

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2019

DRAFT SUBJECT TO CHANGE

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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, 2019, 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, 2019, 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, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of District Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 22, 2020

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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, 2019**

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 \$32,739,198 as of December 31, 2019.

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, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 24,509,539	\$ 26,590,284	\$ (2,080,745)
Capital Assets (Net of Accumulated Depreciation)	41,615,219	41,444,636	170,583
Total Assets	\$ 66,124,758	\$ 68,034,920	\$ (1,910,162)
Deferred Outflows of Resources	\$ 257,701	\$ 117,546	\$ 140,155
Long -Term Liabilities	\$ 26,658,347	\$ 28,735,892	\$ 2,077,545
Other Liabilities	3,646,680	3,768,912	122,232
Total Liabilities	\$ 30,305,027	\$ 32,504,804	\$ 2,199,777
Deferred Inflows of Resources	\$ 3,338,234	\$ 3,225,103	\$ (113,131)
Net Position:			
Net Investment in Capital Assets	\$ 21,927,773	\$ 21,557,220	\$ 370,553
Restricted	3,348,385	3,452,887	(104,502)
Unrestricted	7,463,040	7,412,452	50,588
Total Net Position	\$ 32,739,198	\$ 32,422,559	\$ 316,639

The following table provides a summary of the District's operations for the years ended December 31, 2019, and December 31, 2018. The District's net position increased by \$316,639, accounting for a 1.0% growth in net position.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,123,919	\$ 3,144,487	\$ (20,568)
Charges for Services	5,904,645	5,846,941	57,704
Other Revenues	1,918,085	2,192,152	(274,067)
Total Revenues	\$ 10,946,649	\$ 11,183,580	\$ (236,931)
Expenses for Services	10,630,010	9,369,261	(1,260,749)
Change in Net Position	\$ 316,639	\$ 1,814,319	\$ (1,497,680)
Net Position, Beginning of Year	32,422,559	30,608,240	1,814,319
Net Position, End of Year	\$ 32,739,198	\$ 32,422,559	\$ 316,639

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2019, were \$19,586,487, a decrease of \$2,154,928 from the prior year.

The General Fund fund balance increased by \$1,033, primarily due to property tax and service revenues exceeding operating costs during the current fiscal year.

The Debt Service Fund fund balance decreased by \$34,477, primarily due to the structure of the District's outstanding debt and the sales of Series 2019 Refunding bonds.

The Capital Projects Fund fund balance decreased by \$2,121,484 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 \$180,637 less than budgeted revenues. Actual expenditures were \$303,422 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2019, total \$41,615,219 (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 a 2019 Ford F-550, a tractor, sanitary sewer rehabilitation, phases 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

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,806,407	\$ 3,806,407	\$
Construction in Progress	332,201	1,015,647	(683,446)
Capital Assets, Net of Accumulated Depreciation:			
Water System	16,932,584	17,091,423	(158,839)
Wastewater System	18,732,732	17,714,501	1,018,231
Buildings	1,683,615	1,735,433	(51,818)
Trucks and Equipment	127,680	81,225	46,455
Total Net Capital Assets	\$ 41,615,219	\$ 41,444,636	\$ 170,583

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

LONG-TERM DEBT ACTIVITY

At year-end, the District had bond debt payable of \$28,790,000. The changes in the debt position of the District during the fiscal year ended December 31, 2019, are summarized as follows:

Bond Debt Payable, January 1, 2019	\$	31,105,000
Add: Bond Sale Series 2019 Refunding		8,540,000
Less: Bond Principal Refunding		8,390,000
Less: Bond Principal Paid		<u>2,465,000</u>
Bond Debt Payable, December 31, 2019	\$	<u>28,790,000</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 and Series 2019 Refunding bonds have an underlying rating of "A1" by Moody's. The Series 2011, Series 2012 Refunding and Series 2019 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, 2019.

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, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 7,227,854	\$ 1,503,553
Investments		2,303,860
Receivables:		
Property Taxes		2,948,306
Penalty and Interest on Delinquent Taxes		
Service Accounts	436,971	
Accrued Interest		495
Other		3,179
Due from Other Funds	571,811	23,235
Prepaid Costs	28,537	
Due from Other Governmental Units	74,722	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 8,339,895	\$ 6,782,628
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	\$	\$
Deferred Charges on Refunding Bonds		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,339,895	\$ 6,782,628

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>
\$ 346,434	\$ 9,077,841	\$	\$ 9,077,841
9,419,424	11,723,284		11,723,284
	2,948,306		2,948,306
		198,734	198,734
	436,971		436,971
	495		495
	3,179		3,179
1,500	596,546	(596,546)	
	28,537	17,470	46,007
	74,722		74,722
		3,806,407	3,806,407
		332,201	332,201
		37,476,611	37,476,611
<u>\$ 9,767,358</u>	<u>\$ 24,889,881</u>	<u>\$ 41,234,877</u>	<u>\$ 66,124,758</u>
\$	\$	\$ 101,246	\$ 101,246
		156,455	156,455
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 257,701</u>	<u>\$ 257,701</u>
<u>\$ 9,767,358</u>	<u>\$ 24,889,881</u>	<u>\$ 41,492,578</u>	<u>\$ 66,382,459</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, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 410,510	\$
Accrued Interest Payable		
Due to Other Funds	23,235	1,500
Due to Taxpayers		36
Security Deposits	546,569	
Accrued Interest at Time of Sale		3,272
Net Pension Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 980,314	\$ 4,808
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$	\$ 3,625,360
Deferred Inflows - Pensions		
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ - 0 -	\$ 3,625,360
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 28,537	\$
Restricted for Authorized Construction:		
Restricted for Debt Service		3,152,460
Unassigned	7,331,044	
TOTAL FUND BALANCES	\$ 7,359,581	\$ 3,152,460
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,339,895	\$ 6,782,628
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 121,101	\$ 531,611	\$	\$ 531,611
		305,141	305,141
571,811	596,546	(596,546)	
	36		36
	546,569		546,569
	3,272	(3,272)	
		3,323	3,323
		2,260,000	2,260,000
		26,658,347	26,658,347
<u>\$ 692,912</u>	<u>\$ 1,678,034</u>	<u>\$ 28,626,993</u>	<u>\$ 30,305,027</u>
\$	\$ 3,625,360	\$ (299,060)	\$ 3,326,300
		11,934	11,934
<u>\$ - 0 -</u>	<u>\$ 3,625,360</u>	<u>\$ (287,126)</u>	<u>\$ 3,338,234</u>
\$	\$ 28,537	\$ (28,537)	\$
9,074,446	9,074,446	(9,074,446)	
	3,152,460	(3,152,460)	
	7,331,044	(7,331,044)	
<u>\$ 9,074,446</u>	<u>\$ 19,586,487</u>	<u>\$ (19,586,487)</u>	<u>\$ - 0 -</u>
<u>\$ 9,767,358</u>	<u>\$ 24,889,881</u>		
		\$ 21,927,773	\$ 21,927,773
		3,348,385	3,348,385
		7,463,040	7,463,040
		<u>\$ 32,739,198</u>	<u>\$ 32,739,198</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, 2019**

Total Fund Balances - Governmental Funds \$ 19,586,487

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. 17,470

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 41,615,219

Portions of the change in net pension asset that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources. 85,989

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. 156,455

Deferred inflows of resources related to property tax revenues and uncollected penalty and interest receivables on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District. 497,794

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	\$ (301,869)	
Bonds Payable Within One Year	(2,260,000)	
Bonds Payable After One Year	<u>(26,658,347)</u>	<u>(29,220,216)</u>

Total Net Position - Governmental Activities \$ 32,739,198

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, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$	\$ 3,191,313
Water Service	936,906	
Wastewater Service	2,305,953	
Regional Water Authority Fees	2,470,393	
Sales Tax Revenue	1,119,902	
Penalty and Interest	53,863	80,043
Tap Connection and Inspection Fees	56,344	
Investment Revenues		74,118
Miscellaneous Revenues	385,749	47,703
	<u>\$ 7,329,110</u>	<u>\$ 3,393,177</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 1,998,741	\$
Professional Fees	413,193	29,505
Contracted Services	15,221	91,144
Utilities	738,557	
Regional Water Authority Assessment	2,701,703	
Repairs and Maintenance	638,222	
Depreciation		
Other	704,682	16,088
Capital Outlay	117,758	
Debt Service:		
Bond Principal		2,465,000
Bond Interest		735,792
Bond Issuance Costs		299,746
	<u>\$ 7,328,077</u>	<u>\$ 3,637,275</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 1,033</u>	<u>\$ (244,098)</u>
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$ 8,540,000
Payment to Refunded Bond Escrow Agent		(8,500,183)
Bond Discount		(74,905)
Bond Premium		244,709
	<u>\$ - 0 -</u>	<u>\$ 209,621</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,033</u>	<u>\$ (34,477)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2019	<u>7,358,548</u>	<u>3,186,937</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2019	<u>\$ 7,359,581</u>	<u>\$ 3,152,460</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,191,313	\$ (67,394)	\$ 3,123,919
	936,906		936,906
	2,305,953		2,305,953
	2,470,393		2,470,393
	1,119,902		1,119,902
	133,906	1,143	135,049
	56,344		56,344
225,988	300,106		300,106
48,625	482,077	16,000	498,077
<u>\$ 274,613</u>	<u>\$ 10,996,900</u>	<u>\$ (50,251)</u>	<u>\$ 10,946,649</u>
\$	\$ 1,998,741	\$ (85,989)	\$ 1,912,752
	442,698		442,698
	106,365		106,365
	738,557		738,557
	2,701,703		2,701,703
	638,222	894,709	1,532,931
	721,556	1,463,777	1,463,777
786	2,513,069	(2,513,069)	721,556
2,395,311	2,465,000	(2,465,000)	
	735,792	(25,867)	709,925
	299,746		299,746
<u>\$ 2,396,097</u>	<u>\$ 13,361,449</u>	<u>\$ (2,731,439)</u>	<u>\$ 10,630,010</u>
<u>\$ (2,121,484)</u>	<u>\$ (2,364,549)</u>	<u>\$ 2,681,188</u>	<u>\$ 316,639</u>
\$	\$ 8,540,000	\$ (8,540,000)	\$
	(8,500,183)	8,500,183	
	(74,905)	74,905	
	244,709	(244,709)	
<u>\$ - 0 -</u>	<u>\$ 209,621</u>	<u>\$ (209,621)</u>	<u>\$ - 0 -</u>
\$ (2,121,484)	\$ (2,154,928)	\$ 2,154,928	\$
		316,639	316,639
11,195,930	21,741,415	10,681,144	32,422,559
<u>\$ 9,074,446</u>	<u>\$ 19,586,487</u>	<u>\$ 13,152,711</u>	<u>\$ 32,739,198</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, 2019**

Net Change in Fund Balances - Governmental Funds \$ (2,154,928)

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. (67,394)

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. 1,143

The changes in the net pension liability as well as deferred inflows and outflows of resources - pension are recorded as pension expense in the government-wide financial statements. Compensated Absences are reported as a liability in the Statement of Net Position. Therefore, an expense is recored in the Statement of Activities. 85,989

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. (1,463,777)

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. 1,634,360

Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. (169,804)

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. 2,465,000

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. 25,867

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (8,540,000)

Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Positon. 8,500,183

Change in Net Position - Governmental Activities \$ 316,639

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, 2019

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, 2019

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, 2019

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 2018 taxes collected during the period October 1, 2018, to December 31, 2019. In addition, taxes collected from January 1, 2019, to December 31, 2019 for the 2017 and prior tax levies are included in revenue. The 2019 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, 2019

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

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current 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, 2019

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, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2011	Refunding Series 2012	Refunding Series 2016
Amount Outstanding – December 31, 2019	\$ 1,315,000	\$ 2,235,000	\$ 5,450,000
Interest Rates	2.80%-4.00%	3.00%	1.92%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2022	September 1, 2020/2022	September 1, 2019/2028
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2019*	September 1, 2019*	September 1, 2024*
		Series 2017	Refunding Series 2019
Amount Outstanding – December 31, 2019		\$ 11,250,000	\$ 8,540,000
Interest Rates		2.00% - 3.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending		September 1, 2020/2030	September 1, 2020/2030
Interest Payment Dates		March 1/ September 1	March 1/ September 1
Callable Dates		September 1, 2025*	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, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2019:

	January 1, 2019	Additions	Retirements	December 31, 2019
Bonds Payable	\$ 31,105,000	\$ 8,540,000	\$ 10,855,000	\$ 28,790,000
Unamortized Discounts	(235,653)	(74,905)	(112,985)	(417,573)
Unamortized Premiums	331,545	244,709	250,334	325,920
Bonds Payable, Net	<u>\$ 31,200,892</u>	<u>\$ 8,709,804</u>	<u>\$ 10,992,349</u>	<u>\$ 28,918,347</u>
			Amount Due Within One Year	\$ 2,260,000
			Amount Due After One Year	<u>26,658,347</u>
			Bonds Payable, Net	<u>\$ 28,918,347</u>

As of December 31, 2019, the District had authorized but unissued bonds in the amount of \$1,610,000 for utility facilities and \$13,700,000 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, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 2,260,000	\$ 795,242	\$ 3,055,242
2021	2,320,000	684,364	3,004,364
2022	2,380,000	626,544	3,006,544
2023	2,450,000	566,588	3,016,588
2024	2,530,000	491,100	3,021,100
2025-2029	13,815,000	1,522,596	15,337,596
2030	3,035,000	91,050	3,126,050
	<u>\$ 28,790,000</u>	<u>\$ 4,777,484</u>	<u>\$ 33,567,484</u>

During the year ended December 31, 2019, the District levied an ad valorem debt service tax rate of \$0.29 per \$100 of assessed valuation, which resulted in a tax levy of \$3,326,300 on the adjusted taxable valuation of \$1,146,888,073 for the 2019 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, 2019

NOTE 3. LONG-TERM DEBT (Continued)

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The bond orders state that 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 \$9,667,510 and the bank balance was \$9,758,837. Of the bank balance, \$1,670,059 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, 2019

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, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 7,227,854	\$	\$ 7,227,854
DEBT SERVICE FUND	1,503,553	589,669	2,093,222
CAPITAL PROJECTS FUND	346,434		346,434
TOTAL DEPOSITS	\$ 9,077,841	\$ 589,669	\$ 9,667,510

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, 2019

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, 2019, 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	\$ 1,709,701	\$ 1,709,701	\$	\$	\$
Money Market Mutual Fund	4,490	4,490			
Certificates of Deposit	589,669	589,669			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	9,419,424	9,419,424			
TOTAL INVESTMENTS	#####	#####	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, 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, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019:

	January 1, 2019	Increases	Decreases	December 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,806,407	\$	\$	\$ 3,806,407
Construction in Progress	<u>1,015,647</u>	<u>1,634,360</u>	<u>2,317,806</u>	<u>332,201</u>
Total Capital Assets Not Being Depreciated	<u>\$ 4,822,054</u>	<u>\$ 1,634,360</u>	<u>\$ 2,317,806</u>	<u>\$ 4,138,608</u>
Capital Assets Subject to Depreciation				
Water System	\$ 27,327,273	\$ 444,765	\$	\$ 27,772,038
Wastewater System	30,547,681	1,739,283		32,286,964
Building	2,072,704			2,072,704
Trucks and Equipment	<u>631,665</u>	<u>133,758</u>	<u>68,235</u>	<u>697,188</u>
Total Capital Assets Subject to Depreciation	<u>\$ 60,579,323</u>	<u>\$ 2,317,806</u>	<u>\$ 68,235</u>	<u>\$ 62,828,894</u>
Accumulated Depreciation				
Water System	\$ 10,235,850	\$ 603,604	\$	\$ 10,839,454
Wastewater System	12,833,180	721,052		13,554,232
Building	337,271	51,818		389,089
Trucks and Equipment	<u>550,440</u>	<u>87,303</u>	<u>68,235</u>	<u>569,508</u>
Total Accumulated Depreciation	<u>\$ 23,956,741</u>	<u>\$ 1,463,777</u>	<u>\$ 68,235</u>	<u>\$ 25,352,283</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 36,622,582</u>	<u>\$ 854,029</u>	<u>\$ - 0 -</u>	<u>\$ 37,476,611</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 41,444,636</u>	<u>\$ 2,488,389</u>	<u>\$ 2,317,806</u>	<u>\$ 41,615,219</u>

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
DECEMBER 31, 2019

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, increased to \$3.40 per 1,000 gallons effective April 1, 2018 and increased to \$3.85 per 1,000 gallons effective April 1, 2019. The District's well pumpage fees payable to the Authority for the year ended December 31, 2019, were \$2,701,703.

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 \$1,119,902 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, 2019, the District received revenues of \$273,519 for sewage treatment.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, the District received revenues of \$441,168.

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, 2019, the District received revenues of \$226,713.

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, 2019, the District received revenues of \$105,203.

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

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11. INTERFUND RECEIVABLES AND LIABILITIES

As of December 31, 2019, 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 \$23,235 for cost related to the Series 2016 Refunding and Series 2019 Refunding bond sales. The Debt Service Fund owed the Capital Projects Fund \$1,500 for costs related to the Series 2019 Refunding bond sale.

NOTE 12. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 780 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At December 31, 2018, the following employees were covered by the benefit terms:

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. PENSION PLAN (Continued)

Benefits Provided (Continued)

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled but not yet receiving benefits	1
Active employees	19

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 7.87% for the months of the 2019 accounting. The deposit rate payable by the employee members for calendar years 2019 is 6.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District's accounting year ended December 31, 2019, the annual pension cost for the TCDRS plan for its employees was \$97,498; the actual contributions were \$97,498. The employees contributed \$74,331 to the plan for the 2019 fiscal year.

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/18
Actuarial cost method	Entry Age
Amortization method	Level
	percentage of payroll, closed
Remaining Amortization period	20.0 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return ¹	8.00%
Projected salary increases ¹	4.90%
Inflation	2.75%
Cost-of-living adjustments	0.00%

¹ Includes inflation at the stated rate

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68. All other assumptions and methods are the same as used in the prior valuation.

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 Active Employee Mortality Table for males and the RP-2014 Active Employee Mortality Table for females projected with 110% of the MP-2014 ultimate scale after 2014.

Service retirees, beneficiaries and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Disabled retirees - 130% of the RP-2014 Disability Annuitant Mortality Table for males and 115% of the RP-2014 Disability Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Discount Rate

The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. PENSION PLAN (Continued)

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013- December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities-Development	10.00%	5.40%
International Equities-Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
High-Yield Bonds	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 17. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2018 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2017	\$ -0-	\$ -0-	\$ -0-
Changes for the year:			
Service Costs	167,321		167,321
Interest on the Total Pension Liability	13,553		13,553
Effect of Economic/Demographic Gains or Losses	(13,426)		(13,426)
Administrative Expenses		(132)	132
Member Contributions		68,260	(68,260)
Net investment income		1,762	(1,762)
Employer Contributions		89,534	(89,534)
Other		4,701	(4,701)
Balances of December 31, 2018	<u>\$ 167,448</u>	<u>\$ 164,125</u>	<u>\$ 3,323</u>

Sensitivity Analysis - The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension Liability	\$ 193,964	\$ 167,448	\$ 145,450
Fiduciary net position	<u>164,126</u>	<u>164,125</u>	<u>164,126</u>
Net pension liability/(asset)	<u>\$ 29,838</u>	<u>\$ 3,323</u>	<u>\$ (18,676)</u>

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 17. PENSION PLAN (Continued)

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of resources	Deferred Outflows of resources
Differences between expected and actual experience	\$ 11,934	\$ - 0 -
Changes in assumptions		
Net difference between projected and actual earnings		3,748
Contributions paid to TCDRS subsequent to the measurement date		97,498
Total	\$ 11,934	\$ 101,246

\$97,498 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ (555)
2020	(555)
2021	(555)
2022	(555)
2023	(1,492)
Thereafter	(4,474)

NOTE 13. REFUNDING BOND SALE

On June 6, 2019, the District issued \$8,540,000 of Unlimited Tax Refunding Bonds, Series 2019 to refund the a portion of the District's remaining balance of the Series 2011 bonds and Series 2012 Refunding bonds. The net proceeds of \$8,500,183 were used to retire \$4,615,000 and \$3,775,000 of the Series 2011 and Series 2012 Refunding bonds, respectively. The effect of the refunding was to decrease total debt service by \$571,079 and obtain net present value savings of \$482,281.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

DRAFT SUBJECT TO CHANGE

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, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Water Service	\$ 1,037,600	\$ 936,906	\$ (100,694)
Wastewater Service	2,450,075	2,305,953	(144,122)
Regional Water Authority Fee	2,384,672	2,470,393	85,721
Sales Tax Revenue	1,200,000	1,119,902	(80,098)
Penalty and Interest	66,000	53,863	(12,137)
Tap Connection and Inspection Fees	47,000	56,344	9,344
Miscellaneous Revenues	324,400	385,749	61,349
TOTAL REVENUES	\$ 7,509,747	\$ 7,329,110	\$ (180,637)
EXPENDITURES			
Services Operations:			
Personnel	\$ 1,985,680	\$ 1,998,741	\$ (13,061)
Professional Fees	307,500	413,193	(105,693)
Contracted Services	16,500	15,221	1,279
Utilities	631,285	738,557	(107,272)
Regional Water Authority Assessment	2,543,911	2,701,703	(157,792)
Repairs and Maintenance	591,500	638,222	(46,722)
Other	838,279	704,682	133,597
Capital Outlay	110,000	117,758	(7,758)
TOTAL EXPENDITURES	\$ 7,024,655	\$ 7,328,077	\$ (303,422)
NET CHANGE IN FUND BALANCE	\$ 485,092	\$ 1,033	\$ (484,059)
FUND BALANCE - JANUARY 1, 2019	7,358,548	7,358,548	
FUND BALANCE - DECEMBER 31, 2019	\$ 7,843,640	\$ 7,359,581	\$ (484,059)

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
 DECEMBER 31, 2019**

<u>Fiscal Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2019	\$ 97,498	\$ 97,498	\$ -0-	\$ 1,137,665	8.57%

A full 10-year schedule will be displayed as it becomes available.

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1. NET PENSION LIABILITY - TEXAS COUNTY & DISTRICT
 RETIREMENT SYSTEM**

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20.0 years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9%, average over career including inflation
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the MP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP -2014 Healthy Annuitant Mortality Table for females both projected with 110% of MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions reflected in Schedule	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity purchase rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

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

DECEMBER 31, 2019

DRAFT SUBJECT TO CHANGE

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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				\$ 3.85	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: \$38.63

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2019

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	3,658	x 1.0	3,658
1"	95	81	x 2.5	203
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>4,000</u>	<u>3,940</u>		<u>7,594</u>
Total Wastewater Connections*	<u>3,949</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:	719,502,000	Water Accountability Ratio: 94.08% (Gallons billed and maintenance/Gallons pumped)
Gallons billed to customers:	676,878,000	

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019**

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 1,998,741</u>
PROFESSIONAL FEES:	
Auditing	\$ 23,300
Engineering	250,708
Legal	<u>139,185</u>
TOTAL PROFESSIONAL FEES	<u>\$ 413,193</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 15,221</u>
UTILITIES:	
Electricity	\$ 671,848
Telephone	<u>66,709</u>
TOTAL UTILITIES	<u>\$ 738,557</u>
REPAIRS AND MAINTENANCE	<u>\$ 638,222</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 32,850
Insurance	102,962
Office Supplies and Postage	71,035
Travel and Meetings	24,499
Other	<u>25,543</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 256,889</u>
CAPITAL OUTLAY:	
Capitalized Assets	\$ 117,758
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 117,758</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019**

OTHER EXPENDITURES:

Chemicals	\$ 64,866
Communications	10,065
Equipment/Tools	7,488
Fuel	34,579
Laboratory Fees	77,544
Permit Fees	46,705
Regional Water Authority Assessment	2,701,703
Regulatory Assessment	14,372
Sludge Hauling	152,175
Uniforms	14,339
Other	<u>25,660</u>
TOTAL OTHER EXPENDITURES	\$ <u>3,149,496</u>
TOTAL EXPENDITURES	\$ <u>7,328,077</u>

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

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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	\$ 1,709,701	\$
Money Market Mutual Fund	XXXX3725	Varies	Daily	4,490	
Certificate of Deposit	XXXX1441	0.25%	03/20/20	90,000	64
Certificate of Deposit	XXXX1128	0.30%	04/28/20	155,000	78
Certificate of Deposit	XXXX1192	1.05%	08/10/20	245,000	353
Certificate of Deposit	XXXX3058	0.10%	01/03/20	99,669	
TOTAL DEBT SERVICE FUND				\$ 2,303,860	\$ 495
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0010	Varies	Daily	\$ 1,502,071	\$
TexPool	XXXX0011	Varies	Daily	449,976	
TexPool	XXXX0012	Varies	Daily	6,818,467	
TexPool	XXXX0013	Varies	Daily	2,463	
TexPool	XXXX0014	Varies	Daily	408,679	
TexPool	XXXX0001	Varies	Daily	31,212	
TexPool	XXXX0003	Varies	Daily	206,556	
TOTAL CAPITAL PROJECTS FUND				\$ 9,419,424	\$ - 0 -
TOTAL - ALL FUNDS				\$ 11,723,284	\$ 495

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019**

		<u>Debt Service Taxes</u>
TAXES RECEIVABLE -		
JANUARY 1, 2019	\$ 2,557,273	
Adjustments to Beginning Balance	<u>(30,879)</u>	\$ 2,526,394
Original 2019 Tax Levy	\$ 3,005,373	
Adjustment to 2019 Tax Levy	<u>320,927</u>	<u>3,326,300</u>
TOTAL TO BE ACCOUNTED FOR		\$ 5,852,694
TAX COLLECTIONS:		
Prior Years	\$ 2,227,334	
Current Year	<u>677,054</u>	<u>2,904,388</u>
TAXES RECEIVABLE - DECEMBER 31, 2019		<u>\$ 2,948,306</u>
TAXES RECEIVABLE BY		
YEAR:		
2019		\$ 2,649,246
2018		61,246
2017		45,460
2016		40,191
2015		22,358
2014		25,535
2013 and Prior		<u>104,270</u>
TOTAL		<u>\$ 2,948,306</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, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 287,283,351	\$ 286,271,158	\$ 255,855,215	\$ 256,634,627
Improvements	919,306,502	848,504,116	816,302,612	794,060,898
Personal Property	106,547,200	100,330,583	95,811,455	101,639,692
Exemptions	<u>(166,248,980)</u>	<u>(160,366,736)</u>	<u>(136,571,223)</u>	<u>(150,828,203)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 1,146,888,073</u>	<u>\$ 1,074,739,121</u>	<u>\$ 1,031,398,059</u>	<u>\$ 1,001,507,014</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.29	\$ 0.30	\$ 0.31	\$ 0.32
Maintenance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.29</u>	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.32</u>
ADJUSTED TAX LEVY*	<u>\$ 3,326,300</u>	<u>\$ 3,225,103</u>	<u>\$ 3,201,179</u>	<u>\$ 3,212,158</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>20.35 %</u>	<u>98.10 %</u>	<u>98.58 %</u>	<u>98.75 %</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, 2019**

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	
2020	\$ 415,000	\$ 39,080	\$	454,080
2021	440,000	27,460		467,460
2022	460,000	14,260		474,260
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
	\$ 1,315,000	\$ 80,800	\$	1,395,800

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

SERIES-2012 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	\$ 715,000	\$ 67,050	\$ 782,050
2021	745,000	45,600	790,600
2022	775,000	23,250	798,250
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
	<u>\$ 2,235,000</u>	<u>\$ 135,900</u>	<u>\$ 2,370,900</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 5,450,000</u>	<u>\$ 431,712</u>	<u>\$ 5,881,712</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

SERIES - 2017

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
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
	<u>\$ 11,250,000</u>	<u>\$ 2,519,600</u>	<u>\$ 13,769,600</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

SERIES-2019 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2020	\$ 35,000	\$ 291,197	\$ 326,197
2021	35,000	234,525	269,525
2022	35,000	233,475	268,475
2023	1,340,000	232,425	1,572,425
2024	1,395,000	178,825	1,573,825
2025	1,065,000	136,975	1,201,975
2026	1,100,000	105,025	1,205,025
2027	1,125,000	83,025	1,208,025
2028	1,160,000	60,525	1,220,525
2029	615,000	34,425	649,425
2030	635,000	19,050	654,050
	<u>\$ 8,540,000</u>	<u>\$ 1,609,472</u>	<u>\$ 10,149,472</u>

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2019**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 2,260,000	\$ 795,242	\$ 3,055,242
2021	2,320,000	684,364	3,004,364
2022	2,380,000	626,544	3,006,544
2023	2,450,000	566,588	3,016,588
2024	2,530,000	491,100	3,021,100
2025	2,605,000	426,870	3,031,870
2026	2,685,000	364,448	3,049,448
2027	2,760,000	308,188	3,068,188
2028	2,840,000	247,365	3,087,365
2029	2,925,000	175,725	3,100,725
2030	3,035,000	91,050	3,126,050
	<u>\$ 28,790,000</u>	<u>\$ 4,777,484</u>	<u>\$ 33,567,484</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, 2019**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2019	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2010	\$ 5,435,000	\$ 730,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Bonds - Series 2011	8,630,000	6,330,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2012	8,295,000	6,415,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2016	7,390,000	6,380,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Bonds - Series 2017	11,250,000	11,250,000	
Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2019	8,540,000		
TOTAL	<u>\$ 49,540,000</u>	<u>\$ 31,105,000</u>	
Bond Authority:	<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>73,935,000</u>	<u>22,330,000</u>
Remaining to be Issued	<u>\$ 30,000,000</u>	<u>\$ 1,610,000</u>	<u>\$ 13,670,000</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding December 31, 2019	Paying Agent
	Principal	Interest		
	\$ 730,000	\$ 32,850	\$ -0-	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	5,015,000	134,496	1,315,000	Wells Fargo Bank N.A. Houston, TX
	4,180,000	152,675	2,235,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
	930,000	122,496	5,450,000	The Independent Bankers Bank Houston, TX
		293,275	11,250,000	Amegy Bank, N.A. Houston, TX
				The Bank of New York Mellon Trust Co., N.A. Dallas, TX
<u>8,540,000</u>			<u>8,540,000</u>	
<u>\$ 8,540,000</u>	<u>\$ 10,855,000</u>	<u>\$ 735,792</u>	<u>\$ 28,790,000</u>	

Debt Service Fund cash and investment balances as of
December 31, 2019:

\$ 3,807,413

Average annual debt service payment (principal and interest) for remaining term
of all debt:

\$ 3,051,589

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		
	2019	2018	2017
REVENUES			
Water Service	\$ 936,906	\$ 991,363	\$ 931,395
Wastewater Service	2,305,953	2,307,234	2,334,959
Regional Water Authority Fee	2,470,393	2,288,384	1,888,555
Sales Tax Revenues	1,119,902	1,139,429	1,103,640
Penalty and Interest	53,863	54,472	50,304
Tap Connection and Inspection Fees	56,344	139,018	61,453
Miscellaneous Revenues	385,749	344,215	346,561
TOTAL REVENUES	\$ 7,329,110	\$ 7,264,115	\$ 6,716,867
EXPENDITURES			
Personnel	\$ 1,998,741	\$ 1,876,891	\$ 1,777,914
Professional Fees	413,193	337,269	322,280
Contracted Services	15,221	20,481	12,114
Utilities	738,557	676,268	906,907
Regional Water Authority Assessment	2,701,703	2,548,682	2,113,830
Repairs and Maintenance	638,222	594,890	526,347
Other	704,682	716,100	696,885
Capital Outlay	117,758	88,594	80,729
TOTAL EXPENDITURES	\$ 7,328,077	\$ 6,859,175	\$ 6,437,006
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,033	\$ 404,940	\$ 279,861
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 574,030
NET CHANGE IN FUND BALANCE	\$ 1,033	\$ 404,940	\$ 853,891
BEGINNING FUND BALANCE	7,358,548	6,953,608	6,099,717
ENDING FUND BALANCE	\$ 7,359,581	\$ 7,358,548	\$ 6,953,608

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 923,491	\$ 984,804	12.7 %	13.7 %	13.9 %	13.8 %	14.6 %
2,335,420	2,372,358	31.5	31.8	34.8	34.8	35.4
1,604,918	1,458,256	33.7	31.5	28.1	23.9	21.8
1,124,010	1,133,895	15.3	15.7	16.4	16.7	16.9
49,759	73,887	0.7	0.7	0.7	0.7	1.1
258,605	285,275	0.8	1.9	0.9	3.8	4.3
426,738	394,149	5.3	4.7	5.2	6.3	5.9
<u>\$ 6,722,941</u>	<u>\$ 6,702,624</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,618,616	\$ 1,574,231	27.3 %	25.8 %	26.5 %	24.1 %	23.5 %
346,659	202,779	5.6	4.6	4.8	5.2	3.0
15,922	14,896	0.2	0.3	0.2	0.2	0.2
986,166	975,817	10.1	9.3	13.5	14.7	14.6
1,790,969	1,691,860	36.9	35.1	31.5	26.6	25.2
678,380	712,794	8.7	8.2	7.8	10.1	10.6
814,463	707,804	9.6	9.9	10.4	12.1	10.6
65,416	1,137,347	1.6	1.2	1.2	1.0	17.0
<u>\$ 6,316,591</u>	<u>\$ 7,017,528</u>	<u>100.0 %</u>	<u>94.4 %</u>	<u>95.9 %</u>	<u>94.0 %</u>	<u>104.7 %</u>
\$ 406,350	\$ (314,904)	0.0 %	5.6 %	4.1 %	6.0 %	(4.7) %
\$ - 0 -	\$ - 0 -					
\$ 406,350	\$ (314,904)					
<u>5,693,367</u>	<u>6,008,271</u>					
<u>\$ 6,099,717</u>	<u>\$ 5,693,367</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		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 3,191,313	\$ 3,102,728	\$ 3,118,078
Penalty and Interest	80,043	43,414	47,920
Investment Revenues	74,118	67,406	31,156
Miscellaneous Revenues	47,703	29,536	33,463
TOTAL REVENUES	\$ 3,393,177	\$ 3,243,084	\$ 3,230,617
EXPENDITURES			
Tax Collection Expenditures	\$ 135,287	\$ 117,723	\$ 120,883
Debt Service Principal	2,465,000	2,365,000	2,265,000
Debt Service Interest and Fees	737,242	961,463	800,175
Bond Issuance Costs	299,746		
TOTAL EXPENDITURES	\$ 3,637,275	\$ 3,444,186	\$ 3,186,058
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (244,098)	\$ (201,102)	\$ 44,559
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ 8,540,000	\$	\$
Payment to Refunded Bond Escrow Agent	(8,500,183)		
Bond Discount	(74,905)		
Bond Premium	244,709		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 209,621	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (34,477)	\$ (201,102)	\$ 44,559
BEGINNING FUND BALANCE	3,186,937	3,388,039	3,343,480
ENDING FUND BALANCE	\$ 3,152,460	\$ 3,186,937	\$ 3,388,039
TOTAL ACTIVE RETAIL WATER CONNECTIONS	3,940	3,937	3,915
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	3,887	3,887	3,841

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 3,008,732	\$ 2,864,702	94.0 %	95.7 %	96.5 %	97.4 %	99.0 %
33,955	27,204	2.4	1.3	1.5	1.1	0.9
10,749	2,189	2.2	2.1	1.0	0.3	0.1
38,192	20	1.4	0.9	1.0	1.2	
<u>\$ 3,091,628</u>	<u>\$ 2,894,115</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 122,229	\$ 122,091	4.0 %	3.6 %	3.7 %	4.0 %	4.2 %
2,095,000	3,070,000	72.6	72.9	70.1	67.8	106.1
878,472	1,074,031	21.7	29.6	24.8	28.4	37.1
161,474		8.8			5.2	
<u>\$ 3,257,175</u>	<u>\$ 4,266,122</u>	<u>107.1 %</u>	<u>106.1 %</u>	<u>98.6 %</u>	<u>105.4 %</u>	<u>147.4 %</u>
<u>\$ (165,547)</u>	<u>\$ (1,372,007)</u>	<u>(7.1) %</u>	<u>(6.1) %</u>	<u>1.4 %</u>	<u>(5.4) %</u>	<u>(47.4) %</u>
\$ 7,390,000	\$					
(7,212,667)						
<u>\$ 177,333</u>	<u>\$ -0-</u>					
\$ 11,786	\$ (1,372,007)					
3,331,694	4,703,701					
<u>\$ 3,343,480</u>	<u>\$ 3,331,694</u>					
<u>3,892</u>	<u>3,910</u>					
<u>3,914</u>	<u>9,307</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2019**

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

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2019	Expense Reimbursements for the year ended December 31, 2019	Title
Ben Solis	05/16 05/20 (Elected)	\$ 6,900	\$ 291	President
Darrell A. Barroso	05/18 05/22 (Elected)	\$ 7,200	\$ 392	Vice President
Lary J. Cangelose	05/16 05/20 (Elected)	\$ 6,150	\$ 138	Secretary
Jon Morgan	01/20 05/20 (Appointed)	\$ -0-	\$ -0-	Treasurer
Mike Kelley	05/18 05/22 (Elected)	\$ 7,200	\$ 683	Assistant Secretary
Charles W. Merritt	05/16 01/20 (Elected)	\$ 5,400	\$ -0-	Resigned

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):
February 11, 2020.

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, 2019**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2019</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, LLP	05/22/67	\$ 137,485 \$ 95,315 \$ 26,000	General Council Bond Related Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	12/17/14	\$ 23,300 \$ 1,500	Auditor Bond Related
Municipal Business Service	01/01/83	\$ 10,719	District Funds Manager
Robert W. Baird & Company	02/18/15	\$ 87,178	Financial Advisor
Lockwood Andrews & Newnam, Inc.	09/93	\$ 922,380	Engineer
Key Personnel:			
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.

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
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Austin, Texas 78759
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April 22, 2020

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

In planning and performing our audit of the financial statements of Harris County Fresh Water Supply District No. 61 (the "District") as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weaknesses

Last year, and again this year, we observed the following deficiencies in the District's internal control that we consider to be material weaknesses.

The District's management consists of an elected Board of Directors (Directors), as well as employees. Day-to-day operations are performed by the employees and by private companies ("consultants") under contract with the District. The Directors supervise the performance of the employees and the consultants. The consultants are not considered to be members of management and as such, the Directors and the employees are responsible for design and implementation of controls.

As is common within the system of internal control of most small organizations, the accounting function of the District does not include preparation of the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control over financial reporting.

Material Weaknesses (Continued)

During the course of performing an audit, the auditor prepares various journal entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of auditing standards to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weaknesses above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

Management's Response to Material Weaknesses

The District's Board of Directors is appointed or elected from the general population and do not necessarily have governmental accounting expertise. The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. Based on the auditor's unmodified opinion and after reading the financial statements, the Board believes the financial statements to be materially correct. The Board does not think that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
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(713) 462-0341
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E-Mail: mgsb@mgsbpllc.com

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Austin, Texas 78759
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April 22, 2020

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

We have audited the financial statements of the governmental activities and each major fund of Harris County Fresh Water Supply District No. 61 (the "District") for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 7, 2016. Professional standards also require that we communicate to you the following information related to our audit. For the purposes of this letter, the term "management" refers to the Board of Directors and/or District consultants.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies used by the District, including new accounting policies, if any, that have been adopted and implemented during the current fiscal year, are discussed in Note 2. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were management's estimate of depreciable lives of capital assets and amounts recorded as due to developer. Depreciation of infrastructure assets is based on industry wide accepted estimated useful lives taken on a straight-line basis, or on the life of the applicable contract in the case of intangible assets. Amounts shown as due to developer are based on final construction costs plus an estimated 15% for engineering and other fees. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The District's bookkeeper will be provided with all such adjustments.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 22, 2020.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to perform the following non-attest services for the District: (1) preparation of financial statements and related notes and schedules in conformity with accounting principles generally accepted in the United States of America and (2) preparation of capital assets and due to developer schedules. These services were performed based on information provided by you. We performed these services in accordance with applicable professional standards. The non-attest services we performed are limited to those specifically defined and did not result in assuming management responsibilities.

We applied certain limited procedures to the Management's Discussion and Analysis and the budgetary comparison schedule for the General Fund, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information required by the Texas Commission on Environmental Quality, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

McCall Gibson Swedlund Barfoot PLLC

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
HARRIS COUNTY, TEXAS
APRIL 22, 2020

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
13100 Wortham Center Drive, Suite 235
Houston, Texas 77065-5610

Ladies and Gentlemen:

This representation letter is provided in connection with your audit of the financial statements of Harris County Fresh Water Supply District No. 61, (the "District"), which comprise the respective financial position of the governmental activities and each major fund as of December 31, 2019, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of April 22, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 7, 2016, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, if any, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- 21) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 23) There are no violations or possible violations of laws and regulations, provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 24) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved and accepted responsibility for those financial statements and related notes.
- 25) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the basic financial statements.
- 26) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 27) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 28) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if applicable.
- 29) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 30) All funds that meet the quantitative criteria for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 31) Components of net position (net investment in capital assets; restricted; and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 32) Provisions for uncollectible receivables have been properly identified and recorded, if applicable.
- 33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 34) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 35) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- 36) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 37) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 38) We have appropriately disclosed the District’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 39) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 40) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 41) With respect to the supplementary information required by the Water District Financial Management Guide,
 - a) We acknowledge our responsibility for presenting this information in accordance with the Commission’s requirements, and we believe this information, including its form and content, is fairly presented in accordance with the Commission’s requirements. The methods of measurement and presentation of this information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If this information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor’s report thereon.

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

Signatures of the Board of Directors

