

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2018**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**

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# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

9600 Great Hills Trail  
Suite 150W  
Austin, Texas 78759  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Fresh Water  
Supply District No. 61  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Fresh Water Supply District No. 61 (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management's discussion and analysis of Harris County Fresh Water Supply District No. 61's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental 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 deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

**FUND FINANCIAL STATEMENTS**

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

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**FUND FINANCIAL STATEMENTS** (Continued)

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,422,559 as of December 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 26,590,284	\$ 27,785,387	\$ (1,195,103)
Capital Assets (Net of Accumulated Depreciation)	<u>41,444,636</u>	<u>40,906,600</u>	<u>538,036</u>
Total Assets	<u>\$ 68,034,920</u>	<u>\$ 68,691,987</u>	<u>\$ (657,067)</u>
Deferred Outflows of Resources	<u>\$ 117,546</u>	<u>\$ 129,694</u>	<u>\$ (12,148)</u>
Long -Term Liabilities	\$ 28,735,892	\$ 31,238,482	\$ 2,502,590
Other Liabilities	<u>3,768,912</u>	<u>3,773,780</u>	<u>4,868</u>
Total Liabilities	<u>\$ 32,504,804</u>	<u>\$ 35,012,262</u>	<u>\$ 2,507,458</u>
Deferred Inflows of Resources	<u>\$ 3,225,103</u>	<u>\$ 3,201,179</u>	<u>\$ (23,924)</u>
Net Position:			
Net Investment in Capital Assets	\$ 21,557,220	\$ 20,027,639	\$ 1,529,581
Restricted	3,452,887	3,567,519	(114,632)
Unrestricted	<u>7,412,452</u>	<u>7,013,082</u>	<u>399,370</u>
Total Net Position	<u>\$ 32,422,559</u>	<u>\$ 30,608,240</u>	<u>\$ 1,814,319</u>

The following table provides a summary of the District's operations for the years ended December 31, 2018, and December 31, 2017. The District's net position increased by \$1,814,319, accounting for a 5.9% growth in net position.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 3,144,487	\$ 3,142,704	\$ 1,783
Charges for Services	5,846,941	5,280,906	566,035
Other Revenues	<u>2,192,152</u>	<u>1,692,440</u>	<u>499,712</u>
Total Revenues	<u>\$ 11,183,580</u>	<u>\$ 10,116,050</u>	<u>\$ 1,067,530</u>
Expenses for Services	<u>9,369,261</u>	<u>9,310,787</u>	<u>(58,474)</u>
Change in Net Position	\$ 1,814,319	\$ 805,263	\$ 1,009,056
Net Position, Beginning of Year	<u>30,608,240</u>	<u>29,802,977</u>	<u>805,263</u>
Net Position, End of Year	<u>\$ 32,422,559</u>	<u>\$ 30,608,240</u>	<u>\$ 1,814,319</u>

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The District's combined fund balances as of December 31, 2018, were \$21,741,415, a decrease of \$1,195,059 from the prior year.

The General Fund fund balance increased by \$404,940, primarily due to property tax and service revenues exceeding operating costs during the current fiscal year.

The Debt Service Fund fund balance decreased by \$201,102, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$1,398,897 due to the use of bond proceeds received in the prior fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$15,850 less than budgeted revenues. Actual expenditures were \$180,007 more than budgeted expenditures.

**CAPITAL ASSETS**

Capital assets as of December 31, 2018, total \$41,444,636 (net of accumulated depreciation) and include land, buildings, trucks and equipment as well as the water and wastewater systems. Significant capital asset activity includes the, purchase of two trucks, a tractor, sanitary sewer rehabilitation, phases 3, 4 and 5 and utility relocating. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,806,407	\$ 3,806,407	\$
Construction in Progress	1,015,647	761,922	253,725
Capital Assets, Net of Accumulated Depreciation:			
Water System	17,091,423	17,113,998	(22,575)
Wastewater System	17,714,501	17,301,369	413,132
Buildings	1,735,433	1,787,251	(51,818)
Trucks and Equipment	81,225	135,653	(54,428)
Total Net Capital Assets	<u>\$ 41,444,636</u>	<u>\$ 40,906,600</u>	<u>\$ 538,036</u>

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**LONG-TERM DEBT ACTIVITY**

At year-end, the District had bond debt payable of \$31,105,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bond Debt Payable, January 1, 2018	\$ 33,470,000
Less: Bond Principal Paid	<u>2,365,000</u>
Bond Debt Payable, December 31, 2018	<u>\$ 31,105,000</u>

The District’s Series 2010 Refunding, Series 2011 and Series 2012 Refunding bonds have an underlying rating of “A” by Standard & Poor’s and the Series 2017 has an underlying rating of “A1” by Moody’s. The Series 2011 and Series 2012 Refunding bonds carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2017 bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual. The above ratings reflect all changes through December 31, 2018.

**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 Harris County Fresh Water Supply District No. 61, c/o Smith, Murdaugh, Little & Bonham, LLP, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 7,053,970	\$ 871,942
Investments		3,330,084
Receivables:		
Property Taxes		2,557,273
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$3,000)	449,209	
Accrued Interest		193
Other		3,179
Due from Other Funds	571,811	15,859
Prepaid Costs	28,537	
Due from Other Governmental Units	74,512	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 8,178,039</b>	<b>\$ 6,778,530</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 8,178,039</b>	<b>\$ 6,778,530</b>

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



<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 720,999	\$ 8,646,911	\$	\$ 8,646,911
11,248,891	14,578,975		14,578,975
	2,557,273		2,557,273
		197,591	197,591
	449,209		449,209
	193		193
	3,179		3,179
	587,670	(587,670)	
	28,537	53,904	82,441
	74,512		74,512
		3,806,407	3,806,407
		1,015,647	1,015,647
		36,622,582	36,622,582
<u>\$ 11,969,890</u>	<u>\$ 26,926,459</u>	<u>\$ 41,108,461</u>	<u>\$ 68,034,920</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 117,546</u>	<u>\$ 117,546</u>
<u><u>\$ 11,969,890</u></u>	<u><u>\$ 26,926,459</u></u>	<u><u>\$ 41,226,007</u></u>	<u><u>\$ 68,152,466</u></u>

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

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 260,498	\$
Accrued Interest Payable		
Due to Other Funds	15,859	
Due to Taxpayers		36
Security Deposits	543,134	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 819,491</b>	<b>\$ 36</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ -0-	\$ 3,591,557
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 28,537	\$
Restricted for Authorized Construction:		
Restricted for Debt Service		3,186,937
Unassigned	7,330,011	
<b>TOTAL FUND BALANCES</b>	<b>\$ 7,358,548</b>	<b>\$ 3,186,937</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,178,039</b>	<b>\$ 6,778,530</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 202,149	\$ 462,647	\$	\$ 462,647
		298,095	298,095
571,811	587,670	(587,670)	
	36		36
	543,134		543,134
		2,465,000	2,465,000
		28,735,892	28,735,892
<u>\$ 773,960</u>	<u>\$ 1,593,487</u>	<u>\$ 30,911,317</u>	<u>\$ 32,504,804</u>
<u>\$ -0-</u>	<u>\$ 3,591,557</u>	<u>\$ (366,454)</u>	<u>\$ 3,225,103</u>
\$	\$ 28,537	\$ (28,537)	\$
11,195,930	11,195,930	(11,195,930)	
	3,186,937	(3,186,937)	
	7,330,011	(7,330,011)	
<u>\$ 11,195,930</u>	<u>\$ 21,741,415</u>	<u>\$ (21,741,415)</u>	<u>\$ - 0 -</u>
<u>\$ 11,969,890</u>	<u>\$ 26,926,459</u>		
		\$ 21,557,220	\$ 21,557,220
		3,452,887	3,452,887
		7,412,452	7,412,452
		<u>\$ 32,422,559</u>	<u>\$ 32,422,559</u>

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

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

Total Fund Balances - Governmental Funds \$ 21,741,415

Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 53,904

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 41,444,636

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 117,546

Deferred inflows of resources related to property tax revenues and uncollected penalty and interest receivables on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District. 564,045

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (298,095)	
Bonds Payable Within One Year	(2,465,000)	
Bonds Payable After One Year	<u>(28,735,892)</u>	<u>(31,498,987)</u>

Total Net Position - Governmental Activities \$ 32,422,559

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

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**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$	\$ 3,102,728
Water Service	991,363	
Wastewater Service	2,307,234	
Regional Water Authority Fees	2,288,384	
Sales Tax Revenue	1,139,429	
Penalty and Interest	54,472	43,414
Tap Connection and Inspection Fees	139,018	
Investment Revenues		67,406
Sale of Easement		
Miscellaneous Revenues	344,215	29,536
<b>TOTAL REVENUES</b>	\$ 7,264,115	\$ 3,243,084
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Personnel	\$ 1,876,891	\$
Professional Fees	337,269	11,235
Contracted Services	20,481	91,977
Utilities	676,268	
Regional Water Authority Assessment	2,548,682	
Repairs and Maintenance	594,890	
Depreciation		
Other	716,100	16,724
Capital Outlay	88,594	
Debt Service:		
Bond Principal		2,365,000
Bond Interest		959,250
Bond Issuance Costs		
<b>TOTAL EXPENDITURES/EXPENSES</b>	\$ 6,859,175	\$ 3,444,186
<b>NET CHANGE IN FUND BALANCES</b>	\$ 404,940	\$ (201,102)
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JANUARY 1, 2018</b>	6,953,608	3,388,039
<b>FUND BALANCES/NET POSITION - DECEMBER 31, 2018</b>	\$ 7,358,548	\$ 3,186,937

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,102,728	\$ 41,759	\$ 3,144,487
	991,363		991,363
	2,307,234		2,307,234
	2,288,384		2,288,384
	1,139,429		1,139,429
	97,886	23,056	120,942
	139,018		139,018
219,680	287,086		287,086
376,158	376,158		376,158
	373,751	15,728	389,479
<u>\$ 595,838</u>	<u>\$ 11,103,037</u>	<u>\$ 80,543</u>	<u>\$ 11,183,580</u>
\$	\$ 1,876,891	\$	\$ 1,876,891
	348,504		348,504
	112,458		112,458
	676,268		676,268
	2,548,682		2,548,682
135,116	730,006		730,006
		1,422,712	1,422,712
2,449	735,273		735,273
1,856,426	1,945,020	(1,945,020)	
	2,365,000	(2,365,000)	
	959,250	(41,527)	917,723
744	744		744
<u>\$ 1,994,735</u>	<u>\$ 12,298,096</u>	<u>\$ (2,928,835)</u>	<u>\$ 9,369,261</u>
\$ (1,398,897)	\$ (1,195,059)	\$ 1,195,059	\$
		1,814,319	1,814,319
12,594,827	22,936,474	7,671,766	30,608,240
<u>\$ 11,195,930</u>	<u>\$ 21,741,415</u>	<u>\$ 10,681,144</u>	<u>\$ 32,422,559</u>

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

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ (1,195,059)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	41,759
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	23,056
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,422,712)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	1,960,748
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	2,365,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	41,527
Change in Net Position - Governmental Activities	<u>\$ 1,814,319</u>

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



**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1. CREATION OF DISTRICT**

Harris County Fresh Water Supply District No. 61 was created by an order of Commissioner's Court of Harris County, Texas, on May 22, 1967. The District was reorganized as a Municipal Utility District on July 23, 1975, in accordance with the Texas Water Code, Chapter 54. The Board of Directors held its first meeting on May 25, 1967, and the first bonds were sold on August 10, 1967. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "Commission"). The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Water Commission and other governmental entities having jurisdiction; to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

**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.

Financial Statement Presentation

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

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Financial Statement Presentation (Continued)

Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

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 revenue and expense of the government-wide Statement of Activities.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2017 taxes collected during the period October 1, 2017, to December 31, 2018. In addition, taxes collected from January 1, 2018, to December 31, 2018 for the 2016 and prior tax levies are included in revenue. The 2018 tax levy has been fully deferred.

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

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Machinery and Equipment	5-20

Budgeting

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

Pensions

The District has 19 full-time employees and one part-time employee. The District has established a Section 457 Deferred Compensation arrangement for its employees. Each employee may elect to defer a portion of their salary. Effective January 1, 2018, the District entered into pension plan with the Texas County and District Retirement System (TCDRS). See Note 12. The District provides neither administrative services nor investment advice to the plans and, therefore, no fiduciary relationship exists between the District and these plans. The District has elected to pay Social Security for its employees. The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only. Directors do not participate in the pension plan.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Measurement Focus

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

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

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

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

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

*Unassigned:* all other spendable amounts in the General Fund.

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

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

	Refunding Series 2010	Series 2011	Refunding Series 2012
Amount Outstanding – December 31, 2018	\$ 730,000	\$ 6,330,000	\$ 6,415,000
Interest Rates	4.50%	2.60%-4.00%	3.00%-4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019	September 1, 2019/2030	September 1, 2019/2028
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	N/A	September 1, 2019*	September 1, 2019*
		Refunding Series 2016	Series 2017
Amount Outstanding – December 31, 2018		\$ 6,380,000	\$ 11,250,000
Interest Rates		1.92%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending		September 1, 2019/2028	September 1, 2020/2030
Interest Payment Dates		March 1/ September 1	March 1/ September 1
Callable Dates		September 1, 2024*	September 1, 2025*

\* Or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2016 Refunding term bonds due September 1, 2028, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules. Series 2017 term bonds due September 1, 2029, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2018:

	January 1, 2018	Additions	Retirements	December 31, 2018
Bonds Payable	\$ 33,470,000	\$	\$ 2,365,000	\$ 31,105,000
Unamortized Discounts	(255,835)		(20,182)	(235,653)
Unamortized Premiums	389,317		57,772	331,545
Bonds Payable, Net	\$ 33,603,482	\$ -0-	\$ 2,402,590	\$ 31,200,892
		Amount Due Within One Year		\$ 2,465,000
		Amount Due After One Year		28,735,892
		Bonds Payable, Net		\$ 31,200,892

As of December 31, 2018, the District had authorized but unissued bonds in the amount of \$1,610,000 for utility facilities and \$13,820,000 for refunding bonds. On May 6, 2017, the District's voters authorized the issuance of \$30,000,000 of unlimited tax or refunding bonds. The \$30,000,000 of unlimited tax or refunding bonds remain unissued at year-end.

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

Fiscal Year	Principal	Interest	Total
2019	\$ 2,465,000	\$ 894,284	\$ 3,359,284
2020	2,225,000	821,027	3,046,027
2021	2,285,000	766,821	3,051,821
2022	2,345,000	710,051	3,055,051
2023	2,405,000	651,145	3,056,145
2024-2028	13,340,000	2,193,326	15,533,326
2029-2030	6,040,000	293,700	6,333,700
	\$ 31,105,000	\$ 6,330,354	\$ 37,435,354

During the year ended December 31, 2018, the District levied an ad valorem debt service tax rate of \$0.30 per \$100 of assessed valuation, which resulted in a tax levy of \$3,225,103 on the adjusted taxable valuation of \$1,074,739,121 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

The District's tax calendar is as follows:

Levy Date	- October 1, or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Upon receipt, but no later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

- A. The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.
- B. 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 the five year anniversary of the date of delivery of each issue.

**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 \$9,236,580 and the bank balance was \$9,349,505. Of the bank balance, \$1,671,392 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.



**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Deposits (Continued)

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 7,053,970	\$	\$ 7,053,970
DEBT SERVICE FUND	871,942	589,669	1,461,611
CAPITAL PROJECTS FUND	720,999		720,999
TOTAL DEPOSITS	\$ 8,646,911	\$ 589,669	\$ 9,236,580

Investments

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

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

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

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Investments (Continued)

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

As of December 31, 2018, the District had the following investments:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>DEBT SERVICE FUND</u>					
TexPool	\$ 2,097,951	\$ 2,097,951	\$	\$	\$
Money Market Mutual Fund	642,464	642,464			
Certificates of Deposit	589,669	589,669			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	11,248,891	11,248,891			
<b>TOTAL INVESTMENTS</b>	<b>\$ 14,578,975</b>	<b>\$ 14,578,975</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District's investments in TexPool and Money Market Mutual Funds were 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 investments in TexPool and the Money Market Mutual Funds 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 payment of capital expenditures.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6. CAPITAL ASSETS**

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

	January 1, 2018	Increases	Decreases	December 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 3,806,407	\$	\$	\$ 3,806,407
Construction in Progress	<u>761,922</u>	<u>1,972,520</u>	<u>1,718,795</u>	<u>1,015,647</u>
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 4,568,329</b>	<b>\$ 1,972,520</b>	<b>\$ 1,718,795</b>	<b>\$ 4,822,054</b>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 26,790,677	\$ 536,596	\$	\$ 27,327,273
Wastewater System	29,451,047	1,096,634		30,547,681
Building	2,072,704			2,072,704
Trucks and Equipment	<u>597,422</u>	<u>85,565</u>	<u>51,322</u>	<u>631,665</u>
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 58,911,850</b>	<b>\$ 1,718,795</b>	<b>\$ 51,322</b>	<b>\$ 60,579,323</b>
<b>Accumulated Depreciation</b>				
Water System	\$ 9,676,679	\$ 559,171	\$	\$ 10,235,850
Wastewater System	12,149,678	683,502		12,833,180
Building	285,453	51,818		337,271
Trucks and Equipment	<u>461,769</u>	<u>128,221</u>	<u>39,550</u>	<u>550,440</u>
<b>Total Accumulated Depreciation</b>	<b>\$ 22,573,579</b>	<b>\$ 1,422,712</b>	<b>\$ 39,550</b>	<b>\$ 23,956,741</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 36,338,271</b>	<b>\$ 296,083</b>	<b>\$ 11,772</b>	<b>\$ 36,622,582</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 40,906,600</b>	<b>\$ 2,268,603</b>	<b>\$ 1,730,567</b>	<b>\$ 41,444,636</b>

**NOTE 7. REGIONAL WATER AUTHORITY FEES**

The North Harris County Regional Water Authority was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among others powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporation, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, the Authority established a well pumpage fee of \$0.25 per 1,000 gallons of water pumped from each regulated well. This amount was increased to \$0.34 per 1,000 gallons effective October 1, 2003, increased to \$0.59 per 1,000 gallons effective April 1, 2005, increased to \$0.84 per 1,000 gallons effective

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 7. REGIONAL WATER AUTHORITY FEES (Continued)**

October 1, 2006, increased to \$0.99 per 1,000 gallons effective October 1, 2007, increased to \$1.50 per 1,000 gallons effective January 1, 2009, increased to \$1.75 per 1,000 gallons effective January 1, 2010, increased to \$2.00 per 1,000 gallons effective April 1, 2014, increased to \$2.40 per 1,000 gallons effective April 1, 2016, increased to \$2.90 per 1,000 gallons effective April 1, 2017 and increased to \$3.40 per 1,000 gallons effective April 1, 2018. The District's well pumpage fees payable to the Authority for the year ended December 31, 2018, were \$2,548,682.

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

**NOTE 9. STRATEGIC PARTNERSHIP AGREEMENT WITH THE CITY OF HOUSTON**

The District is party to a Strategic Partnership Agreement with the City of Houston (the "City") effective March 31, 2005 pursuant to which the City has annexed a portion of the District for limited purposes and has agreed for a 30-year period not to annex the District for full purposes without the District's consent. The City levies a \$.01 sales tax on sales to consumers within the Limited Annexation area, and the District receives one half of the proceeds of the City's tax. The agreement ends on March 31, 2035, after which the City may (1) renew the agreement, (2) allow the agreement to expire and not annex the District, or (3) may annex the District under Texas Law. The District is not aware of any plans for the City to annex the District on or after March 31, 2035. During the current fiscal year, the District received \$1,139,429 in sales tax revenues.

**NOTE 10. CONTRACTS WITH OTHER ENTITIES**

Sewage Treatment

The District is providing sewage treatment service to Harris County Municipal Utility District No. 69 (District No. 69). This contract is effective for 40 years commencing July 11, 1973. The rate charged to District No. 69 is \$0.50 less than the current rate charged to District customers. This contract was amended May 12, 2004 and states that this agreement will remain in force until December 31, 2053. District No. 69 agreed to pay the District the total amount of \$495,402 in two payments. The first payment of \$247,701 was received in May 2004 and the second payment of \$247,701 was paid July 1, 2005. During the year ended December 31, 2018, the District received revenues of \$271,829 for sewage treatment.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 10. CONTRACTS WITH OTHER ENTITIES (Continued)**

Sewage Treatment (Continued)

Harris County Municipal Utility District No. 248 (District No. 248) has purchased wastewater treatment plant capacity in the District's regional wastewater plant in the total amount of 256,250 gallons per day. Per the April 20, 2000 agreement, District No. 248 agrees to pay a monthly usage charge in the amount of ninety percent of the current in-district wastewater fee to the District. During the year ended December 31, 2018, the District received revenues of \$435,594.

In addition, Harris County Municipal Utility District No. 222 (District No. 222) has purchased wastewater treatment capacity in the District's regional wastewater plant in the total amount of 800,000 gallons per day. District No. 222 pays a monthly usage charge to the District. During the year ended December 31, 2018, the District received revenues of \$209,468.

Water Supply Contracts

On August 30, 2000, the District entered into a long term water supply contract with Harris County Municipal Utility District No. 248 (District No. 248). The contract allows District No. 248 to purchase 400 equivalent single family connections of water supply (SFEC's), resulting in a permanent water supply of an amount not to exceed 140,000 gallons per day, at a cost of \$500,000. The purchase of these connections has been completed. The District will furnish water supply to District No. 248 from existing surplus supply, and no construction of additional facilities is anticipated for these connections. The District has agreed to allow District No. 248, at its option, to purchase in no less than 100 SFEC increments, additional existing capacity in excess of 400 SFEC's, up to a maximum of 800 SFEC's. District No. 248 will pay the sum of \$1,250.00 per SFEC for additional capacity, in no less than 100 SFEC increments. District No. 248 agrees to give the District six months (180 days) advance notice of any additional capacity purchase, to allow for construction in the event any additional facilities are needed to supply the new connections. The purchase of any and/or all of these additional SFEC's must be made no later than June 15, 2005. The contract has been amended on June 13, 2001, March 12, 2003, December 8, 2004, February 28, 2007, April 30, 2008, and February 19, 2014. District No. 248 currently owns 2,500 connections for a total of 788,000 gallons of capacity. On April 30, 2008, the Districts amended the agreement to include a "Rehabilitation Fee" to be paid to the District for future rehabilitation of the water production and distribution facilities. The fee is based upon a monthly calculation. The term of this contract is 40 years from the effective date. During the year ended December 31, 2018, the District received revenues of \$103,845.

On August 13, 2003, the District entered into a Water Service Agreement with Emerald Forest Utility District (Emerald Forest) to provide 35,000 gallons per day. Emerald Forest will pay a capital payment of \$75,000. The District will monitor the usage for a two year period and if the usage ever exceeds 35,000 gallons per day, the agreement requires Emerald Forest to purchase an additional 5,000 gallons per day at an additional \$11,000 capital payment. Emerald Forest is

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 10. CONTRACTS WITH OTHER ENTITIES (Continued)**

Water Supply Contracts (Continued)

responsible for payment of surface water fees to the North Harris County Regional Water Authority.

**NOTE 11. INTERFUND RECEIVABLES AND LIABILITIES**

As of December 31, 2018, the District had the following interfund liabilities: the Capital Projects Fund owed the General Fund \$571,811 for the remaining funds transferred to the Capital Projects Fund to fund the construction of the new administration building and the General Fund owed the Debt Service Fund \$15,859 for cost related to the Series 2016 Refunding bond sale.

**NOTE 12. PENSION PLAN**

The District began participation in the Texas County & District Retirement System (TCDRS) as of January 1, 2018, and therefore did not have any participating employees as of the TCERS measurement date, December 31, 2017. A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows: a. The District participates in TCERS, which is a statewide, agent multiple-employer, public employee retirement system; b. A brief description of benefit terms: 1) All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership; 2) The plan provides retirement, disability and survivor benefits; 3) TCERS is a savings-based plan. For the District plan, 6% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage(s) (current match is 200%) and is then converted to an annuity; 4) There are no automatic COLAs. Each year, The District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation; 5) Benefit terms are established under the TCERS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act; c. As of the measurement date, December 31, 2017, the District had no employees covered in TCERS; d. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the District and are currently 6%. The actuarially determined employer contribution rate 2018 was 7.87%. Contributions to the pension plan from the District were \$89,534 for the fiscal year ended December 31, 2018; e. The most recent comprehensive annual financial report for TCERS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13. USE OF SURPLUS FUNDS**

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, on August 8, 2018, the District approved the use of surplus Capital Projects Fund monies to fund the relocation of certain water lines at Huffmeister Road and Tuckerton Road in the amount of \$49,555 and the rehabilitation of certain sanitary sewer manholes in the amount of \$67,558.

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, on November 7, 2018, the District approved the use of surplus Capital Projects Fund monies to fund the rehabilitation of four manholes in the amount of \$54,110.

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**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018**



**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Water Service	\$ 1,037,600	\$ 991,363	\$ (46,237)
Wastewater Service	2,450,075	2,307,234	(142,841)
Regional Water Authority Fee	2,134,890	2,288,384	153,494
Sales Tax Revenue	1,200,000	1,139,429	(60,571)
Penalty and Interest	66,000	54,472	(11,528)
Tap Connection and Inspection Fees	47,000	139,018	92,018
Miscellaneous Revenues	<u>344,400</u>	<u>344,215</u>	<u>(185)</u>
<b>TOTAL REVENUES</b>	<u>\$ 7,279,965</u>	<u>\$ 7,264,115</u>	<u>\$ (15,850)</u>
<b>EXPENDITURES</b>			
Services Operations:			
Personnel	\$ 1,950,154	\$ 1,876,891	\$ 73,263
Professional Fees	282,500	337,269	(54,769)
Contracted Services	20,000	20,481	(481)
Utilities	631,285	676,268	(44,983)
Regional Water Authority Assessment	2,277,450	2,548,682	(271,232)
Repairs and Maintenance	596,500	594,890	1,610
Other	881,279	716,100	165,179
Capital Outlay	<u>40,000</u>	<u>88,594</u>	<u>(48,594)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 6,679,168</u>	<u>\$ 6,859,175</u>	<u>\$ (180,007)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 600,797	\$ 404,940	\$ (195,857)
<b>FUND BALANCE - JANUARY 1, 2018</b>	<u>6,953,608</u>	<u>6,953,608</u>	<u>                    </u>
<b>FUND BALANCE - DECEMBER 31, 2018</b>	<u>\$ 7,554,405</u>	<u>\$ 7,358,548</u>	<u>\$ (195,857)</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**

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

**DECEMBER 31, 2018**



**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

<u>  X  </u>	Retail Water	<u>  X  </u>	Wholesale Water	<u>  X  </u>	Drainage
<u>  X  </u>	Retail Wastewater	<u>  X  </u>	Wholesale Wastewater	<u>      </u>	Irrigation
<u>      </u>	Parks/Recreation	<u>      </u>	Fire Protection	<u>      </u>	Security
<u>      </u>	Solid Waste/Garbage	<u>  X  </u>	Flood Control	<u>      </u>	Roads
<u>      </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 effective April 1, 2005.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 4.00	4,000	N	\$ 1.125 \$ 1.25 \$ 1.50	4,001-10,000 10,001-20,000 20,000 and up
WASTEWATER:	\$ 15.50	Flat	Y		
SURCHARGE:					
Regional Water Authority Commission				\$ 3.40	per 1,000
Regulatory Assessments	0.5% of actual water and sewer				

District employs winter averaging for wastewater usage?          X    
Yes      No

Total monthly charges per 10,000 gallons usage: Water: \$10.75 Wastewater: \$15.50 Surcharge: \$34.13

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	3,701	3,657	x 1.0	3,657
1"	85	79	x 2.5	198
1½"	33	31	x 5.0	155
2"	122	121	x 8.0	968
3"	8	8	x 15.0	120
4"	7	7	x 25.0	175
6"	17	17	x 50.0	850
8"	14	14	x 80.0	1,120
10"	3	3	x 115.0	345
Total Water Connections	<u>3,990</u>	<u>3,937</u>		<u>7,588</u>
Total Wastewater Connections*	<u>3,940</u>	<u>3,887</u>	x 1.0	<u>3,887</u>

\* Includes Municipal Utility Districts No. 69, No. 222, and No. 248. Sewer connections are reported as SFE

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

Gallons pumped into system: 777,131,000      Water Accountability Ratio: 91%  
(Gallons billed and maintenance/Gallons pumped)

Gallons billed to customers: 707,127,000

See accompanying independent auditor's report.



**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County 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.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 1,876,891</u>
PROFESSIONAL FEES:	
Auditing	\$ 22,800
Engineering	187,932
Legal	<u>126,537</u>
TOTAL PROFESSIONAL FEES	<u>\$ 337,269</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 20,481</u>
UTILITIES:	
Electricity	\$ 621,159
Telephone	<u>55,109</u>
TOTAL UTILITIES	<u>\$ 676,268</u>
REPAIRS AND MAINTENANCE	<u>\$ 594,890</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 31,950
Election Costs	17,991
Insurance	118,958
Office Supplies and Postage	68,334
Travel and Meetings	22,680
Other	<u>29,394</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 289,307</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 88,594
Expenditures Not Capitalized	<u>                    </u>
TOTAL CAPITAL OUTLAY	<u>\$ 88,594</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

OTHER EXPENDITURES:

Chemicals	\$	75,828
Communications		9,160
Equipment/Tools		5,130
Fuel		38,507
Laboratory Fees		71,751
Permit Fees		46,705
Regional Water Authority Assessment		2,548,682
Regulatory Assessment		14,666
Sludge Hauling		131,420
Uniforms		10,442
Other		<u>23,184</u>
<b>TOTAL OTHER EXPENDITURES</b>	<b>\$</b>	<b><u>2,975,475</u></b>
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b><u>6,859,175</u></b>

Number of persons employed by the District      19 Full-Time      1 Part-Time

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0009	Varies	Daily	\$ 2,097,951	\$
Money Market Mutual Fund	XXXX3725	Varies	Daily	642,464	
Certificate of Deposit	XXXX1441	0.25%	03/16/19	90,000	68
Certificate of Deposit	XXXX1128	0.30%	05/04/19	155,000	71
Certificate of Deposit	XXXX1192	0.80%	08/10/19	245,000	53
Certificate of Deposit	XXXX3058	0.10%	01/08/19	99,669	1
TOTAL DEBT SERVICE FUND				<u>\$ 3,330,084</u>	<u>\$ 193</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0010	Varies	Daily	\$ 1,499,448	\$
TexPool	XXXX0011	Varies	Daily	440,217	
TexPool	XXXX0012	Varies	Daily	8,539,271	
TexPool	XXXX0013	Varies	Daily	537,344	
TexPool	XXXX0001	Varies	Daily	30,535	
TexPool	XXXX0003	Varies	Daily	202,076	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 11,248,891</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 14,578,975</u>	<u>\$ 193</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Debt Service Taxes	
TAXES RECEIVABLE -		
JANUARY 1, 2018	\$ 2,597,726	
Adjustments to Beginning Balance	44,174	\$ 2,641,900
Original 2018 Tax Levy	\$ 2,976,819	
Adjustment to 2018 Tax Levy	248,284	3,225,103
TOTAL TO BE ACCOUNTED FOR		\$ 5,867,003
TAX COLLECTIONS:		
Prior Years	\$ 2,275,446	
Current Year	1,034,284	3,309,730
TAXES RECEIVABLE - DECEMBER 31, 2018		\$ 2,557,273
TAXES RECEIVABLE BY		
YEAR:		
2018		\$ 2,190,819
2017		86,510
2016		69,630
2015		31,585
2014		44,460
2013		35,052
2012 and Prior		99,217
TOTAL		\$ 2,557,273

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 286,271,158	\$ 255,855,215	\$ 256,634,627	\$ 243,189,033
Improvements	848,504,116	816,302,612	794,060,898	732,613,199
Personal Property	100,330,583	95,811,455	101,639,692	93,949,558
Exemptions	<u>(160,366,736)</u>	<u>(136,571,223)</u>	<u>(150,828,203)</u>	<u>(140,336,433)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 1,074,739,121</u>	<u>\$ 1,031,398,059</u>	<u>\$ 1,001,507,014</u>	<u>\$ 929,415,357</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.30	\$ 0.31	\$ 0.32	\$ 0.33
Maintenance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.32</u>	<u>\$ 0.33</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 3,225,103</u>	<u>\$ 3,201,179</u>	<u>\$ 3,212,158</u>	<u>\$ 3,067,295</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>32.07 %</u>	<u>97.30 %</u>	<u>97.83 %</u>	<u>98.97 %</u>

\* Based upon adjusted tax at time of audit for the period in which the tax was levied.

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2018**

S E R I E S - 2 0 1 0 R E F U N D I N G

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 730,000	\$ 32,850	\$ 762,850
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
	<u>\$ 730,000</u>	<u>\$ 32,850</u>	<u>\$ 762,850</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2018**

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 400,000	\$ 219,513	\$ 619,513
2020	415,000	209,112	624,112
2021	440,000	197,492	637,492
2022	460,000	184,292	644,292
2023	485,000	170,032	655,032
2024	505,000	154,270	659,270
2025	535,000	137,100	672,100
2026	560,000	118,375	678,375
2027	585,000	98,215	683,215
2028	615,000	76,570	691,570
2029	650,000	53,200	703,200
2030	680,000	27,200	707,200
	\$ 6,330,000	\$ 1,645,371	\$ 7,975,371

See accompanying independent auditor's report.



**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2018**

S E R I E S - 2 0 1 2 R E F U N D I N G

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 405,000	\$ 226,150	\$ 631,150
2020	715,000	214,000	929,000
2021	745,000	192,550	937,550
2022	775,000	170,200	945,200
2023	810,000	146,950	956,950
2024	845,000	118,600	963,600
2025	495,000	84,800	579,800
2026	520,000	65,000	585,000
2027	540,000	44,200	584,200
2028	565,000	22,600	587,600
2029			
2030			
	<u>\$ 6,415,000</u>	<u>\$ 1,285,050</u>	<u>\$ 7,700,050</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2018**

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 930,000	\$ 122,496	\$ 1,052,496
2020	955,000	104,640	1,059,640
2021	975,000	86,304	1,061,304
2022	1,005,000	67,584	1,072,584
2023	390,000	48,288	438,288
2024	400,000	40,800	440,800
2025	410,000	33,120	443,120
2026	425,000	25,248	450,248
2027	440,000	17,088	457,088
2028	450,000	8,640	458,640
2029			
2030			
	<u>\$ 6,380,000</u>	<u>\$ 554,208</u>	<u>\$ 6,934,208</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2018**

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019		\$ 293,275	\$ 293,275
2020	140,000	293,275	433,275
2021	125,000	290,475	415,475
2022	105,000	287,975	392,975
2023	720,000	285,875	1,005,875
2024	735,000	271,475	1,006,475
2025	1,130,000	256,775	1,386,775
2026	1,160,000	234,175	1,394,175
2027	1,195,000	208,075	1,403,075
2028	1,230,000	178,200	1,408,200
2029	2,310,000	141,300	2,451,300
2030	2,400,000	72,000	2,472,000
	\$ 11,250,000	\$ 2,812,875	\$ 14,062,875

See accompanying independent auditor's report.

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**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
LONG-TERM DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 2,465,000	\$ 894,284	\$ 3,359,284
2020	2,225,000	821,027	3,046,027
2021	2,285,000	766,821	3,051,821
2022	2,345,000	710,051	3,055,051
2023	2,405,000	651,145	3,056,145
2024	2,485,000	585,145	3,070,145
2025	2,570,000	511,795	3,081,795
2026	2,665,000	442,798	3,107,798
2027	2,760,000	367,578	3,127,578
2028	2,860,000	286,010	3,146,010
2029	2,960,000	194,500	3,154,500
2030	3,080,000	99,200	3,179,200
	<u>\$ 31,105,000</u>	<u>\$ 6,330,354</u>	<u>\$ 37,435,354</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
CHANGE IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2010	\$ 5,435,000	\$ 1,420,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Bonds - Series 2011	8,630,000	6,710,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2012	8,295,000	6,805,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2016	7,390,000	7,285,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Bonds - Series 2017	<u>11,250,000</u>	<u>11,250,000</u>	
<b>TOTAL</b>	<u><u>\$ 41,000,000</u></u>	<u><u>\$ 33,470,000</u></u>	
<b>Bond Authority:</b>	<u>Tax and Refunding Bonds</u>	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 30,000,000	\$ 75,545,000	\$ 36,000,000
Amount Issued	<u>                    </u>	<u>73,935,000</u>	<u>22,180,000</u>
Remaining to be Issued	<u>\$ 30,000,000</u>	<u>\$ 1,610,000</u>	<u>\$ 13,820,000</u>
Debt Service Fund cash and investment balances as of December 31, 2018:			<u>\$ 4,202,026</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u><u>\$ 3,119,613</u></u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
	\$ 690,000	\$ 63,900	\$ 730,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	380,000	228,252	6,330,000	Wells Fargo Bank N.A. Houston, TX
	390,000	233,950	6,415,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	905,000	139,872	6,380,000	The Independent Bankers Bank Houston, TX
		293,276	11,250,000	Amegy Bank, N.A. Houston, TX
<u>\$ - 0 -</u>	<u>\$ 2,365,000</u>	<u>\$ 959,250</u>	<u>\$ 31,105,000</u>	

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

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

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Water Service	\$ 991,363	\$ 931,395	\$ 923,491
Wastewater Service	2,307,234	2,334,959	2,335,420
Regional Water Authority Fee	2,288,384	1,888,555	1,604,918
Sales Tax Revenues	1,139,429	1,103,640	1,124,010
Penalty and Interest	54,472	50,304	49,759
Tap Connection and Inspection Fees	139,018	61,453	258,605
Miscellaneous Revenues	344,215	346,561	426,738
<b>TOTAL REVENUES</b>	<b>\$ 7,264,115</b>	<b>\$ 6,716,867</b>	<b>\$ 6,722,941</b>
<b>EXPENDITURES</b>			
Personnel	\$ 1,876,891	\$ 1,777,914	\$ 1,618,616
Professional Fees	337,269	322,280	346,659
Contracted Services	20,481	12,114	15,922
Utilities	676,268	906,907	986,166
Regional Water Authority Assessment	2,548,682	2,113,830	1,790,969
Repairs and Maintenance	594,890	526,347	678,380
Other	716,100	696,885	814,463
Capital Outlay	88,594	80,729	65,416
<b>TOTAL EXPENDITURES</b>	<b>\$ 6,859,175</b>	<b>\$ 6,437,006</b>	<b>\$ 6,316,591</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 404,940</b>	<b>\$ 279,861</b>	<b>\$ 406,350</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ - 0 -	\$ 574,030	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 404,940</b>	<b>\$ 853,891</b>	<b>\$ 406,350</b>
Prior Period Adjustment			
<b>BEGINNING FUND BALANCE</b>	<b>6,953,608</b>	<b>6,099,717</b>	<b>5,693,367</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 7,358,548</b>	<b>\$ 6,953,608</b>	<b>\$ 6,099,717</b>

See accompanying independent auditor's report.



		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 984,804	\$ 871,282	13.7 %	13.9 %	13.8 %	14.6 %	14.1 %
2,372,358	2,259,701	31.8	34.8	34.8	35.4	36.4
1,458,256	1,360,141	31.5	28.1	23.9	21.8	21.9
1,133,895	1,179,407	15.7	16.4	16.7	16.9	19.0
73,887	74,619	0.7	0.7	0.7	1.1	1.2
285,275	117,299	1.9	0.9	3.8	4.3	1.9
394,149	338,457	4.7	5.2	6.3	5.9	5.5
<u>\$ 6,702,624</u>	<u>\$ 6,200,906</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,574,231	\$ 1,600,112	25.8 %	26.5 %	24.1 %	23.5 %	25.8 %
202,779	273,380	4.6	4.8	5.2	3.0	4.4
14,896	17,496	0.3	0.2	0.2	0.2	0.3
975,817	988,444	9.3	13.5	14.7	14.6	15.9
1,691,860	1,561,146	35.1	31.5	26.6	25.2	25.2
712,794	508,877	8.2	7.8	10.1	10.6	8.2
707,804	620,763	9.9	10.4	12.1	10.6	10.0
<u>1,137,347</u>	<u>1,394,281</u>	<u>1.2</u>	<u>1.2</u>	<u>1.0</u>	<u>17.0</u>	<u>22.5</u>
<u>\$ 7,017,528</u>	<u>\$ 6,964,499</u>	<u>94.4 %</u>	<u>95.9 %</u>	<u>94.0 %</u>	<u>104.7 %</u>	<u>112.3 %</u>
<u>\$ (314,904)</u>	<u>\$ (763,593)</u>	<u>5.6 %</u>	<u>4.1 %</u>	<u>6.0 %</u>	<u>(4.7) %</u>	<u>(12.3) %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (314,904)	\$ (763,593)					
	260,831					
<u>6,008,271</u>	<u>6,511,033</u>					
<u>\$ 5,693,367</u>	<u>\$ 6,008,271</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 3,102,728	\$ 3,118,078	\$ 3,008,732
Penalty and Interest	43,414	47,920	33,955
Investment Revenues	67,406	31,156	10,749
Miscellaneous Revenues	29,536	33,463	38,192
<b>TOTAL REVENUES</b>	<b>\$ 3,243,084</b>	<b>\$ 3,230,617</b>	<b>\$ 3,091,628</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 117,723	\$ 120,883	\$ 122,229
Debt Service Principal	2,365,000	2,265,000	2,095,000
Debt Service Interest and Fees	961,463	800,175	878,472
Bond Issuance Costs			161,474
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,444,186</b>	<b>\$ 3,186,058</b>	<b>\$ 3,257,175</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (201,102)</b>	<b>\$ 44,559</b>	<b>\$ (165,547)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$	\$	\$ 7,390,000
Payment to Refunded Bond Escrow Agent			(7,212,667)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ 177,333</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (201,102)</b>	<b>\$ 44,559</b>	<b>\$ 11,786</b>
<b>BEGINNING FUND BALANCE</b>	<b>3,388,039</b>	<b>3,343,480</b>	<b>3,331,694</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,186,937</b>	<b>\$ 3,388,039</b>	<b>\$ 3,343,480</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>3,937</b>	<b>3,915</b>	<b>3,892</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>3,887</b>	<b>3,841</b>	<b>3,914</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 2,864,702	\$ 2,679,050	95.7 %	96.5 %	97.4 %	99.0 %	99.2 %
27,204	17,648	1.3	1.5	1.1	0.9	0.7
2,189	2,384	2.1	1.0	0.3	0.1	0.1
20	1,223	0.9	1.0	1.2		
<u>\$ 2,894,115</u>	<u>\$ 2,700,305</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 122,091	\$ 78,867	3.6 %	3.7 %	4.0 %	4.2 %	2.9 %
3,070,000	3,915,000	72.9	70.1	67.8	106.1	145.0
1,074,031	1,228,429	29.6	24.8	28.4	37.1	45.5
				5.2		
<u>\$ 4,266,122</u>	<u>\$ 5,222,296</u>	<u>106.1 %</u>	<u>98.6 %</u>	<u>105.4 %</u>	<u>147.4 %</u>	<u>193.4 %</u>
<u>\$ (1,372,007)</u>	<u>\$ (2,521,991)</u>	<u>(6.1) %</u>	<u>1.4 %</u>	<u>(5.4) %</u>	<u>(47.4) %</u>	<u>(93.4) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (1,372,007)	\$ (2,521,991)					
4,703,701	7,225,692					
<u>\$ 3,331,694</u>	<u>\$ 4,703,701</u>					
<u>3,910</u>	<u>3,886</u>					
<u>9,307</u>	<u>9,233</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2018**

District Mailing Address - Harris County Fresh Water Supply District No. 61  
c/o Smith, Murdaugh, Little & Bonham, LLP  
2727 Allen Parkway, Suite 1100, Houston, Texas 77019

District Telephone Number - (281) 469-9405

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2018</u>	Expense Reimbursements for the year ended <u>December 31, 2018</u>	<u>Title</u>
Charles W. Merritt	05/16 05/20 (Elected)	\$ 5,700	\$ 143	President
Ben Solis	05/16 05/20 (Elected)	\$ 6,600	\$ 1,121	Vice President
Darrell A. Barroso	05/18 05/22 (Elected)	\$ 6,900	\$ 305	Secretary
Mike Kelley	05/18 05/22 (Elected)	\$ 7,200	\$ 570	Treasurer
Lary J. Cangelose	05/16 05/20 (Elected)	\$ 5,550	\$ 273	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): April 15, 2019.

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

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2018</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, LLP	05/22/67	\$ 144,528 \$ 11,642	General Council/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	12/17/14	\$ 22,800	Auditor
Municipal Business Service	01/01/83	\$ 9,929	District Funds Manager
Robert W. Baird & Company	02/18/15	\$ -0-	Financial Advisor
Lockwood Andrews & Newnam, Inc.	09/93	\$ 767,142	Engineer
<b>Key Personnel:</b>			
Jerry Homan	10/13/94	Salaried Employee	General Manager/ Investment Officer
Brian Breeding	03/21/11	Salaried Employee	Assistant General Manager
Pam Magee	09/27/88	Salaried Employee	Office Manager/ Investment Officer

See accompanying independent auditor's report.

