

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Harris County Municipal
Utility District No. 21
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Harris County Municipal Utility District No. 21 (the "District") as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Board of Directors
Northwest Harris County Municipal
Utility District No. 21

Supplementary 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 an 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 16, 2024

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

Management's discussion and analysis of Northwest Harris County Municipal Utility District No. 21's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2024. 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 Funds 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 similar to 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 of 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 four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Funds account for financial resources collected and administered by the District for the operations of a joint water plant and a regional wastewater treatment plant. 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. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 14,469,482	\$ 7,648,934	\$ 6,820,548
Capital Assets (Net of Accumulated Depreciation)	<u>7,226,522</u>	<u>5,948,634</u>	<u>1,277,888</u>
Total Assets	<u>\$ 21,696,004</u>	<u>\$ 13,597,568</u>	<u>\$ 8,098,436</u>
Long -Term Liabilities	\$ 6,919,645	\$	\$ (6,919,645)
Other Liabilities	<u>2,285,439</u>	<u>1,767,798</u>	<u>(517,641)</u>
Total Liabilities	<u>\$ 9,205,084</u>	<u>\$ 1,767,798</u>	<u>\$ (7,437,286)</u>
Net Position:			
Net Investment in Capital Assets	\$ 5,692,944	\$ 5,948,634	\$ (255,690)
Restricted	612,226		612,226
Unrestricted	<u>6,185,750</u>	<u>5,881,136</u>	<u>304,614</u>
Total Net Position	<u>\$ 12,490,920</u>	<u>\$ 11,829,770</u>	<u>\$ 661,150</u>

The following table provides a summary of the District's operations for the years ended May 31, 2024, and May 31, 2023. The District's net position increased by \$661,150, accounting for a 5.6% increase in net position.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 775,945	\$ 322,063	\$ 453,882
Charges for Services	4,071,557	3,914,437	157,120
Sales Tax Revenues	404,992	401,453	3,539
Other Revenues	<u>450,861</u>	<u>161,274</u>	<u>289,587</u>
Total Revenues	<u>\$ 5,703,355</u>	<u>\$ 4,799,227</u>	<u>\$ 904,128</u>
Expenses for Services	<u>5,042,205</u>	<u>4,686,466</u>	<u>(355,739)</u>
Change in Net Position	<u>\$ 661,150</u>	<u>\$ 112,761</u>	<u>\$ 548,389</u>
Net Position, Beginning of Year	<u>11,829,770</u>	<u>11,717,009</u>	<u>112,761</u>
Net Position, End of Year	<u>\$ 12,490,920</u>	<u>\$ 11,829,770</u>	<u>\$ 661,150</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

LONG-TERM DEBT ACTIVITY

As of May 31, 2024, the District had total long-term debt payable of \$7,150,000.

The changes in the debt position of the District during the fiscal year ended May 31, 2024, are summarized as follows:

Bond Debt Payable, June 1, 2023	\$ - 0 -
Add: Bond Sale	<u>7,150,000</u>
Bond Debt Payable, May 31, 2024	<u>\$ 7,150,000</u>

The District's Series 2023 bonds carry an underlying rating of "BBB+". The District's Series 2023 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual. The above ratings reflect all rating changes, if any, during the fiscal year ended May 31, 2024.

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. 21, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 139,101	\$ 65,546	\$ 585,144	\$	\$ 585,144
522,399	5,529,550	13,105,971		13,105,971
53,824		105,453		105,453
		153,619		153,619
		27,011		27,011
		3,525		3,525
		516,748	(516,748)	
		4,287		4,287
		337,281		337,281
		156,881	(156,881)	
		56,030	(56,030)	
			147,191	147,191
			56,049	56,049
			2,084,253	2,084,253
			5,086,220	5,086,220
<u>\$ 715,324</u>	<u>\$ 5,595,096</u>	<u>\$ 15,051,950</u>	<u>\$ 6,644,054</u>	<u>\$ 21,696,004</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 37,516	\$ 550,857	\$	\$ 550,857
			58,080	58,080
		1,048,893		1,048,893
25,248	1,513	516,748	(516,748)	
19,770		19,770		19,770
		122,875		122,875
		332,375	(156,881)	175,494
		195,500	(56,030)	139,470
			170,000	170,000
			6,919,645	6,919,645
<u>\$ 45,018</u>	<u>\$ 39,029</u>	<u>\$ 2,787,018</u>	<u>\$ 6,418,066</u>	<u>\$ 9,205,084</u>
<u>\$ 53,824</u>	<u>\$ - 0 -</u>	<u>\$ 105,453</u>	<u>\$ (105,453)</u>	<u>\$ - 0 -</u>
\$	\$	\$ 4,287	\$ (4,287)	\$
		156,881	(156,881)	
		56,030	(56,030)	
	5,556,067	5,556,067	(5,556,067)	
616,482		616,482	(616,482)	
		5,769,732	(5,769,732)	
<u>\$ 616,482</u>	<u>\$ 5,556,067</u>	<u>\$ 12,159,479</u>	<u>\$ (12,159,479)</u>	<u>\$ - 0 -</u>
<u>\$ 715,324</u>	<u>\$ 5,595,096</u>	<u>\$ 15,051,950</u>		
			\$ 5,692,944	\$ 5,692,944
			612,226	612,226
			6,185,750	6,185,750
			<u>\$ 12,490,920</u>	<u>\$ 12,490,920</u>

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

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Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 389,285	\$	\$ 699,463	\$ 76,482	\$ 775,945
		1,714,932	(577,007)	1,137,925
		2,743,720	(216,882)	2,526,838
		387,460	(4,461)	382,999
12,180		13,755		13,755
		404,992		404,992
		10,040		10,040
13,790	157,780	446,991		446,991
		3,870		3,870
<u>\$ 415,255</u>	<u>\$ 157,780</u>	<u>\$ 6,425,223</u>	<u>\$ (721,868)</u>	<u>\$ 5,703,355</u>
\$ 73	\$	\$ 199,403	\$	\$ 199,403
14,419		224,148		224,148
		1,508,165	(577,007)	931,158
		216,882	(216,882)	
		116,678		116,678
		37,089		37,089
		407,100		407,100
			266,055	266,055
7,890	45	545,860		545,860
	742,019	3,186,488	(1,543,943)	1,642,545
124,872		124,872	59,351	184,223
	487,946	487,946		487,946
<u>\$ 147,254</u>	<u>\$ 1,230,010</u>	<u>\$ 7,054,631</u>	<u>\$ (2,012,426)</u>	<u>\$ 5,042,205</u>
<u>\$ 268,001</u>	<u>\$ (1,072,230)</u>	<u>\$ (629,408)</u>	<u>\$ 1,290,558</u>	<u>\$ 661,150</u>
\$ 348,481	\$ (111,596)	\$ 7,150,000	\$ (7,150,000)	\$
	6,801,519	(79,527)	79,527	
	(79,527)	17,901	(17,901)	
	17,901			
<u>\$ 348,481</u>	<u>\$ 6,628,297</u>	<u>\$ 7,088,374</u>	<u>\$ (7,088,374)</u>	<u>\$ - 0 -</u>
\$ 616,482	\$ 5,556,067	\$ 6,458,966	\$ (6,458,966)	\$
			661,150	661,150
		5,700,513	6,129,257	11,829,770
<u>\$ 616,482</u>	<u>\$ 5,556,067</u>	<u>\$ 12,159,479</u>	<u>\$ 331,441</u>	<u>\$ 12,490,920</u>

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 1. CREATION OF DISTRICT

Northwest Harris County Municipal Utility District No. 21 was created by an order of the Texas Water Commission effective July 3, 1979, in accordance with the Texas Water Code, Chapter 54. The Board of Directors held its first meeting on July 12, 1979, and the first bonds were sold on June 10, 1980. The District is empowered, among other things, to purchase, to construct, to operate, and to maintain all works, improvements and facilities necessary for the supply of water, for the collection and processing of wastewater, and for the control and diversion of storm water.

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 or not 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. 22 ("District No. 22") and Northwest Harris County Municipal Utility District No. 23 ("District No. 23") for wastewater disposal. Oversight responsibility of the Northchase Regional Sewage Treatment Plant is with the District. Additional disclosure concerning this agreement is provided in Note 8.

The District has entered into an agreement with District No. 22 for water service. Oversight responsibility of the water plant is with the District. Additional disclosure concerning this agreement is provided in Note 9.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has four 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.

Special Revenue Funds - To account for financial resources collected and administered by the District for the operation of a regional wastewater treatment plant and a joint water plant which are Special Revenue Funds of the District.

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.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
All Other Equipment	5-20

Budgeting

Annual unappropriated budgets are adopted for the General Fund and Special Revenue Funds by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The original General Fund budget and the Special Revenue Funds budgets for the current year were not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Funds present 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 considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the 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:

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 3. LONG-TERM DEBT

	<u>Series 2023</u>
Amount Outstanding - May 31, 2024	\$7,150,000
Interest Rates	4.50% - 5.00%
Maturity Dates - Beginning/Ending	April 1, 2025/2049
Interest Payment Dates	October 1/ April 1
Callable Dates	October 1, 2029*

* 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 2023 term bonds maturing April 1, 2031, April 1, 2033, and April 1, 2041, are subject to mandatory redemption April 1, 2030, April 1, 2032, and April 1, 2040, respectively.

The following is a summary of transactions regarding bonds payable for the year ended May 31, 2024:

	<u>June 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>May 31, 2024</u>
Bonds Payable	\$	\$ 7,150,000	\$	\$ 7,150,000
Unamortized Discounts		(79,527)	(1,640)	(77,887)
Unamortized Premiums		17,901	369	17,532
Total Long-Term Liabilities	<u>\$ -0-</u>	<u>\$ 7,088,374</u>	<u>\$ (1,271)</u>	<u>\$ 7,089,645</u>
		Amount Due Within One Year		\$ 170,000
		Amount Due After One Year		6,919,645
		Total Long-Term Liabilities		<u>\$ 7,089,645</u>

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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.

The bond orders state that the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of the bonds.

The bond orders state that the District is required to provide continuing disclosure of certain financial and operating data with respect to the District to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"). This information, along with audited annual financial statements, is to be provided within six months after the end of the District's fiscal year, throughout the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,521,723 and the bank balance was \$1,715,988. The District was not exposed to custodial credit risk at year-end.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of May 31, 2024, 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>					
Certificates of Deposit	\$ 936,579	\$ 936,579	\$	\$	\$
TexPool	4,132,330	4,132,330			
<u>SPECIAL REVENUE FUND - JOINT WATER PLANT</u>					
TexPool	194,499	194,499			
<u>SPECIAL REVENUE FUND - WASTEWATER TREATMENT PLANT</u>					
TexPool	1,790,614	1,790,614			
<u>DEBT SERVICE FUND</u>					
TexPool	522,399	522,399			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	5,529,550	5,529,550			
TOTAL INVESTMENTS	\$ 13,105,971	\$ 13,105,971	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2024, the District's investment in TexPool was rated "AAAm" by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

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 less than one year.

Restrictions

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

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 8. REGIONAL SEWAGE TREATMENT PLANT AGREEMENT

On December 13, 1979, the District entered into an agreement with District No. 22 and District No. 23 to share in the construction, ownership and operating costs of a 500,000 gallon per day regional sewage treatment plant (the "Plant"). On September 6, 1985, the Amendment to the agreement was approved, on May 9, 2006, the Second Amendment to the agreement was approved, on December 13, 2014, the Third Amendment to the agreement was approved and on November 21, 2016, the Fourth Amendment to the agreement was approved.

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. District No. 22 sold 50,000 gallons per day sewage treatment capacity to District No. 23 for \$199,500 on November 9, 2005. Effective November 21, 2016, the District sold 95,100 gallons per day capacity in the amount of \$927,225 to District No. 23. The term of the agreement is 35 years.

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

	Capacity in Total Gallons Per day	Percentage of Total Capacity
The District	429,900	28.66%
District No. 22	505,000	33.67
District No. 23	<u>565,100</u>	<u>37.67</u>
	<u>1,500,000</u>	<u>100.00%</u>

The District 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 recorded total advances in the amount of \$195,500 for operation and maintenance of the Plant of which \$56,030 was the District's share, recorded a total of \$216,882 as its share of operating costs of the Plant and recorded \$22,828 as payable at fiscal year end.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 11. INTERIM EMERGENCY WATER SUPPLY CONTRACT

On June 20, 2006, the District entered into an interim and emergency water supply contract with Harris County Municipal Utility District No. 16 ("District No. 16") and District No. 22. The interconnect facilities located in each district will be constructed, owned, operated and maintained by each respective district.

On an interim basis, the District and District No. 22 agreed to sell up to 630,000 gallons per day of water to District No. 16 at the rate charged by the North Harris County Regional Water Authority (the "Authority"), plus \$0.20 per 1,000 per gallons. The term was for a period of two (2) years from the date the water interconnect facilities were opened. The interconnect was opened on July 5, 2006. An extension of the Interim Water Supply Termination Date was granted through March 1, 2009, thus extending the of \$0.20 per 1,000 gallons plus the rate District No. 22 and the District were charged by the Authority for water. The District and District No. 22 continued to provide water through January 2009. Thereafter, District No. 16 began to purchase water from the Authority.

During an emergency, the price to be paid for water shall be \$1.00 per 1,000 gallons plus the cost of any assessments imposed on the use of water to the supplying district by the various regulatory authorities including but not limited to the Authority. The districts agree to review the price for water on or about every fifth anniversary of this contract. The term of the emergency portion of this contract is 40 years, through June 20, 2046.

NOTE 12. EMERGENCY WATER SUPPLY CONTRACT

On August 18, 1981, District No. 22 entered into an Emergency Water Supply Contract with District No. 23 whereby each district will furnish the other district emergency water supply service for a period of 40 years. District No. 23 maintains the interconnect and all such maintenance costs are equally shared between the two districts. On July 15, 2004, the District executed a First Amendment to the Emergency Water Supply Contract. This contract included the District as well as District No. 22 and District No. 23. The amended contract provides for the supply of water, in an emergency, between districts and for the repayment of water in-kind and eliminates the need for the supplying district to recoup the Authority assessment from the receiving district.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024**

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT WITH THE CITY OF HOUSTON

The District entered into a Strategic Partnership Agreement with the City of Houston on July 15, 2005. Under the Agreement, the City will perform a limited-purpose annexation of property within the District. The City shall impose a Sales & Use Tax on the limited-purpose annexation property activities. An amount equal to 50 percent of all Sales and Use Tax collected by the City on revenues generated within the boundaries of the limited-purpose annexation property shall be paid to the District. The Agreement continues in effect for a period of 30 years. During the current fiscal year, the District recorded revenue of \$404,992 from the City.

NOTE 15. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 16. INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund liabilities at May 31, 2024 consist of the following: the General Fund owes the Water Plant and Wastewater Treatment Plant Special Revenue Funds \$60,197 for operation costs. The Wastewater Treatment Plant Special Revenue Fund owes the General Fund \$429,790 for the advance made to fund the District's share of the wastewater treatment plant improvements. The Debt Service Fund owes the General Fund \$25,248 for maintenance tax collections. The Construction Fund owes the General Fund \$1,513 and transferred funds in the amount of \$111,596 related to prior year bond issuance costs and prior year costs related to the Water Well No. 3 and Lift Station improvements.

NOTE 17. BOND SALE

On November 22, 2023, the District closed on the sale of its \$7,150,000 Series 2023 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds. Proceeds were used to for a new water well and supply line, replacement of the Motor Control Center and a new building at the Water Plant No. 1, offsite lift station improvements, phase I of water line improvements, land acquisition and legal fees associated with the new water well and related engineering and contingencies. Bond proceeds were also used to pay for one year's capitalized interest and certain issuance costs.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21**

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2024

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 300,000	\$ 310,178	\$ 10,178
Water Service	410,000	553,314	143,314
Wastewater Service	120,000	272,683	152,683
Regional Water Authority Fees/Credits	270,000	358,732	88,732
Penalty and Interest	9,000	1,575	(7,425)
Sales Tax Revenues	400,000	404,992	4,992
Tap Connection and Inspection Fees		10,040	10,040
Investment Revenues	100,000	274,633	174,633
Miscellaneous Revenues		3,870	3,870
TOTAL REVENUES	<u>\$ 1,609,000</u>	<u>\$ 2,190,017</u>	<u>\$ 581,017</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 202,000	\$ 149,643	\$ 52,357
Contracted Services	32,750	35,065	(2,315)
Purchased Water Service	639,410	577,007	62,403
Purchased Wastewater Service	197,880	216,882	(19,002)
Utilities	3,000	1,643	1,357
Repairs and Maintenance	40,000	153,043	(113,043)
Other	105,570	90,065	15,505
Capital Outlay	802,250	791,848	10,402
TOTAL EXPENDITURES	<u>\$ 2,022,860</u>	<u>\$ 2,015,196</u>	<u>\$ 7,664</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (413,860)</u>	<u>\$ 174,821</u>	<u>\$ 588,681</u>
OTHER FINANCING SOURCES(USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ 111,596</u>	<u>\$ 111,596</u>
NET CHANGE IN FUND BALANCE	<u>\$ (413,860)</u>	<u>\$ 286,417</u>	<u>\$ 700,277</u>
FUND BALANCE - JUNE 1, 2023	<u>5,700,513</u>	<u>5,700,513</u>	
FUND BALANCE - MAY 31, 2024	<u>\$ 5,286,653</u>	<u>\$ 5,986,930</u>	<u>\$ 700,277</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL – WASTEWATER TREATMENT PLANT
FOR THE YEAR ENDED MAY 31, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	\$ 824,500	\$ 2,471,037	\$ 1,646,537
Investment Revenues		246	246
TOTAL REVENUES	<u>\$ 824,500</u>	<u>\$ 2,471,283</u>	<u>\$ 1,646,783</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 18,500	\$ 21,364	\$ (2,864)
Contracted Services	92,500	92,091	409
Utilities	90,000	82,555	7,445
Repairs and Maintenance	235,000	194,751	40,249
Other	388,500	427,901	(39,401)
Capital Outlay		1,652,621	(1,652,621)
TOTAL EXPENDITURES	<u>\$ 824,500</u>	<u>\$ 2,471,283</u>	<u>\$ (1,646,783)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
FUND BALANCE - JUNE 1, 2023	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - MAY 31, 2024	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent
auditor's report on supplemental information.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

MAY 31, 2024

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2024**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved June 19, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 10.00	10,000	N	\$ 1.50	10,001 and up
WASTEWATER:	\$ 9.00		Y		
SURCHARGE:					
TCEQ Regulatory Assessment			N	0.5% of water and wastewater charges	
Regional Water Authority Fees	\$ 4.46	per 1,000			
District employs winter averaging for wastewater usage?					<u> </u> Yes <u> X </u> No

Total monthly charges per 10,000 gallons usage: Water: \$10.00 Wastewater: \$9.00 Surcharge: \$44.70

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2024**

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 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 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. 21
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2024**

TOTAL CAPITAL OUTLAY	\$ 791,848
TAP CONNECTIONS	\$ 5,325
OTHER EXPENDITURES:	
Laboratory Fees	\$ 17,462
Permit Fees	1,538
Reconnection Fees	179
Regulatory Assessment	2,652
TOTAL OTHER EXPENDITURES	\$ 21,831
TOTAL EXPENDITURES	\$ 2,015,196

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2024**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JUNE 1, 2023	\$	28,971	\$	
Adjustments to Beginning				
Balance		<u>(9,301)</u>		<u>\$ -0-</u>
Original 2023 Tax Levy	\$	298,646	\$	386,892
Adjustment to 2023 Tax Levy		<u>43,491</u>		<u>56,217</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 361,807		\$ 443,109
TAX COLLECTIONS:				
Prior Years	\$	9,589	\$	
Current Year		<u>300,589</u>		<u>389,285</u>
TAXES RECEIVABLE -				
MAY 31, 2024		<u>\$ 51,629</u>		<u>\$ 53,824</u>
TAXES RECEIVABLE BY				
YEAR:				
2023	\$	41,548	\$	53,824
2022		2,957		
2021		1,970		
2020		1,843		
2019		1,216		
2018		786		
2017		764		
2016		517		
2014		13		
2013		<u>15</u>		
TOTAL		<u>\$ 51,629</u>		<u>\$ 53,824</u>

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2024**

S E R I E S - 2 0 2 3			
Due During Fiscal Years Ending May 31	Principal Due April 1	Interest Due April 1/ October 1	Total
2025	\$ 170,000	\$ 348,481	\$ 518,481
2026	175,000	339,981	514,981
2027	185,000	331,231	516,231
2028	190,000	321,981	511,981
2029	195,000	312,481	507,481
2030	205,000	302,732	507,732
2031	210,000	293,506	503,506
2032	220,000	284,056	504,056
2033	225,000	274,156	499,156
2034	235,000	264,032	499,032
2035	245,000	253,456	498,456
2036	255,000	242,432	497,432
2037	265,000	230,638	495,638
2038	280,000	218,050	498,050
2039	290,000	204,750	494,750
2040	305,000	190,250	495,250
2041	320,000	175,000	495,000
2042	335,000	159,000	494,000
2043	350,000	142,250	492,250
2044	365,000	124,750	489,750
2045	385,000	106,500	491,500
2046	405,000	87,250	492,250
2047	425,000	67,000	492,000
2048	445,000	45,750	490,750
2049	470,000	23,500	493,500
	<u>\$ 7,150,000</u>	<u>\$ 5,343,213</u>	<u>\$ 12,493,213</u>

See accompanying independent auditor's report.

Current Year Transactions			Bonds Outstanding May 31, 2024	Paying Agent
Bonds Sold	Retirements			
	Principal	Interest		
\$ 7,150,000	\$ -0-	\$ 124,872	\$ 7,150,000	UMB Bank N.A. Houston, Texas
Refunding Bonds				
\$ 5,900,000				
1,025,000				
\$ 4,875,000				

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2021	2020	2024	2023	2022	2021	2020
\$ 301,797	\$ 324,886	14.0 %	17.3 %	10.4 %	22.0 %	24.1 %
269,994	230,760	25.3	19.7	10.5	19.8	17.1
125,339	114,513	12.5	8.2	4.0	9.2	8.5
296,716	273,630	16.4	17.4	10.2	21.8	20.3
13,626	11,482	0.1	0.8	0.4	1.0	0.9
327,999	313,622	18.5	22.2	12.6	24.1	23.3
5,070	4,650	0.5	5.5	51.5	0.4	0.3
21,365	73,150	12.5	8.6	0.3	1.6	5.4
1,495	1,551	0.2	0.3	0.1	0.1	0.1
<u>\$ 1,363,401</u>	<u>\$ 1,348,244</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 121,773	\$ 110,439	6.8 %	13.3 %	6.0 %	8.9 %	8.2 %
45,835	44,242	1.6	2.6	1.5	3.4	3.3
497,735	498,613	26.3	35.0	23.8	36.5	37.0
160,348	157,460	9.9	12.7	5.3	11.8	11.7
4,083	4,462	0.1	0.1	0.2	0.3	0.3
57,393	52,197	7.0	5.8	3.1	4.2	3.9
77,085	77,700	4.1	8.2	2.5	5.7	5.8
127,858	302,130	36.2	55.4	2.2	9.4	22.4
<u>\$ 1,092,110</u>	<u>\$ 1,247,243</u>	<u>92.0 %</u>	<u>133.1 %</u>	<u>44.6 %</u>	<u>80.2 %</u>	<u>92.6 %</u>
<u>\$ 271,291</u>	<u>\$ 101,001</u>	<u>8.0 %</u>	<u>(33.1) %</u>	<u>55.4 %</u>	<u>19.8 %</u>	<u>7.4 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 271,291	\$ 101,001					
<u>4,342,984</u>	<u>4,241,983</u>					
<u>\$ 4,614,275</u>	<u>\$ 4,342,984</u>					

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2021	2020	2024	2023	2022	2021	2020
\$	\$	93.8 %	%	%	%	%
		2.9				
		3.3				
N/A	N/A	100.0 %	N/A %	N/A %	N/A %	N/A %
\$	\$	5.4 %	%	%	%	%
		30.1				
N/A	N/A	35.5 %	N/A %	N/A %	N/A %	N/A %
N/A	N/A	64.5 %	N/A %	N/A %	N/A %	N/A %
\$ - 0 -	\$ - 0 -					
\$ - 0 -	\$ - 0 -					
\$ N/A	\$ N/A					
84	84					
77	77					

See accompanying independent auditor's report.

**NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 21
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2024**

Consultants:	Date Hired	Fees for the year ended May 31, 2024	Water Plant and Wastewater Treatment Plant Fees for the year ended May 31, 2024	Title
Coats Rose, P.C.	12/17/82	\$ 68,668 \$ 164,876	\$ -0- \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	04/07/89	\$ 13,000 \$ 2,500	\$ 9,000 \$ -0-	Auditor Bond Related
Myrtle Cruz, Inc.	12/12/79	\$ 28,185	\$ 22,288	Bookkeeper/ Investment Officer
Larson & Welsinger	02/12/02	\$ 74	\$ -0-	Delinquent Tax Attorney
Quiddity Engineering LLC	08/09/90	\$ 173,951	\$ 174,594	Engineer
Blitch Associates, Inc.	10/21/13	\$ 89,451	\$ -0-	Financial Advisor
H2O Innovation Operation and Maintenance, LLC	07/11/80	\$ 139,807	\$ 795,091	Operator
Bob Leared Interests	08/17/79	\$ 20,168	\$ -0-	Tax Assessor/ Collector/ Sales Tax Consultant

See accompanying independent auditor's report.

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