$ 3,690,000	\$ 330,000	\$ 10,630,000
Unamortized Discounts	(31,469)	(41,912)	(1,384)	(71,997)
Unamortized Premiums		30,545	64	30,481
Bonds Payable, Net	<u>\$ 7,238,531</u>	<u>\$ 3,678,633</u>	<u>\$ 328,680</u>	<u>\$ 10,588,484</u>
			Amount Due Within One Year	\$ 340,000
			Amount Due After One Year	<u>10,248,484</u>
			Bonds Payable, Net	<u>\$ 10,588,484</u>

As of May 31, 2020, the District had authorized but unissued bonds in the amount of \$13,365,000 for utility facilities and \$2,940,000 for refunding bonds.

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

Fiscal Year	Principal	Interest	Total
2021	\$ 340,000	\$ 302,582	\$ 642,582
2022	350,000	303,594	653,594
2023	355,000	295,200	650,200
2024	365,000	285,520	650,520
2025	380,000	274,807	654,807
2026-2030	2,070,000	1,188,272	3,258,272
2031-2035	2,250,000	873,715	3,123,715
2036-2040	2,435,000	540,117	2,975,117
2041-2044	2,085,000	139,319	2,224,319
	<u>\$ 10,630,000</u>	<u>\$ 4,203,126</u>	<u>\$ 14,833,126</u>

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, 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, 2020, the District levied an ad valorem debt service tax rate of \$0.39 per \$100 of assessed valuation, which resulted in a tax levy of \$638,088 on the adjusted taxable valuation of \$163,612,424 for the 2019 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.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter

**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 5<sup>th</sup> 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.



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**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 \$4,530,468 and the bank balance was \$4,539,563. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position on May 31, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 209,054	\$ 1,821,992	\$ 2,031,046
DEBT SERVICE FUND	753,448		753,448
CAPITAL PROJECTS FUND	1,745,974		1,745,974
TOTAL DEPOSITS	\$ 2,708,476	\$ 1,821,992	\$ 4,530,468

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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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.

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 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.

Certificates of deposit are valued at acquisition cost at the date of purchase.

As of May 31, 2020, 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	\$ 1,452,892	\$ 1,452,892	\$	\$	\$
Certificates of Deposit	1,821,992	1,821,992			
<u>DEBT SERVICE FUND</u>					
TexPool	265,455	265,455			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	391,505	391,505			
<b>TOTAL INVESTMENTS</b>	<b>\$ 3,931,844</b>	<b>\$ 3,931,844</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2020, 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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

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.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2020:

	June 1, 2019	Increases	Decreases	May 31, 2020
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 115,009	\$	\$	\$ 115,009
Construction in Progress	<u>2,214,975</u>	<u>5,164,933</u>	<u>6,094,117</u>	<u>1,285,791</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 2,329,984</u>	<u>\$ 5,164,933</u>	<u>\$ 6,094,117</u>	<u>\$ 1,400,800</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 3,577,532	\$ 3,924,021	\$	\$ 7,501,553
Wastewater System	3,659,545	273,995		3,933,540
Drainage System	3,567,416	757,720		4,325,136
Investment in Wastewater Treatment Plant Capacity	<u>2,654,651</u>	<u>1,138,381</u>		<u>3,793,032</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 13,459,144</u>	<u>\$ 6,094,117</u>	<u>\$ - 0 -</u>	<u>\$ 19,553,261</u>
<b>Less Accumulated Depreciation</b>				
Water System	\$ 2,186,231	\$ 198,284	\$	\$ 2,384,515
Wastewater System	1,331,008	101,793		1,432,801
Drainage System	854,946	115,939		970,885
Investment in Wastewater Treatment Plant Capacity	<u>1,132,951</u>	<u>64,667</u>		<u>1,197,618</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 5,505,136</u>	<u>\$ 480,683</u>	<u>\$ - 0 -</u>	<u>\$ 5,985,819</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 7,954,008</u>	<u>\$ 5,613,434</u>	<u>\$ - 0 -</u>	<u>\$ 13,567,442</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 10,283,992</u>	<u>\$ 10,778,367</u>	<u>\$ 6,094,117</u>	<u>\$ 14,968,242</u>

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**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 \$0.37 per \$100 of assessed valuation, which resulted in a tax levy of \$605,366 on the taxable valuation of \$163,612,424 for the 2019 tax year.

**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.

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

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**NOTE 8. REGIONAL SEWAGE TREATMENT PLANT AGREEMENT (Continued)**

advance for operations and maintenance of the Plant at \$35,410. The District recorded \$270,267 as its share of operating costs of the Plant. Of this amount, \$51,561 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, 2020. Separate financial statements are issued on the Plant and can be obtained from the District's attorney.

Total Assets	\$ 566,525
Total Liabilities	<u>472,525</u>
Total Fund Balance	<u>\$ 94,000</u>
Total Revenues	\$ 1,369,826
Total Expenditures	<u>664,449</u>
Excess Expenditures	\$ 705,377
Other Financing Sources (Uses)	
Capital Outlay Expenditures	<u>\$ (705,377)</u>
Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2019	<u>94,000</u>
Fund Balance – May 31, 2020	<u>\$ 94,000</u>

**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.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**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 75<sup>th</sup> 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 \$4.30 for each 1,000 gallons of surface water purchased. The District recorded an expenditure of \$565,626 for water purchased from the Authority during the current fiscal year. 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 \$3.85 for each 1,000 gallons of water pumped. The District recorded an expenditure of \$50,766 for fees assessed during the current fiscal year.

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, \$6,232 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
2021	\$ 6,606	\$ 15,305	\$ 21,911
2022	7,003	14,908	21,911
2023	7,423	14,488	21,911
2024	7,868	14,043	21,911
2025	8,328	13,583	21,911
2026-2030	47,016	62,541	109,557
2031-2035	62,918	46,639	109,557
2036-2040	88,622	11,805	100,427
2041	19,297	2,614	21,911
	\$ 255,081	\$ 195,926	\$ 451,007

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**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.

**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 \$5,827,822 as of May 31, 2020, 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 AND TRANSFERS**

The Debt Service Fund (Tax Account) owed the General Fund \$2,421 for maintenance tax collections. The General Fund owed the Capital Projects Fund \$61,548 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, dewatering box expansion and engineering for the North Harris County Regional Water Authority surface water transmission line, \$22,838 for the refund of funds related to the District No. 22 joint project; and for amounts approved in the Series 2018 Bond issue.

During the current fiscal year, the General Fund transferred \$10,159 to the Capital Projects Fund to reimburse for engineering costs paid in the prior fiscal year related to the North Harris County Regional Water Authority Surface Water Transmission Line.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
NOTES TO THE FINANCIAL STATEMENTS  
MAY 31, 2020**

**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.

**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. BOND SALE**

On May 13, 2020, the District closed on the sale of its \$3,690,000 Series 2020 Unlimited Tax and Revenue Bonds. The District used proceeds of the bonds to fund the construction and engineering associated with the following: water, sanitary sewer, and drainage facilities to serve Silver Springs, Section 2; water plant No. 1 additional booster pump; 12-inch waterline (Richey Road to Walters Road); lift station Nos. 2 and 3 electrical rehabilitation; wastewater treatment plant capacity for Silver Springs, Section 2; capitalized interest; and to pay for the bond issuance costs.

**NOTE 17. UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.



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

**REQUIRED SUPPLEMENTARY INFORMATION**

**MAY 31, 2020**



**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, 2020**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 425,000	\$ 590,000	\$ 593,131	\$ 3,131
Water Service	315,000	315,000	358,627	43,627
Wastewater Service	300,000	300,000	312,160	12,160
Regional Water Authority Fees	425,000	425,000	546,808	121,808
Penalty and Interest	50,000	50,000	47,624	(2,376)
Tap Connection and Inspection Fees			11,796	11,796
Investment Revenues	55,000	55,000	83,107	28,107
Regional Water Authority Credits			21,912	21,912
Miscellaneous Revenues			6,700	6,700
<b>TOTAL REVENUES</b>	<u>\$ 1,570,000</u>	<u>\$ 1,735,000</u>	<u>\$ 1,981,865</u>	<u>\$ 246,865</u>
<b>EXPENDITURES</b>				
Services Operations:				
Professional Fees	\$ 196,500	\$ 196,500	\$ 166,131	\$ 30,369
Contracted Services	90,720	90,720	103,127	(12,407)
Purchased Water Service	405,000	405,000	565,626	(160,626)
Purchased Wastewater Service	300,000	300,000	270,267	29,733
Utilities	30,000	30,000	29,357	643
Regional Water Authority Assessments			50,766	(50,766)
Repairs and Maintenance	291,750	302,750	212,654	90,096
Other	185,650	192,150	160,354	31,796
Capital Outlay			1,548,953	(1,548,953)
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,499,620</u>	<u>\$ 1,517,120</u>	<u>\$ 3,107,235</u>	<u>\$ (1,590,115)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 70,380</u>	<u>\$ 217,880</u>	<u>\$ (1,125,370)</u>	<u>\$ (1,343,250)</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers In (Out)	\$ -0-	\$ -0-	\$ (10,159)	\$ (10,159)
<b>NET CHANGE IN FUND BALANCE</b>	\$ 70,380	\$ 217,880	\$ (1,135,529)	\$ (1,353,409)
<b>FUND BALANCE - JUNE 1, 2019</b>	<u>4,316,182</u>	<u>4,316,182</u>	<u>4,316,182</u>	
<b>FUND BALANCE - MAY 31, 2020</b>	<u>\$ 4,386,562</u>	<u>\$ 4,534,062</u>	<u>\$ 3,180,653</u>	<u>\$ (1,353,409)</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, 2020**



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
SERVICES AND RATES  
FOR THE YEAR ENDED MAY 31, 2020**

**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 12, 2020.

	<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 to 25,000 25,001 to 50,000 50,001 and up
WASTEWATER:	\$ 18.00		Y		
SURCHARGE:					
Regional Water Authority Fees			N	\$ 5.16	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: \$51.60 Total \$90.60

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
SERVICES AND RATES  
FOR THE YEAR ENDED MAY 31, 2020**

**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	
≤ <sup>3</sup> / <sub>4</sub> "	<u>1,263</u>	<u>1,247</u>	x 1.0	<u>1,247</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>14</u>	<u>13</u>	x 8.0	<u>104</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"			x 115.0	
Total Water Connections	<u><u>1,292</u></u>	<u><u>1,274</u></u>		<u><u>1,554</u></u>
Total Wastewater Connections	<u><u>1,286</u></u>	<u><u>1,268</u></u>	x 1.0	<u><u>1,268</u></u>

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

Gallons pumped into system:	13,000,000	Water Accountability Ratio: 83.3% (Gallons billed, sold, flushing and breaks/Gallons pumped and purchased)
Gallons purchased:	19,138,000	From: Northwest Harris County Municipal Utility District No. 21/22
Gallons purchased:	118,281,000	From: Northwest Harris County Regional Water Authority
Gallons billed to customers:	94,226,000	
Gallons sold:	31,149,000	To:: Northwest Harris County Municipal Utility District No. 21/22

See accompanying independent auditor's report.



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
SERVICES AND RATES  
FOR THE YEAR ENDED MAY 31, 2020**

**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, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 16,850
Engineering	95,505
Legal	<u>53,776</u>
TOTAL PROFESSIONAL FEES	<u>\$ 166,131</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 565,626
Purchased Wastewater Service	<u>270,267</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 835,893</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,861
Operations and Billing	58,546
Security	<u>24,720</u>
TOTAL CONTRACTED SERVICES	<u>\$ 103,127</u>
UTILITIES:	
Electricity	<u>\$ 29,357</u>
REPAIRS AND MAINTENANCE	<u>\$ 212,654</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 21,300
Dues	675
Insurance	23,861
Office Supplies and Postage	36,895
Payroll Taxes	1,767
Travel and Meetings	12,226
Other	<u>1,479</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 98,203</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 1,548,953
Expenditures Not Capitalized	<u>                    </u>
TOTAL CAPITAL OUTLAY	<u>\$ 1,548,953</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED MAY 31, 2020**

OTHER EXPENDITURES:	
Chemicals	\$ 8,535
Laboratory Fees	19,894
Permit Fees	2,881
Reconnection Fees	23,770
Inspection Fees	3,895
Regulatory Assessment	3,176
Regional Water Authority Assessments	<u>50,766</u>
TOTAL OTHER EXPENDITURES	\$ <u>112,917</u>
TOTAL EXPENDITURES	\$ <u><u>3,107,235</u></u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
INVESTMENTS  
MAY 31, 2020**

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	Varies	Daily	\$ 1,452,892	\$
Certificate of Deposit	XXXX3496	0.651%	04/23/21	246,441	167
Certificate of Deposit	XXXX0105	2.500%	07/20/20	355,750	7,748
Certificate of Deposit	XXXX3200	2.450%	08/06/20	240,000	4,817
Certificate of Deposit	XXXX0287	1.850%	06/15/20	246,473	2,086
Certificate of Deposit	XXXX8359	1.850%	02/10/21	240,000	1,350
Certificate of Deposit	XXXX5019	0.750%	04/24/21	246,710	188
Certificate of Deposit	XXXX4592	1.650%	06/11/20	246,618	1,918
TOTAL GENERAL FUND				<u>\$ 3,274,884</u>	<u>\$ 18,274</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 265,455	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 391,505	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 3,931,844</u>	<u>\$ 18,274</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, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2019	\$	57,287		\$ 60,121
Adjustments to Beginning				
Balance		<u>(5,443)</u>	\$ 51,844	<u>(5,627)</u> \$ 54,494
Original 2019 Tax Levy	\$	483,819		\$ 509,971
Adjustment to 2019 Tax Levy		<u>121,547</u>	<u>605,366</u>	<u>128,117</u> <u>638,088</u>
TOTAL TO BE				
ACCOUNTED FOR			\$ 657,210	\$ 692,582
TAX COLLECTIONS:				
Prior Years	\$	36,298		\$ 38,099
Current Year		<u>556,833</u>	<u>593,131</u>	<u>586,931</u> <u>625,030</u>
TAXES RECEIVABLE -				
MAY 31, 2020		<u>\$ 64,079</u>		<u>\$ 67,552</u>
TAXES RECEIVABLE BY				
YEAR:				
2019		\$ 48,533		\$ 51,157
2018		4,186		4,412
2017		2,341		1,851
2016		2,192		1,886
2015		1,851		2,036
2014 and Prior		<u>4,976</u>		<u>6,210</u>
TOTAL		<u>\$ 64,079</u>		<u>\$ 67,552</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, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 45,326,887	\$ 40,725,530	\$ 35,400,983	\$ 32,017,841
Improvements	181,824,535	137,644,417	134,054,127	126,326,282
Personal Property	4,809,672	3,881,851	4,287,304	3,949,219
Exemptions	<u>(68,348,670)</u>	<u>(35,911,854)</u>	<u>(36,533,315)</u>	<u>(35,591,850)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u><b>\$ 163,612,424</b></u>	<u><b>\$ 146,339,944</b></u>	<u><b>\$ 137,209,099</b></u>	<u><b>\$ 126,701,492</b></u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.39	\$ 0.39	\$ 0.34	\$ 0.37
Maintenance**	<u>0.37</u>	<u>0.37</u>	<u>0.43</u>	<u>0.43</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u><b>\$ 0.76</b></u>	<u><b>\$ 0.76</b></u>	<u><b>\$ 0.77</b></u>	<u><b>\$ 0.80</b></u>
<b>ADJUSTED TAX LEVY*</b>	<u><b>\$ 1,243,454</b></u>	<u><b>\$ 1,112,184</b></u>	<u><b>\$ 1,056,510</b></u>	<u><b>\$ 1,013,612</b></u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u><b>91.98 %</b></u>	<u><b>99.23 %</b></u>	<u><b>99.60 %</b></u>	<u><b>99.60 %</b></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, 2020**

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	
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
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
	\$ 1,840,000	\$ 303,925	\$	2,143,925

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MAY 31, 2020**

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	
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
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
	\$ 2,020,000	\$ 326,368	\$	2,346,368

See accompanying independent auditor's report.



**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MAY 31, 2020**

S E R I E S - 2 0 1 8			
Due During Fiscal Years Ending May 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2021	\$	\$ 105,132	\$ 105,132
2022		105,132	105,132
2023		105,132	105,132
2024		105,132	105,132
2025		105,132	105,132
2026		105,132	105,132
2027		105,132	105,132
2028		105,132	105,132
2029		105,132	105,132
2030		105,132	105,132
2031	185,000	102,357	287,357
2032	190,000	96,611	286,611
2033	195,000	90,597	285,597
2034	200,000	84,300	284,300
2035	210,000	77,637	287,637
2036	215,000	70,596	285,596
2037	220,000	63,255	283,255
2038	220,000	55,830	275,830
2039	230,000	48,093	278,093
2040	230,000	40,043	270,043
2041	235,000	31,759	266,759
2042	250,000	22,968	272,968
2043	250,000	13,905	263,905
2044	250,000	4,687	254,687
	\$ 3,080,000	\$ 1,853,958	\$ 4,933,958

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MAY 31, 2020**

S E R I E S - 2 0 2 0

Due During Fiscal Years Ending May 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2021	\$	\$ 89,512	\$ 89,512
2022		97,650	97,650
2023		97,650	97,650
2024		97,650	97,650
2025		97,650	97,650
2026		97,650	97,650
2027		97,650	97,650
2028		97,650	97,650
2029		97,650	97,650
2030		97,650	97,650
2031	250,000	95,150	345,150
2032	250,000	90,150	340,150
2033	255,000	84,781	339,781
2034	255,000	79,044	334,044
2035	260,000	73,088	333,088
2036	260,000	66,750	326,750
2037	260,000	60,250	320,250
2038	260,000	53,100	313,100
2039	270,000	45,150	315,150
2040	270,000	37,050	307,050
2041	275,000	28,875	303,875
2042	275,000	20,625	295,625
2043	275,000	12,375	287,375
2044	275,000	4,125	279,125
	<u>\$ 3,690,000</u>	<u>\$ 1,718,875</u>	<u>\$ 5,408,875</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 23  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MAY 31, 2020**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 340,000	\$ 302,582	\$ 642,582
2022	350,000	303,594	653,594
2023	355,000	295,200	650,200
2024	365,000	285,520	650,520
2025	380,000	274,807	654,807
2026	390,000	263,257	653,257
2027	400,000	251,176	651,176
2028	410,000	238,563	648,563
2029	430,000	224,988	654,988
2030	440,000	210,288	650,288
2031	435,000	197,507	632,507
2032	440,000	186,761	626,761
2033	450,000	175,378	625,378
2034	455,000	163,344	618,344
2035	470,000	150,725	620,725
2036	475,000	137,346	612,346
2037	480,000	123,505	603,505
2038	480,000	108,930	588,930
2039	500,000	93,243	593,243
2040	500,000	77,093	577,093
2041	510,000	60,634	570,634
2042	525,000	43,593	568,593
2043	525,000	26,280	551,280
2044	525,000	8,812	533,812
	<u>\$ 10,630,000</u>	<u>\$ 4,203,126</u>	<u>\$ 14,833,126</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, 2020**

Description	Original Bonds Issued	Bonds Outstanding June 1, 2019
Northwest Harris County Municipal Utility District No. 23 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	\$ 2,540,000	\$ 2,015,000
Northwest Harris County Municipal Utility District No. 23 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	2,590,000	2,175,000
Northwest Harris County Municipal Utility District No. 23 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	3,080,000	3,080,000
Northwest Harris County Municipal Utility District No. 23 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2020	<u>3,690,000</u>	<u>                    </u>
<b>TOTAL</b>	<u><u>\$ 11,900,000</u></u>	<u><u>\$ 7,270,000</u></u>
<b>Bond Authority:</b>	<u><b>Tax Bonds*</b></u>	<u><b>Refunding Bonds</b></u>
Amount Authorized by Voters	\$ 31,000,000	\$ 9,750,000
Amount Issued	<u>17,635,000</u>	<u>6,810,000</u>
Remaining to be Issued	<u><u>\$ 13,365,000</u></u>	<u><u>\$ 2,940,000</u></u>
Debt Service Fund cash and investment balances as of May 31, 2020:		<u>\$ 1,018,903</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 618,047</u>

See Note 3 for interest rates, 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>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 175,000	\$ 57,100	\$ 1,840,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	155,000	57,537	2,020,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		105,132	3,080,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>3,690,000</u>			<u>3,690,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 3,690,000</u>	<u>\$ 330,000</u>	<u>\$ 219,769</u>	<u>\$ 10,630,000</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		
	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 593,131	\$ 514,980	\$ 583,164
Water Service	358,627	311,880	284,709
Wastewater Service	312,160	308,962	278,471
Regional Water Authority Fee	546,808	419,230	378,417
Penalty and Interest	47,624	40,437	38,357
Tap Connection and Inspection Fees	11,796	293,070	
Investment Revenues	83,107	84,042	27,596
Regional Water Authority Credits	21,912	21,912	21,912
Capital Recovery Fee		762,848	
Miscellaneous Revenues	6,700	8,149	3,500
<b>TOTAL REVENUES</b>	\$ 1,981,865	\$ 2,765,510	\$ 1,616,126
<b>EXPENDITURES</b>			
Professional Fees	\$ 166,131	\$ 173,485	\$ 164,572
Contracted Services	103,127	93,368	88,400
Purchased Water Service	565,626	306,283	250,832
Purchased Wastewater Service	270,267	282,691	212,128
Utilities	29,357	29,840	28,410
Regional Water Authority Assessments	50,766	47,403	40,633
Repairs and Maintenance	212,654	225,233	237,697
Other	160,354	256,977	132,496
Capital Outlay	1,548,953	556,168	262,330
<b>TOTAL EXPENDITURES</b>	\$ 3,107,235	\$ 1,971,448	\$ 1,417,498
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ (1,125,370)	\$ 794,062	\$ 198,628
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ (10,159)	\$ 75,035	\$
Contributed by Other Government Unit		283,500	
Developer Contributions		368,750	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	\$ (10,159)	\$ 727,285	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	\$ (1,135,529)	\$ 1,521,347	\$ 198,628
<b>BEGINNING FUND BALANCE</b>	4,316,182	2,794,835	2,596,207
<b>ENDING FUND BALANCE</b>	\$ 3,180,653	\$ 4,316,182	\$ 2,794,835

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 538,556	\$ 446,148	29.9 %	18.5 %	36.1 %	36.0 %	32.7 %
284,345	271,932	18.1	11.3	17.6	19.0	19.9
280,611	265,917	15.8	11.2	17.2	18.8	19.5
315,472	273,000	27.6	15.2	23.4	21.1	20.0
36,045	37,078	2.4	1.5	2.4	2.4	2.7
	35,285	0.6	10.6			2.6
13,620	10,223	4.2	3.0	1.7	0.9	0.7
21,912	21,912	1.1	0.8	1.4	1.5	1.6
			27.6			
4,671	4,553	0.3	0.3	0.2	0.3	0.3
<u>\$ 1,495,232</u>	<u>\$ 1,366,048</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 245,788	\$ 221,002	8.4 %	6.3 %	10.2 %	16.4 %	16.2 %
89,197	88,158	5.2	3.4	5.5	6.0	6.5
251,562	232,426	28.5	11.1	15.5	16.8	17.0
208,587	209,272	13.6	10.2	13.1	14.0	15.3
29,140	32,573	1.5	1.1	1.8	1.9	2.4
34,136	28,228	2.6	1.7	2.5	2.3	2.1
197,566	276,335	10.7	8.1	14.7	13.2	20.2
134,637	143,712	8.1	9.3	8.2	9.0	10.5
1,312,066	293,000	78.2	20.1	16.2	87.7	21.4
<u>\$ 2,502,679</u>	<u>\$ 1,524,706</u>	<u>156.8 %</u>	<u>71.3 %</u>	<u>87.7 %</u>	<u>167.3 %</u>	<u>111.6 %</u>
<u>\$ (1,007,447)</u>	<u>\$ (158,658)</u>	<u>(56.8) %</u>	<u>28.7 %</u>	<u>12.3 %</u>	<u>(67.3) %</u>	<u>(11.6) %</u>
\$	\$ 641,871					
927,225	179,982					
<u>\$ 927,225</u>	<u>\$ 821,853</u>					
\$ (80,222)	\$ 663,195					
2,676,429	2,013,234					
<u>\$ 2,596,207</u>	<u>\$ 2,676,429</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		
	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 625,030	\$ 539,689	\$ 462,849
Penalty and Interest	44,502	17,749	22,978
Investment Revenues	5,572	6,766	4,236
Miscellaneous Revenues	10	28	
<b>TOTAL REVENUES</b>	<b>\$ 675,114</b>	<b>\$ 564,232</b>	<b>\$ 490,063</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 36,390	\$ 28,900	\$ 31,875
Debt Service Principal	330,000	320,000	315,000
Debt Service Interest and Fees	222,519	198,024	128,737
<b>TOTAL EXPENDITURES</b>	<b>\$ 588,909</b>	<b>\$ 546,924</b>	<b>\$ 475,612</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 86,205</b>	<b>\$ 17,308</b>	<b>\$ 14,451</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$ 97,650	\$ 105,131	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 183,855</b>	<b>\$ 122,439</b>	<b>\$ 14,451</b>
<b>BEGINNING FUND BALANCE</b>	<b>824,633</b>	<b>702,194</b>	<b>687,743</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 1,008,488</b>	<b>\$ 824,633</b>	<b>\$ 702,194</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,274</b>	<b>1,276</b>	<b>1,137</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,268</b>	<b>1,270</b>	<b>1,130</b>

See accompanying independent auditor's report.



		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 465,342	\$ 491,553	92.6 %	95.7 %	94.4 %	96.0 %	97.6 %
17,554	10,591	6.6	3.1	4.7	3.6	2.1
1,983	1,145	0.8	1.2	0.9	0.4	0.2
	395					0.1
<u>\$ 484,879</u>	<u>\$ 503,684</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 29,102	\$ 32,743	5.4 %	5.1 %	6.5 %	6.0 %	6.5 %
305,000	530,000	48.9	56.7	64.3	62.9	105.2
134,938	127,220	33.0	35.1	26.3	27.8	25.3
<u>\$ 469,040</u>	<u>\$ 689,963</u>	<u>87.3 %</u>	<u>96.9 %</u>	<u>97.1 %</u>	<u>96.7 %</u>	<u>137.0 %</u>
<u>\$ 15,839</u>	<u>\$ (186,279)</u>	<u>12.7 %</u>	<u>3.1 %</u>	<u>2.9 %</u>	<u>3.3 %</u>	<u>(37.0) %</u>
<u>\$ - 0 -</u>	<u>\$ 67,387</u>					
\$ 15,839	\$ (118,892)					
671,904	790,796					
<u>\$ 687,743</u>	<u>\$ 671,904</u>					
<u>1,139</u>	<u>1,132</u>					
<u>1,137</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, 2020**

District Mailing Address - Northwest Harris County Municipal Utility District No. 23  
c/o Strawn & Richardson, P.C.  
1155 Dairy Ashford Road, Suite 875  
Houston, TX 77079

District Telephone Number - (713) 864-5466

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended May 31, 2020	Expense Reimbursements for the year ended May 31, 2020	Title
Barbara Benson	11/18 11/22 (Elected)	\$ 1,950	\$ 1,483	President
Victoria Hawkins	11/18 11/22 (Elected)	\$ 1,800	\$ 304	First Vice President
Lenora Flores	11/18 11/22 (Elected)	\$ 5,700	\$ 2,407	Second Vice President
Earlinda Trujillo	11/16 11/20 (Elected)	\$ 6,450	\$ 1,597	Secretary
Dan Young	05/17 11/20 (Appointed)	\$ 5,400	\$ 2,736	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):  
November 29, 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, 2020**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2020</u>	<u>Title</u>
Strawn & Richardson, P.C.	08/01/99	\$ 58,187 \$ 74,885 \$ -0-	General Counsel Bond Counsel Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	06/08/89	\$ 16,850 \$ 8,500	Auditor Bond Related
Myrtle Cruz, Inc.	Prior to 06/01/83	\$ 22,951 \$ 3,000	Bookkeeper Bond Related
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	12/13/17	\$ 2,337	Delinquent Tax Attorney
JNS Engineers, LLC	01/14/88	\$ 532,155	Engineer
Masterson Advisors LLC	04/24/18	\$ 80,922	Financial Advisor
Mary Jarmon	04/14/11	\$ -0-	Investment Officer
Hays Utility South Corporation	07/11/80	\$ 318,130	Operator
Bob Leared Interests	08/16/79	\$ 24,186 \$ 2,500	Tax Assessor/ Collector Bond Related

See accompanying independent auditor's report.

