



Harris County Municipal Utility District No. 221 Harris County, Texas

**Independent Auditor's Report and
Financial Statements**

September 30, 2023



Harris County Municipal Utility District No. 221

September 30, 2023

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 221
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 221 (the District), as of and for the year ended September 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2023, and the respective changes in financial position thereof 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 (GAAS). 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 these 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 12 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 GAAS 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 GAAS, 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 budgetary comparison schedules, as listed in the table of contents, 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.

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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

FORVIS, LLP

Houston, Texas
March 14, 2024

Harris County Municipal Utility District No. 221

Management's Discussion and Analysis

September 30, 2023

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

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

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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

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Management's Discussion and Analysis (Continued)
September 30, 2023

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Harris County Municipal Utility District No. 221
Management's Discussion and Analysis (Continued)
September 30, 2023

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2023	2022
Current and other assets	\$ 6,202,731	\$ 6,138,884
Capital assets	7,704,691	7,671,607
Total assets	13,907,422	13,810,491
Deferred outflows of resources	2,838	5,580
Total assets and deferred outflows of resources	\$ 13,910,260	\$ 13,816,071
Long-term liabilities	\$ 797,585	\$ 1,428,757
Other liabilities	922,846	798,641
Total liabilities	1,720,431	2,227,398
Net position:		
Net investment in capital assets	6,909,944	6,248,430
Restricted	558,515	512,331
Unrestricted	4,721,370	4,827,912
Total net position	\$ 12,189,829	\$ 11,588,673

The total net position of the District increased by \$601,156, or about 5%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Harris County Municipal Utility District No. 221
Management's Discussion and Analysis (Continued)
September 30, 2023

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 1,564,645	\$ 1,378,628
Sales tax rebates	391,196	359,648
Charges for services	2,178,301	1,810,613
Other revenues	415,571	477,281
Total revenues	4,549,713	4,026,170
Expenses:		
Services	3,635,538	2,733,629
Depreciation	263,806	243,057
Debt service	49,213	70,149
Total expenses	3,948,557	3,046,835
Change in net position	601,156	979,335
Net position, beginning of year	11,588,673	10,609,338
Net position, end of year	\$ 12,189,829	\$ 11,588,673

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2023, were \$5,210,686, a decrease of \$78,614 from the prior year.

The general fund's fund balance decreased by \$111,004 due to service operation and capital outlay expenditures exceeding property tax, sales tax rebates and service revenues and investment income.

The special revenue fund's fund balance remained the same, as all expenditures were billed to participants.

The debt service fund's fund balance increased by \$32,390 because property tax revenues exceeded bond principal and interest requirements.

Harris County Municipal Utility District No. 221
Management's Discussion and Analysis (Continued)
September 30, 2023

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax and water service revenues, investment income, and purchased services, regional water fee and repairs and maintenance expenditures being greater than anticipated. In addition, tap connection and inspection fees revenues received and tap connections and capital outlay expenditures incurred were not included in the budget. The fund balance as of September 30, 2023, was expected to be \$4,928,501 and the actual end-of-year fund balance was \$4,676,642.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2023	2022
Land and improvements	\$ 3,098,369	\$ 3,098,369
Water facilities	1,708,263	1,629,768
Wastewater facilities	2,898,059	2,943,470
Total capital assets	\$ 7,704,691	\$ 7,671,607

During the current year, there were the following additions to capital assets:

Recoating of two hydropneumatic tanks at water plant No. 1	\$ 167,311
Well header spool connection at water plant	13,261
Return activated sludge pump No. 1 at sewage treatment plant	12,243
Decant pump No. 2 at sewage treatment plant	7,307
Lift pump No. 5 at sewage treatment plant	72,996
Blower No. 2 at sewage treatment plant	7,772
Digester air drops at sewage treatment plant	16,000
Total additions to capital assets	\$ 296,890

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2023, are as follows.

Harris County Municipal Utility District No. 221
Management's Discussion and Analysis (Continued)
September 30, 2023

Long-term debt payable, beginning of year	\$	1,428,757
Decreases in long-term debt		<u>(631,172)</u>
Long-term debt payable, end of year	\$	<u>797,585</u>

At September 30, 2023, the District had \$11,015,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A" from Standard & Poor's. The Refunding Series 2012 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assurance Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City for full purposes without the District's consent, except as set forth below.

Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties under which the District would continue to exist for an extended period if the land within the District would be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation after 30 years.

Harris County Municipal Utility District No. 221
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 158,074	\$ 242,190	\$ 80,708	\$ 480,972	\$ -	\$ 480,972
Short-term investments	4,701,695	-	391,389	5,093,084	-	5,093,084
Receivables:						
Property taxes	13,145	-	16,393	29,538	-	29,538
Service accounts	132,583	-	-	132,583	-	132,583
Sales tax rebates	65,350	-	-	65,350	31,583	96,933
Accrued penalty and interest	-	-	-	-	21,495	21,495
Due from others	13,199	-	-	13,199	-	13,199
Interfund receivables	24,336	15,223	835	40,394	(40,394)	-
Due from participants	-	334,927	-	334,927	-	334,927
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	3,098,369	3,098,369
Infrastructure	-	-	-	-	4,606,322	4,606,322
Total assets	<u>5,108,382</u>	<u>592,340</u>	<u>489,325</u>	<u>6,190,047</u>	<u>7,717,375</u>	<u>13,907,422</u>
Deferred Outflows of Resources						
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,838</u>	<u>2,838</u>
Total assets and deferred outflows of resources	<u>\$ 5,108,382</u>	<u>\$ 592,340</u>	<u>\$ 489,325</u>	<u>\$ 6,190,047</u>	<u>\$ 7,720,213</u>	<u>\$ 13,910,260</u>

Harris County Municipal Utility District No. 221
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
September 30, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 257,379	\$ 377,050	\$ 9,123	\$ 643,552	\$ -	\$ 643,552
Accrued interest payable	-	-	-	-	13,417	13,417
Customer deposits	142,658	-	-	142,658	-	142,658
Due to other districts	2,500	120,719	-	123,219	-	123,219
Interfund payables	16,058	24,336	-	40,394	(40,394)	-
Long-term liabilities:						
Due within one year	-	-	-	-	645,000	645,000
Due after one year	-	-	-	-	152,585	152,585
Total liabilities	<u>418,595</u>	<u>522,105</u>	<u>9,123</u>	<u>949,823</u>	<u>770,608</u>	<u>1,720,431</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>13,145</u>	<u>0</u>	<u>16,393</u>	<u>29,538</u>	<u>(29,538)</u>	<u>0</u>
Fund Balances/Net Position						
Fund balances:						
Restricted for debt service	-	-	463,809	463,809	(463,809)	-
Committed, wastewater collection and treatment	-	70,235	-	70,235	(70,235)	-
Assigned, future expenditures	41,680	-	-	41,680	(41,680)	-
Unassigned	<u>4,634,962</u>	<u>-</u>	<u>-</u>	<u>4,634,962</u>	<u>(4,634,962)</u>	<u>-</u>
Total fund balances	<u>4,676,642</u>	<u>70,235</u>	<u>463,809</u>	<u>5,210,686</u>	<u>(5,210,686)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,108,382</u>	<u>\$ 592,340</u>	<u>\$ 489,325</u>	<u>\$ 6,190,047</u>		
Net position:						
Net investment in capital assets					6,909,944	6,909,944
Restricted for plant operations					70,235	70,235
Restricted for debt service					488,280	488,280
Unrestricted					<u>4,721,370</u>	<u>4,721,370</u>
Total net position					<u>\$ 12,189,829</u>	<u>\$ 12,189,829</u>

Harris County Municipal Utility District No. 221
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended September 30, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 835,202	\$ -	\$ 722,487	\$ 1,557,689	\$ 6,956	\$ 1,564,645
Sales tax rebates	390,833	-	-	390,833	363	391,196
Water service	645,262	-	-	645,262	-	645,262
Sewer service	528,471	-	-	528,471	-	528,471
Bulk water sales	43,904	-	-	43,904	(43,904)	-
Service to other districts	-	1,708,625	-	1,708,625	(704,057)	1,004,568
Penalty and interest	31,143	-	39,483	70,626	2,086	72,712
Tap connection and inspection fees	109,090	-	-	109,090	-	109,090
Investment income	214,954	-	17,610	232,564	-	232,564
Other income	1,205	-	-	1,205	-	1,205
Total revenues	2,800,064	1,708,625	779,580	5,288,269	(738,556)	4,549,713
Expenditures/Expenses						
Service operations:						
Purchased services	735,719	43,904	-	779,623	(747,961)	31,662
Regional water fee	255,851	-	-	255,851	-	255,851
Professional fees	218,059	35,035	6,847	259,941	-	259,941
Contracted services	471,494	144,020	42,935	658,449	-	658,449
Utilities	72,285	119,800	-	192,085	-	192,085
Repairs and maintenance	794,205	1,184,637	-	1,978,842	-	1,978,842
Other expenditures	107,659	64,910	10,914	183,483	-	183,483
Tap connections	75,225	-	-	75,225	-	75,225
Capital outlay	180,571	116,319	-	296,890	(296,890)	-
Depreciation	-	-	-	-	263,806	263,806
Debt service:						
Principal retirement	-	-	635,000	635,000	(635,000)	-
Interest and fees	-	-	51,494	51,494	(2,281)	49,213
Total expenditures/expenses	2,911,068	1,708,625	747,190	5,366,883	(1,418,326)	3,948,557
Excess (Deficiency) of Revenues Over Expenditures	(111,004)	-	32,390	(78,614)	78,614	
Change in Net Position					601,156	601,156
Fund Balances/Net Position						
Beginning of year	4,787,646	70,235	431,419	5,289,300	-	11,588,673
End of year	\$ 4,676,642	\$ 70,235	\$ 463,809	\$ 5,210,686	\$ 0	\$ 12,189,829

Harris County Municipal Utility District No. 221

Notes to Financial Statements

September 30, 2023

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 221 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective January 28, 1982, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal service.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Harris County Municipal Utility District No. 221

Notes to Financial Statements

September 30, 2023

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Special Revenue Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

Harris County Municipal Utility District No. 221

Notes to Financial Statements

September 30, 2023

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Harris County Municipal Utility District No. 221

Notes to Financial Statements

September 30, 2023

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2023

district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2023

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 7,704,691
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	29,538

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2023

Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	\$ 21,495
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(13,417)
Sales tax rebates are not receivable in the current period and are not reported in the funds.	31,583
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	2,838
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(797,585)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 6,979,143</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ (78,614)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current period.	33,084
Governmental funds report principal payments on debt as expenditures. These transactions, however, do not have any effect on net position.	635,000
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	9,405
Some expenses have previously been reported in the statement of activities, but are reported as expenditures in governmental funds.	<u>2,281</u>
Change in net position of governmental activities.	<u><u>\$ 601,156</u></u>

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2023

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At September 30, 2023, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool and Texas CLASS, external investment pools that are not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

At September 30, 2023, the District had the following investments and maturities.

Harris County Municipal Utility District No. 221

Notes to Financial Statements

September 30, 2023

Type	Maturities in Years				
	Amortized Cost/Fair Value	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 4,585,448	\$ 4,585,448	\$ -	\$ -	\$ -
Texas CLASS	507,636	507,636	-	-	-
	\$ 5,093,084	\$ 5,093,084	\$ 0	\$ 0	\$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pools are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the District's investments in TexPool and Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at September 30, 2023, as follows:

Carrying value:	
Deposits	\$ 480,972
Investments	5,093,084
Total	\$ 5,574,056

Investment Income

Investment income of \$232,564 for the year ended September 30, 2023, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements at September 30, 2023:

- Pooled investments of \$507,636 are valued at fair value per share of the pool's underlying portfolio.

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2023

Note 3: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2023, is as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 3,098,369	\$ 0	\$ 3,098,369
Capital assets, depreciable:			
Water production and distribution facilities	3,924,847	180,572	4,105,419
Wastewater collection and treatment facilities	7,804,997	116,318	7,921,315
Total capital assets, depreciable	11,729,844	296,890	12,026,734
Less accumulated depreciation:			
Water production and distribution facilities	(2,295,079)	(102,077)	(2,397,156)
Wastewater collection and treatment facilities	(4,861,527)	(161,729)	(5,023,256)
Total accumulated depreciation	(7,156,606)	(263,806)	(7,420,412)
Total governmental activities, net	\$ 7,671,607	\$ 33,084	\$ 7,704,691

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2023, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 1,440,000	\$ 635,000	\$ 805,000	\$ 645,000
Add premiums on bonds	5,056	2,484	2,572	-
Less discounts on bonds	16,299	6,312	9,987	-
Total governmental activities long-term liabilities	\$ 1,428,757	\$ 631,172	\$ 797,585	\$ 645,000

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2023

General Obligation Bonds

	Series 2006	Refunding Series 2012
Amounts outstanding, September 30, 2023	\$320,000	\$485,000
Interest rates	4.00%	4.00%
Maturity dates, serially beginning/ending	November 1, 2023/2024	May 1, 2024
Interest payment dates	November 1/ May 1	November 1/ May 1
Callable dates*	November 1, 2014	May 1, 2019

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2023:

Year	Principal	Interest	Total
2024	\$ 645,000	\$ 29,000	\$ 674,000
2025	<u>160,000</u>	<u>3,200</u>	<u>163,200</u>
Total	<u>\$ 805,000</u>	<u>\$ 32,200</u>	<u>\$ 837,200</u>

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

Bonds voted	\$ 29,000,000
Bonds sold	17,985,000
Refunding bonds voted	43,500,000
Refunding bond authorization used	0

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2023

Note 5: Significant Bond Resolution and Commission Requirements

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.1600 per \$100 of assessed valuation, which resulted in a tax levy of \$727,243 on the taxable valuation of \$454,529,191 for the 2022 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$674,622, of which \$498,522 has been paid and \$176,100 is due November 1, 2023.

Note 6: Maintenance Taxes

At an election held February 27, 1982, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.1850 per \$100 of assessed valuation, which resulted in a tax levy of \$840,874 on the taxable valuation of \$454,529,191 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Strategic Partnership Agreement

Effective December 2, 2002, and as amended November 16, 2012, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed certain tracts of land (the tracts) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tracts. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$391,196 in revenues related to the Agreement.

Note 8: Waste Disposal Contract

On June 1, 1982, the District entered into a waste disposal contract with Harris County Municipal Utility District No. 154 (District No. 154) for the construction and operation of a 1,000,000 gallons-per-day (gpd) sewage treatment plant for a term of 40 years. Under the terms of the contract, each district paid 50% of the construction costs and is entitled to utilize 50% of the plant capacity. On October 28, 2003, the contract was amended due to the expansion of the plant to 1,800,000 gpd. After the expansion, the District owns 44.5% of the capacity and District No. 154 owns 55.5% of the capacity. The District is to maintain and operate the plant, and District No. 154

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2023

has agreed to pay its pro rata share of costs at rates agreed upon by the districts. The allocation of operation and maintenance expenditures is based on the number of connections in the representative districts. Certain costs are allocated based on capacity.

In a prior year, the District sold 40% of its shares of sewer capacity to District No. 154 for \$490,000.

The District has contributed \$70,235 to establish a three-month operating reserve. The District's contribution is shown as fund balance in the special revenue fund. In addition, District No. 154 has deposited \$120,719, which is reflected as a liability in the financial statements.

Transactions for the current year in the special revenue fund are summarized below:

	The District	District No. 154	Total
Due from participants, beginning of year	\$ 116,211	\$ 142,610	\$ 258,821
Billings to participants	704,057	1,004,568	1,708,625
Collections from participants	(805,045)	(812,251)	(1,617,296)
Due from participants, end of year	\$ 15,223	\$ 334,927	\$ 350,150

The District's share is reported as an interfund payable.

Note 9: 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 in the past three fiscal years.

Required Supplementary Information

Harris County Municipal Utility District No. 221
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 618,000	\$ 835,202	\$ 217,202
Sales tax rebates	345,000	390,833	45,833
Water service	530,000	645,262	115,262
Sewer service	500,000	528,471	28,471
Bulk water sales	-	43,904	43,904
Penalty and interest	28,000	31,143	3,143
Tap connection and inspection fees	-	109,090	109,090
Investment income	18,000	214,954	196,954
Other income	1,200	1,205	5
	<u>2,040,200</u>	<u>2,800,064</u>	<u>759,864</u>
Total revenues			
Expenditures			
Service operations:			
Purchased services	446,645	735,719	(289,074)
Regional water fee	154,000	255,851	(101,851)
Professional fees	190,000	218,059	(28,059)
Contracted services	446,500	471,494	(24,994)
Utilities	83,000	72,285	10,715
Repairs and maintenance	471,000	794,205	(323,205)
Other expenditures	108,200	107,659	541
Tap connections	-	75,225	(75,225)
Capital outlay	-	180,571	(180,571)
	<u>1,899,345</u>	<u>2,911,068</u>	<u>(1,011,723)</u>
Total expenditures			
Excess (Deficiency) of Revenues Over Expenditures	140,855	(111,004)	(251,859)
Fund Balance, Beginning of Year	<u>4,787,646</u>	<u>4,787,646</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,928,501</u></u>	<u><u>\$ 4,676,642</u></u>	<u><u>\$ (251,859)</u></u>

Harris County Municipal Utility District No. 221
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended September 30, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service to other districts	\$ 1,224,700	\$ 1,708,625	\$ 483,925
Expenditures			
Service operations:			
Purchased services	-	43,904	(43,904)
Professional fees	24,000	35,035	(11,035)
Contracted services	207,200	144,020	63,180
Utilities	101,000	119,800	(18,800)
Repairs and maintenance	845,000	1,184,637	(339,637)
Other expenditures	47,500	64,910	(17,410)
Capital outlay expenditures	-	116,319	(116,319)
Total expenditures	<u>1,224,700</u>	<u>1,708,625</u>	<u>(483,925)</u>
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	<u>70,235</u>	<u>70,235</u>	-
Fund Balance, End of Year	<u>\$ 70,235</u>	<u>\$ 70,235</u>	<u>\$ 0</u>

Harris County Municipal Utility District No. 221
Notes to Required Supplementary Information
September 30, 2023

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general and special revenue funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund and the special revenue fund were not amended during fiscal 2023.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund and Special Revenue Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Harris County Municipal Utility District No. 221
Other Schedules Included Within This Report
September 30, 2023

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-25
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 221

Schedule of Services and Rates

Year Ended September 30, 2023

1. Services provided by the District:

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

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 16.37	5,000	N	\$ 1.25	5,001 to 20,000
				\$ 1.50	20,001 to 50,000
				\$ 1.75	50,001 to 75,000
				\$ 2.00	75,001 to No Limit
Wastewater:	\$ 31.55	5,000	N	\$ 0.75	5,001 No Limit
Regional water fee:	\$ 1.42	0	N	\$ 1.42	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 36.82	Wastewater \$ 35.30

b. Water and wastewater retail connections:

<u>Meter Size</u>	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,302	1,299	x1.0	1,299
1"	17	17	x2.5	43
1 1/2"	10	8	x5.0	40
2"	24	22	x8.0	176
3"	-	-	x15.0	-
4"	3	3	x25.0	75
6"	3	3	x50.0	150
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	1,361	1,354		1,943
Total wastewater	1,328	1,324	x1.0	1,324

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	169,311
Gallons billed to customers:	174,239
Water accountability ratio (gallons billed/gallons pumped):	102.91%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 221
Schedule of General Fund Expenditures
Year Ended September 30, 2023

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	21,500	
Legal		114,981	
Engineering		81,578	
Financial advisor		-	218,059
		<hr/>	
Purchased Services for Resale			
Bulk water and wastewater service purchases			735,719
Regional Water Fee			255,851
Contracted Services			
Bookkeeping		19,531	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		146,345	
Other contracted services		70,001	235,877
		<hr/>	
Utilities			72,285
Repairs and Maintenance			794,205
Administrative Expenditures			
Directors' fees		15,938	
Office supplies		29,374	
Insurance		23,076	
Other administrative expenditures		39,271	107,659
		<hr/>	
Capital Outlay			
Capitalized assets		180,571	
Expenditures not capitalized		-	180,571
		<hr/>	
Tap Connection Expenditures			75,225
Solid Waste Disposal			235,617
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
			<hr/>
Total expenditures		<u>\$</u>	<u>2,911,068</u>

Harris County Municipal Utility District No. 221
Schedule of Temporary Investments
September 30, 2023

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	5.35%	Demand	\$ 4,194,059	\$ -
Texas CLASS	5.54%	Demand	<u>507,636</u>	<u>-</u>
			4,701,695	0
Debt Service Fund				
TexPool	5.35%	Demand	<u>391,389</u>	<u>-</u>
Totals			<u><u>\$ 5,093,084</u></u>	<u><u>\$ 0</u></u>

Harris County Municipal Utility District No. 221
Analysis of Taxes Levied and Receivable
Year Ended September 30, 2023

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 9,046	\$ 13,536
Additions and corrections to prior years' taxes	(1,573)	(1,899)
Adjusted receivable, beginning of year	7,473	11,637
 2022 Original Tax Levy	 790,058	 683,294
Additions and corrections	50,816	43,949
Adjusted tax levy	840,874	727,243
Total to be accounted for	848,347	738,880
Tax collections: Current year	(834,315)	(721,570)
Prior years	(887)	(917)
Receivable, end of year	\$ 13,145	\$ 16,393
 Receivable, by Years		
2022	\$ 6,559	\$ 5,673
2021	1,576	1,621
2020	1,126	1,126
2019	843	935
2018	742	816
2017	897	1,032
2016	441	529
2015	11	17
2014	118	184
2013	111	196
2012	10	21
2011 and prior	711	4,243
Receivable, end of year	\$ 13,145	\$ 16,393

Harris County Municipal Utility District No. 221
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations				
Land	\$ 80,204,663	\$ 76,600,162	\$ 73,029,481	\$ 72,853,626
Improvements	340,581,248	283,672,992	264,214,514	243,451,267
Personal property	99,523,408	90,463,897	81,857,054	77,756,926
Exemptions	<u>(65,780,128)</u>	<u>(62,022,028)</u>	<u>(55,328,163)</u>	<u>(53,084,854)</u>
Total property valuations	<u>\$ 454,529,191</u>	<u>\$ 388,715,023</u>	<u>\$ 363,772,886</u>	<u>\$ 340,976,965</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.1600	\$ 0.1800	\$ 0.1850	\$ 0.2050
Maintenance tax rates*	<u>0.1850</u>	<u>0.1750</u>	<u>0.1850</u>	<u>0.1850</u>
Total tax rates per \$100 valuation	<u>\$ 0.3450</u>	<u>\$ 0.3550</u>	<u>\$ 0.3700</u>	<u>\$ 0.3900</u>
Tax Levy	<u>\$ 1,568,117</u>	<u>\$ 1,379,932</u>	<u>\$ 1,345,952</u>	<u>\$ 1,329,803</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on February 27, 1982

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Harris County Municipal Utility District No. 221
Schedule of Long-term Debt Service Requirements by Years
September 30, 2023

Due During Fiscal Years Ending September 30	Series 2006		
	Principal Due November 1	Interest Due November 1, May 1	Total
2024	\$ 160,000	\$ 9,600	\$ 169,600
2025	160,000	3,200	163,200
Totals	\$ 320,000	\$ 12,800	\$ 332,800

Harris County Municipal Utility District No. 221
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Refunding Series 2012		
	Principal Due May 1	Interest Due November 1, May 1	Total
2024	<u>\$ 485,000</u>	<u>\$ 19,400</u>	<u>\$ 504,400</u>

Harris County Municipal Utility District No. 221
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2023

Due During Fiscal Years Ending September 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 645,000	\$ 29,000	\$ 674,000
2025	160,000	3,200	163,200
Totals	\$ 805,000	\$ 32,200	\$ 837,200

Harris County Municipal Utility District No. 221
Changes in Long-term Bonded Debt
Year Ended September 30, 2023

	Bond Issues		
	Series 2006	Refunding Series 2012	Totals
Interest rates	4.00%	4.00%	
Dates interest payable	November 1/ May 1	November 1/ May 1	
Maturity dates	November 1, 2023/2024	May 1, 2024	
Bonds outstanding, beginning of current year	\$ 480,000	\$ 960,000	\$ 1,440,000
Retirements, principal	<u>160,000</u>	<u>475,000</u>	<u>635,000</u>
Bonds outstanding, end of current year	<u>\$ 320,000</u>	<u>\$ 485,000</u>	<u>\$ 805,000</u>
Interest paid during current year	<u>\$ 16,000</u>	<u>\$ 34,244</u>	<u>\$ 50,244</u>

Paying agent's name and address:

Series 2006 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2012 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 29,000,000	0	\$ 43,500,000
Amount issued	<u>\$ 17,985,000</u>	<u>0</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 11,015,000</u>	<u>0</u>	<u>\$ 43,500,000</u>

Debt service fund cash and temporary investment balances as of September 30, 2023: \$ 472,097

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 418,600

Harris County Municipal Utility District No. 221
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 835,202	\$ 678,731	\$ 668,691	\$ 625,840	\$ 635,036
Sales tax rebates	390,833	359,132	322,056	284,000	289,371
Water service	645,262	594,912	535,438	537,202	540,472
Sewer service	528,471	518,875	506,037	478,983	454,145
Bulk water sales	43,904	-	-	57,030	-
Sale of capacity	-	-	-	50,000	-
Penalty and interest	31,143	31,177	17,665	27,323	25,489
Tap connection and inspection fees	109,090	36,476	70,114	67,122	50,975
Investment income	214,954	31,463	3,335	37,314	80,027
Other income	1,205	303	14,575	1,598	250
Total revenues	<u>2,800,064</u>	<u>2,251,069</u>	<u>2,137,911</u>	<u>2,166,412</u>	<u>2,075,765</u>
Expenditures					
Service operations:					
Purchased services	735,719	486,283	343,102	397,900	353,490
Regional water fee	255,851	202,568	183,447	198,213	172,047
Professional fees	218,059	188,873	207,639	147,352	139,204
Contracted services	471,494	484,464	454,884	429,022	396,349
Utilities	72,285	78,825	56,607	61,364	56,858
Repairs and maintenance	794,205	483,167	320,874	436,062	388,529
Other expenditures	107,659	93,560	91,445	69,427	61,535
Tap connections	75,225	13,402	20,596	22,924	16,475
Capital outlay	180,571	-	-	15,330	147,134
Total expenditures	<u>2,911,068</u>	<u>2,031,142</u>	<u>1,678,594</u>	<u>1,777,594</u>	<u>1,731,621</u>
Excess (Deficiency) of Revenues Over Expenditures	(111,004)	219,927	459,317	388,818	344,144
Other Financing Sources					
Insurance proceeds	-	-	-	40,321	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(111,004)	219,927	459,317	429,139	344,144
Fund Balance, Beginning of Year	<u>4,787,646</u>	<u>4,567,719</u>	<u>4,108,402</u>	<u>3,679,263</u>	<u>3,335,119</u>
Fund Balance, End of Year	<u>\$ 4,676,642</u>	<u>\$ 4,787,646</u>	<u>\$ 4,567,719</u>	<u>\$ 4,108,402</u>	<u>\$ 3,679,263</u>
Total Active Retail Water Connections	<u>1,354</u>	<u>1,242</u>	<u>1,240</u>	<u>1,236</u>	<u>1,227</u>
Total Active Retail Wastewater Connections	<u>1,324</u>	<u>1,211</u>	<u>1,210</u>	<u>1,202</u>	<u>1,202</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
29.8 %	30.2 %	31.3 %	28.9 %	30.6 %
14.0	15.9	15.1	13.1	13.9
23.0	26.4	25.0	24.8	26.0
18.9	23.1	23.7	22.1	21.9
1.6	-	-	2.6	-
-	-	-	2.3	-
1.1	1.4	0.8	1.3	1.2
3.9	1.6	3.3	3.1	2.5
7.7	1.4	0.1	1.7	3.9
0.0	0.0	0.7	0.1	0.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
26.3	21.6	16.0	18.4	17.0
9.1	9.0	8.6	9.1	8.3
7.8	8.4	9.7	6.8	6.7
16.8	21.5	21.3	19.8	19.1
2.6	3.5	2.6	2.8	2.7
28.4	21.5	15.0	20.1	18.7
3.8	4.1	4.3	3.2	3.0
2.7	0.6	1.0	1.1	0.8
6.5	-	-	0.7	7.1
<u>104.0</u>	<u>90.2</u>	<u>78.5</u>	<u>82.0</u>	<u>83.4</u>
<u>(4.0) %</u>	<u>9.8 %</u>	<u>21.5 %</u>	<u>18.0 %</u>	<u>16.6 %</u>

Harris County Municipal Utility District No. 221
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2023	2022	2021	2020	2019
Debt Service Fund					
Revenues					
Property taxes	\$ 722,487	\$ 698,894	\$ 670,222	\$ 693,511	\$ 698,704
Penalty and interest	39,483	16,510	13,113	10,468	11,237
Investment income	17,610	2,765	203	4,231	9,390
Total revenues	<u>779,580</u>	<u>718,169</u>	<u>683,538</u>	<u>708,210</u>	<u>719,331</u>
Expenditures					
Current:					
Professional fees	6,847	7,310	6,390	1,890	3,199
Contracted services	42,935	41,208	42,127	41,679	44,327
Other expenditures	10,914	17,661	9,321	10,108	6,599
Debt service:					
Principal retirement	635,000	610,000	590,000	580,000	565,000
Interest and fees	51,494	72,144	90,669	106,068	121,525
Total expenditures	<u>747,190</u>	<u>748,323</u>	<u>738,507</u>	<u>739,745</u>	<u>740,650</u>
Excess (Deficiency) of Revenues					
Over Expenditures	32,390	(30,154)	(54,969)	(31,535)	(21,319)
Fund Balance, Beginning of Year	<u>431,419</u>	<u>461,573</u>	<u>516,542</u>	<u>548,077</u>	<u>569,396</u>
Fund Balance, End of Year	<u>\$ 463,809</u>	<u>\$ 431,419</u>	<u>\$ 461,573</u>	<u>\$ 516,542</u>	<u>\$ 548,077</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
92.7 %	97.3 %	98.1 %	97.9 %	97.1 %
5.0	2.3	1.9	1.5	1.6
2.3	0.4	0.0	0.6	1.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.9	1.0	0.9	0.3	0.4
5.5	5.7	6.2	5.9	6.2
1.4	2.5	1.3	1.4	0.9
81.4	84.9	86.3	81.9	78.6
<u>6.6</u>	<u>10.1</u>	<u>13.3</u>	<u>14.9</u>	<u>16.9</u>
<u>95.8</u>	<u>104.2</u>	<u>108.0</u>	<u>104.4</u>	<u>103.0</u>
<u>4.2 %</u>	<u>(4.2) %</u>	<u>(8.0) %</u>	<u>(4.4) %</u>	<u>(3.0) %</u>

Harris County Municipal Utility District No. 221
Board Members, Key Personnel and Consultants
Year Ended September 30, 2023

Complete District mailing address:	Harris County Municipal Utility District No. 221 c/o Bracewell LLP 711 Louisiana, Suite 2300 Houston, Texas 77002-2770
District business telephone number:	713.223.2300
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	July 29, 2019
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Edward C. Stucey	Elected 05/21- 05/25	\$ 4,839	\$ 1,423	President
Brant Johnson	Elected 05/23- 05/27	0	0	Vice President
Rick Robinson	Elected 05/23- 05/27	1,192	251	Secretary
Stephanie Woods	Elected 05/23- 05/27	4,547	1,394	First Assistant Secretary
Aamanda Carrier	Appointed 04/22- 05/25	5,360	3,635	Second Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.

Harris County Municipal Utility District No. 221
Board Members, Key Personnel and Consultants (Continued)
Year Ended September 30, 2023

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bracewell LLP	02/17/12	\$ 114,981	Attorney
District Data Services, Inc.	Prior to 04/01/83	24,792	Bookkeeper
FORVIS, LLP	05/15/86	28,400	Auditor
Harris Central Appraisal District	Legislative Action	11,349	Appraiser
Inframark, LLC	04/20/83	2,341,203	Operator
Masterson Advisors LLC	04/24/18	0	Financial Advisor
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/20/96	6,847	Delinquent Tax Attorney
Vogler & Spencer Engineering, Inc.	Prior to 04/01/83	150,694	Engineer
Wheeler & Associates, Inc.	04/08/82	41,955	Tax Assessor/ Collector
Investment Officer			
Stephanie Viator	10/10/06	N/A	Bookkeeper