

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

Information Required by Section 26.18, Texas Tax Code and
Section 2051.202, Texas Government Code

Date: August 26, 2021

(1) Name and term of office of each member of the governing body:

| | | |
|--------------------|------------|------------|
| Darrell A. Barroso | 05/09/2018 | 05/07/2022 |
| Lary J. Cangelose | 05/02/2020 | 05/04/2024 |
| Mike Kelley | 05/09/2018 | 05/07/2022 |
| Jon Morgan | 05/02/2020 | 05/04/2024 |
| Ben A. Solis | 05/02/2020 | 05/04/2024 |

(2) Mailing address, physical address, e-mail address, and telephone number:

Mailing address:

2727 Allen Parkway, Suite 1100
Houston, Texas 77019
713-652-6500
91061@smithmur.com

Physical address:

13205 Cypress N Houston
Cypress, Texas 77429

(3) a. Official contact information for each member of the governing body:

Same as Item (2) above.

b. Name of General Manager or Executive Director:

Jerry Homan
Harris County FWSD No. 61
P. O. Box 325
Cypress, TX 77429
281/469-9405

c. Name, mailing address and telephone number of person representing District's utility operator:

Jerry Homan
Harris County FWSD No. 61
P. O. Box 325

Cypress, TX 77429
281/469-9405

- d. Name, mailing address and telephone number of person representing District's tax assessor-collector:

Norma Catherman
Harris County FWSD No. 61
P. O. Box 325
Cypress, TX 77429
281/469-9405

- (4) District's budget for the preceding two years:

The budgets for the fiscal years ending on December 31, 2019 and December 31, 2020 are attached.

- (5) Proposed or adopted budget for the current year:

The budget for the fiscal year ending December 31, 2021 is attached.

- (6) Change in amount of District budget from the preceding year to current year, by dollar amount and percentage:

The change in amount of budgeted revenues from 2020 to 2021 was \$344,608; or 4.31509%

- (7) Amount of property tax revenue budgeted for maintenance and operations for the preceding two years and the current year:

The information is referenced in the attached budgets.

- (8) Amount of property tax revenue budgeted for debt service for the preceding two years and the current year:

The District does not budget for debt service.

- (9) Tax rate for maintenance and operations adopted by the taxing unit for the preceding two years:

2020: \$0.00
2019: \$0.00

- (10) The tax rate for debt service adopted by the taxing unit for the preceding two years:

2020: \$0.29
2019: \$0.29

- (11) This information required by Section 26.18 is applicable only to school districts.
- (12) Tax rate for maintenance and operations proposed by the taxing unit for the current year:
As of the date of the report, no proposed tax rate has been established for the current year.
- (13) Tax rate for debt service proposed by the taxing unit for the current year:
As of the date of the report, the proposed tax rate for the current year is \$0.29.
- (14) This information required by Section 26.18 is applicable only to school districts.
- (15) The most recent financial audit of the District.
The audit for the fiscal year ending on December 31, 2020 is attached.
- (16) Rate of District's sales and use tax, if any: n/a
- (17) Notice of tax rate hearing required under Chapter 26, Tax Code or Section 49.236, Water Code:
See attached.
- (18) District's meeting schedule and location:
Monthly on second, third and fourth Wednesday at 5:30 p.m. at 13205 Cypress N
Houston, Cypress, Texas 77429
- (19) Residents of the District have the right to request the designation of a meeting location within the District under Section 49.062(g), Water Code. A description of this process can be found at
<https://www.tceq.texas.gov/assets/public/permitting/watersupply/districts/Form-20863.pdf>.

2021 Budget Final

HCFWSD # 61

| | Revenues | 2020 Budget | 2021 Budget | 2020 Monthly | 2021 Monthly | Total Budget | Actual | Variance | Notes |
|-------|---|------------------|------------------|----------------|----------------|--------------|--------|----------|------------------------------|
| 30100 | Water Sales Customers | 897,600 | 897,600 | 74,800 | 74,800 | | | 0 | Same |
| 30800 | Misc. Water Sales (Transient) | 8,000 | 8,000 | 667 | 667 | | | 0 | Same |
| 30900 | Water Sales MUD No. 248 | 125,000 | 110,000 | 10,417 | 9,167 | | | 0 | Reduce 15,000 |
| 31100 | Sewer Sales Customers | 1,419,075 | 1,419,075 | 118,256 | 118,256 | | | 0 | Same |
| 31500 | Sewer Sales MUD No. 69 | 275,000 | 275,000 | 22,917 | 22,917 | | | 0 | Same |
| 31700 | Sewer Sales MUD No. 222 | 240,000 | 240,000 | 20,000 | 20,000 | | | 0 | Same |
| 31800 | Sewer Sales MUD No. 248 | 475,000 | 400,000 | 39,583 | 33,333 | | | 0 | Reduce 75,000 |
| 31900 | Scrap Metal/Old Equipment Sales | 0 | 5,000 | 0 | | | | | Add 5,000 |
| 32000 | Connection Fee/ Reconnect Fee | 12,000 | 12,000 | 1,000 | 1,000 | | | 0 | Same |
| 32100 | Miscellaneous Income/Fees/Penalties | 70,000 | 70,000 | 5,833 | 5,833 | | | 0 | Same |
| 33000 | TWA Water - Sewer | 16,000 | 16,000 | 1,333 | 1,333 | | | 0 | Same |
| 33100 | Tap Fees | 65,000 | 65,000 | 5,417 | 5,417 | | | 0 | Same |
| 33300 | NHCRWA Assessments | 2,623,139 | 2,846,106 | 218,595 | 237,176 | | | 0 | Increase 8.5% |
| 33400 | Maintenance Charge MUD No. 248 | 12,000 | 12,000 | 1,000 | 1,000 | | | 0 | Same |
| 33401 | Equipment Charge | | 35,455 | 0 | 2,955 | | | | Per 2020 Contract + 1.3% CPI |
| 33410 | Infrastructure Rehabilitation MUD No. 248 | 120,000 | 186,256 | 10,000 | 15,521 | | | 0 | Per 2020 Contract + 1.3% CPI |
| 33411 | Infrastructure Rehabilitation - Sewer | | 104,930 | 0 | 8,744 | | | | Per 2020 Contract + 1.3% CPI |
| 33500 | Meter Rental | 1,000 | 1,000 | 83 | 83 | | | 0 | Same |
| 33600 | Grease Trap | 8,000 | 8,000 | 667 | 667 | | | 0 | Same |
| 36000 | SPA Capital Income | 480,000 | 480,000 | 40,000 | 40,000 | | | 0 | Same |
| 36001 | SPA Operating Income | 720,000 | 720,000 | 60,000 | 60,000 | | | 0 | Same |
| 36100 | Property Tax Coll. Charge | 66,000 | 66,000 | 5,500 | 5,500 | | | 0 | Same |
| 37300 | Easement & Annexation Reimbursement | | | | | | | | |
| 37400 | Operating Income MUD 248 | 180,000 | 180,000 | 15,000 | 15,000 | | | 0 | Same |
| 37500 | Annex & Utility Commitment | 1,000 | 1,000 | 83 | 83 | | | 0 | Same |
| 30500 | Water Sales MUD No.69 | 0 | | 0 | 0 | | | 0 | |
| 30600 | Water Sales Timberlake ID | 0 | | 0 | 0 | | | 0 | |
| 30700 | Water Sales MUD No. 222 | 0 | | 0 | 0 | | | 0 | |
| 30920 | Water Sales MUD No. 188 | 0 | | 0 | 0 | | | 0 | |
| 32300 | Interest Income | 0 | | 0 | 0 | | | 0 | |
| | | | | | | | | | |
| | Total Revenues | 7,813,814 | 8,158,422 | 651,151 | 679,452 | | | 0 | |

2021 Budget Final

HCFWSD # 61

| | Expenses Offset By SPA | 2020 Budget | 2021 Budget | 2020 Monthly | 2021 Monthly | Total Budget | Actual | Variance | Notes |
|-------|--|----------------|----------------|---------------|--------------|--------------|--------|----------|-----------------|
| 42021 | Utilities Water No. 1 | 33,687 | 24,255 | 2,807 | 2,021 | | | 0 | Reduced 28% |
| 42022 | Utilities Water No. 2 (Well #2&3) | 97,198 | 69,983 | 8,100 | 5,832 | | | 0 | Reduced 28% |
| 42023 | Utilities Water No. 3 | 57,000 | 41,040 | 4,750 | 3,420 | | | 0 | Reduced 28% |
| 42020 | Utilities Water No. 4 | 70,180 | 50,530 | 5,848 | 4,211 | | | 0 | Reduced 28% |
| 42031 | Utilities STP No. 1 | 137,000 | 98,640 | 11,417 | 8,220 | | | 0 | Reduced 28% |
| 42032 | Utilities STP No. 2 | 225,000 | 162,000 | 18,750 | 13,500 | | | 0 | Reduced 28% |
| 42041 | Utilities Oakcliff Lift Station | 3,000 | 2,160 | 250 | 180 | | | 0 | Reduced 28% |
| 42042 | Utilities Crossbend Village Lift Station | 500 | 360 | 42 | 30 | | | 0 | Reduced 28% |
| 42043 | Utilities Lift Station #2 | 1,532 | 1,103 | 128 | 92 | | | 0 | Reduced 28% |
| 42044 | Utilities Lift Station #3 | 1,500 | 1,080 | 125 | 90 | | | 0 | Reduced 28% |
| 42045 | Utilities Elevated Storage No.2 | 638 | 459 | 53 | 38 | | | 0 | Reduced 28% |
| 42046 | Utilities Eldridge Lift Station | 2,106 | 1,516 | 176 | 126 | | | 0 | Reduced 28% |
| 42048 | Utilities Wortham Landing Lift Station | 1,709 | 1,230 | 142 | 103 | | | 0 | Reduced 28% |
| 42049 | Utilities Wortham Falls Lift Station | 1,468 | 1,057 | 122 | 88 | | | 0 | Reduced 28% |
| 42050 | Utilities Ravensway Lake Lift Station | 638 | 459 | 53 | 38 | | | 0 | Reduced 28% |
| 84200 | Utilities Admin. Office Building | 7,656 | 5,512 | 638 | 459 | | | 0 | Reduced 28% |
| 47021 | Chemicals Water No. 1 | 7,260 | 7,260 | 605 | 605 | | | 0 | Same |
| 47022 | Chemicals Water No. 2 | 9,515 | 9,515 | 793 | 793 | | | 0 | Same |
| 47023 | Chemicals Water No. 3 | 13,200 | 13,200 | 1,100 | 1,100 | | | 0 | Same |
| 47024 | Chemicals HG WTR2 Well 3 | 8,750 | 8,750 | 729 | 729 | | | 0 | Same |
| 47025 | Chemicals Water No. 4 | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 47031 | Chemicals STP No. 1 | 8,000 | 8,000 | 667 | 667 | | | 0 | Same |
| 47032 | Chemicals STP No. 2 | 14,000 | 14,000 | 1,167 | 1,167 | | | 0 | Same |
| 48133 | Retention Pond Maintenance | 200,000 | 200,000 | 16,667 | 16,667 | | | 0 | Same |
| 48150 | Security | 5,000 | 5,000 | 417 | 417 | | | 0 | Same |
| | Total Expenses Offset By SPA | 926,537 | 747,110 | 77,211 | | | | 0 | |
| 43031 | Sludge Removal STP No. 1 | 50,000 | 65,000 | 4,167 | 5,417 | | | 0 | Increase 15,000 |
| 43032 | Sludge Removal STP No. 2 | 100,000 | 130,000 | 8,333 | 10,833 | | | 0 | Increase 30,000 |
| 44000 | Lab Testing Distribution | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 44001 | Lab Testing Collections | 15,000 | 15,000 | 1,250 | 1,250 | | | 0 | Same |
| 44031 | Lab Testing STP I | 24,000 | 24,000 | 2,000 | 2,000 | | | 0 | Same |
| 44032 | Lab Testing STP 2 | 28,000 | 28,000 | 2,333 | 2,333 | | | 0 | Same |
| 45000 | Repairs & Maint.. Dist. & Improvements | 65,000 | 65,000 | 5,417 | 5,417 | | | 0 | Same |

2021 Budget Final

HCFWSD # 61

| | Expenses | 2020 Budget | 2021 Budget | 2020 Monthly | 2021 Monthly | Total Budget | Actual | Variance | Notes |
|-------|--|-------------|-------------|--------------|--------------|--------------|--------|----------|---------------------------|
| 45001 | Repairs & Maint.. Coll & Improvements | 25,000 | 25,000 | 2,083 | 2,083 | | | 0 | Same |
| 45021 | Repairs & Maint.. Water Plant 1 | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 45022 | Repairs & Maint.. Water Plant 2 | 15,000 | 15,000 | 1,250 | 1,250 | | | 0 | Same |
| 45024 | Repairs & Maint.. Water Plant 3 | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 45025 | Repairs & Maint.. Water Plant 4 | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 45031 | Repairs & Maint.. STP No. 1 | 45,000 | 45,000 | 3,750 | 3,750 | | | 0 | Same |
| 45032 | Repairs & Maint... STP No.2 | 75,000 | 75,000 | 6,250 | 6,250 | | | 0 | Same |
| 45033 | Repairs & Maint... Wortham Falls | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45034 | Repairs & Maint... Ravensway | 3,000 | 3,000 | 250 | 250 | | | 0 | Same |
| 45041 | Repairs & Maint... Oakcliff Lift Station | 4,000 | 4,000 | 333 | 333 | | | 0 | Same |
| 45042 | Repairs & Maint... Crossbend Village L/S | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45043 | Repairs & Maint.. Lift Station 2 | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45044 | Repairs & Maint.. Lift Station 3 | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45045 | Repairs & Maint.. Elevated 2 | 2,500 | 2,500 | 208 | 208 | | | 0 | Same |
| 45046 | Repairs & Maint.. Eldridge Lift Station | 3,000 | 3,000 | 250 | 250 | | | 0 | Same |
| 45047 | Repairs & Maint.. Wortham Landing L/S | 4,000 | 4,000 | 333 | 333 | | | 0 | Same |
| 49000 | Truck Repair | 12,000 | 12,000 | 1,000 | 1,000 | | | 0 | Same |
| 49010 | Truck Fuel | 40,000 | 40,000 | 3,333 | 3,333 | | | 0 | Same |
| 49011 | Truck Purchase | 50,000 | 70,000 | 4,167 | 5,833 | | | 0 | Truck Purchase (3 Trucks) |
| 49012 | Field Equipment Repair | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | |
| 49013 | Diesel Fuel | 10,000 | 10,000 | 833 | 833 | | | 0 | |
| 49200 | Communications | 10,000 | 10,000 | 833 | 833 | | | 0 | |
| 50100 | Employee Payroll | 1,283,587 | 1,334,930 | 106,966 | 111,244 | | | 0 | Increase 4% |
| 56010 | TCDRS | 101,000 | 105,040 | 8,417 | 8,753 | | | | Increase 4% |
| | Director Payroll | 36,000 | 36,000 | 3,000 | 3,000 | | | 0 | Same |
| 50300 | Health & Disability Insurance | 572,456 | 581,309 | 47,705 | 48,442 | | | 0 | Increase 1.5% |
| 51100 | TEC | 7,148 | 7,433 | 596 | 619 | | | 0 | Increase 4% |

| | Expenses | 2020 Budget | 2021 Budget | 2020 Monthly | 2021 Monthly | Total Budget | Actual | Variance | Notes |
|-------|-------------------------------------|------------------|------------------|----------------|----------------|--------------|----------|----------|------------------------------|
| 51200 | FICA Employer | 84,479 | 87,858 | 7,040 | 7,322 | | | 0 | Increase 4% |
| 51300 | Medicare Employer | 20,567 | 21,389 | 1,714 | 1,782 | | | 0 | Increase 4% |
| 71100 | Engineering Fees | 155,000 | 175,000 | 12,917 | 14,583 | | | 0 | Increase 20,000 |
| 71200 | Accounting Fees | 16,500 | 16,500 | 1,375 | 1,375 | | | 0 | Same |
| 71201 | Audit Fees | 22,500 | 22,500 | 1,875 | 1,875 | | | 0 | Same |
| 71300 | Attorney Fees | 130,000 | 130,000 | 10,833 | 10,833 | | | 0 | Same |
| 71420 | Permit Fees Water | 16,000 | 16,000 | 1,333 | 1,333 | | | 0 | Same |
| 71430 | Permit Fees Sewer | 50,000 | 50,000 | 4,167 | 4,167 | | | 0 | Same |
| 71600 | NHC Regional Water Authority | 2,798,302 | 3,036,158 | 233,192 | 253,013 | | | 0 | Increase 8.5% |
| 71610 | Website Expense | 2,500 | 2,500 | 208 | 208 | | | | Same |
| 71650 | Texas Water Assessment | 15,554 | 15,554 | 1,296 | 1,296 | | | 0 | Same |
| 72400 | Bank Service Charges | 1,500 | 1,500 | 125 | 125 | | | 0 | Same |
| 72600 | Education/license/travel/membership | 35,000 | 35,000 | 2,917 | 2,917 | | | 0 | Same |
| 72800 | Employee/Director Expense | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 72900 | Election Expense | 20,000 | 0 | 1,667 | 0 | | | 0 | Reduced 20,000 (No Election) |
| 73500 | Equipment Purchase Office | 5,000 | 5,000 | 417 | 417 | | | 0 | Same |
| 73600 | Equipment/Tools Purchase Field | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 73700 | Safety Equipment | 5,000 | 5,000 | 417 | 417 | | | 0 | Same |
| 74100 | Telephone | 55,000 | 55,000 | 4,583 | 4,583 | | | 0 | Same |
| 74400 | General Insurance | 130,000 | 130,000 | 10,833 | 10,833 | | | 0 | Same |
| 75400 | Uniforms | 14,000 | 14,000 | 1,167 | 1,167 | | | 0 | Same |
| 75500 | Physicals & Employee Medical | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 76100 | Office Expense | 30,000 | 30,000 | 2,500 | 2,500 | | | 0 | Same |
| 76200 | Computer Expense | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 77000 | Rubbish Removal | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 77700 | Postage | 28,000 | 28,000 | 2,333 | 2,333 | | | 0 | Same |
| 78400 | Miscellaneous Operations | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 84500 | Repairs & Maintenance Building | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| | | | | | | | | | |
| | | | | | | | | | |
| | Total Expenses | 7,332,130 | 7,524,281 | 611,011 | 627,023 | 0 | 0 | 0 | |

| | | 2020 Budget | 2021 Budget | | | | | | | |
|--|-----------------|-------------|-------------|--|--|--|--|--|--|--|
| | | | | | | | | | | |
| | Excess Revenues | 481,684 | 634,141 | | | | | | | |
| | SPA Capital | 480,000 | 480,000 | | | | | | | |
| | | | | | | | | | | |
| | | 1,684 | 154,141 | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

| | Expenses | 2019 Budget | 2020 Budget | 2019 Monthly | 2020 Monthly | Total Budget | Actual | Variance | Notes |
|-------|--|-------------|-------------|--------------|--------------|--------------|--------|----------|---------------------------------------|
| 45001 | Repairs & Maint.. Coll & Improvements | 35,000 | 25,000 | 2,917 | 2,083 | | | 0 | Decrease \$10,000 |
| 45021 | Repairs & Maint.. Water Plant 1 | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 45022 | Repairs & Maint.. Water Plant 2 | 15,000 | 15,000 | 1,250 | 1,250 | | | 0 | Same |
| 45024 | Repairs & Maint.. Water Plant 3 | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 45025 | Repairs & Maint.. Water Plant 4 | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 45031 | Repairs & Maint.. STP No. 1 | 45,000 | 45,000 | 3,750 | 3,750 | | | 0 | Same |
| 45032 | Repairs & Maint... STP No.2 | 100,000 | 75,000 | 8,333 | 6,250 | | | 0 | Decrease \$25,000 |
| 45033 | Repairs & Maint... Wortham Falls | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45034 | Repairs & Maint... Ravensway | 3,000 | 3,000 | 250 | 250 | | | 0 | Same |
| 45041 | Repairs & Maint... Oakcliff Lift Station | 4,000 | 4,000 | 333 | 333 | | | 0 | Same |
| 45042 | Repairs & Maint... Crossbend Village L/S | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45043 | Repairs & Maint.. Lift Station 2 | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45044 | Repairs & Maint.. Lift Station 3 | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45045 | Repairs & Maint.. Elevated 2 | 2,500 | 2,500 | 208 | 208 | | | 0 | Same |
| 45046 | Repairs & Maint.. Eldridge Lift Station | 3,000 | 3,000 | 250 | 250 | | | 0 | Same |
| 45047 | Repairs & Maint.. Wortham Landing L/S | 4,000 | 4,000 | 333 | 333 | | | 0 | Same |
| 49000 | Truck Repair | 12,000 | 12,000 | 1,000 | 1,000 | | | 0 | Same |
| 49010 | Truck Fuel | 40,000 | 40,000 | 3,333 | 3,333 | | | 0 | Same |
| 49011 | Truck Purchase | 110,000 | 50,000 | 9,167 | 4,167 | | | 0 | Decrease \$50,000 (Purchase 2 Trucks) |
| 49012 | Field Equipment Repair | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 49013 | Diesel Fuel | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 49200 | Communications | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 50100 | Employee Payroll | 1,331,498 | 1,283,587 | 110,958 | 106,966 | | | 0 | 4% Increase |
| | TCDRS | | 101,000 | 0 | 8,417 | | | | Continue At 7.87% Required Rate |
| | Director Payroll | 36,000 | 36,000 | 3,000 | 3,000 | | | 0 | Same |
| 50300 | Health & Disability Insurance | 541,988 | 572,456 | 45,166 | 47,705 | | | 0 | Increase 5.6% |
| 51100 | TEC | 7,148 | 7,148 | 596 | 596 | | | 0 | Same |

| | Expenses | 2019 Budget | 2020 Budget | 2019 Monthly | 2020 Monthly | Total Budget | Actual | Variance | Notes |
|-------|-------------------------------------|------------------|------------------|----------------|----------------|--------------|----------|----------|-----------------------------------|
| 51200 | FICA Employer | 84,479 | 84,479 | 7,040 | 7,040 | | | 0 | Same |
| 51300 | Medicare Employer | 20,567 | 20,567 | 1,714 | 1,714 | | | 0 | Same |
| 71100 | Engineering Fees | 155,000 | 155,000 | 12,917 | 12,917 | | | 0 | Same |
| 71200 | Accounting Fees | 16,500 | 16,500 | 1,375 | 1,375 | | | 0 | Same |
| 71201 | Audit Fees | 22,500 | 22,500 | 1,875 | 1,875 | | | 0 | Same |
| 71300 | Attorney Fees | 130,000 | 130,000 | 10,833 | 10,833 | | | 0 | Same |
| 71420 | Permit Fees Water | 16,000 | 16,000 | 1,333 | 1,333 | | | 0 | Same |
| 71430 | Permit Fees Sewer | 50,000 | 50,000 | 4,167 | 4,167 | | | 0 | Same |
| 71600 | NHC Regional Water Authority | 2,543,911 | 2,798,302 | 211,993 | 233,192 | | | 0 | Increase 10% |
| 71610 | Water User Coalition | 2,500 | 2,500 | 208 | 208 | | | | Same |
| 71650 | Texas Water Assessment | 15,554 | 15,554 | 1,296 | 1,296 | | | 0 | Same |
| 72400 | Bank Service Charges | 1,500 | 1,500 | 125 | 125 | | | 0 | Same |
| 72600 | Education/license/travel/membership | 35,000 | 35,000 | 2,917 | 2,917 | | | 0 | Same |
| 72800 | Employee/Director Expense | 18,000 | 20,000 | 1,500 | 1,667 | | | 0 | Increase \$2,000 |
| 72900 | Election Expense | 0 | 20,000 | 0 | 1,667 | | | 0 | Increase \$20,000 - Election 2020 |
| 73500 | Equipment Purchase Office | 6,000 | 5,000 | 500 | 417 | | | 0 | Decrease \$1,000 |
| 73600 | Equipment/Tools Purchase Field | 25,000 | 20,000 | 2,083 | 1,667 | | | 0 | Decrease \$5,000 |
| 73700 | Safety Equipment | 5,000 | 5,000 | 417 | 417 | | | 0 | Same |
| 74100 | Telephone | 50,000 | 55,000 | 4,167 | 4,583 | | | 0 | Increase \$5,000 |
| 74400 | General Insurance | 130,000 | 130,000 | 10,833 | 10,833 | | | 0 | Same |
| 75400 | Uniforms | 12,000 | 14,000 | 1,000 | 1,167 | | | 0 | Increase \$2,000 |
| 75500 | Physicals & Employee Medical | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 76100 | Office Expense | 30,000 | 30,000 | 2,500 | 2,500 | | | 0 | Same |
| 76200 | Computer Expense | 25,000 | 10,000 | 2,083 | 833 | | | 0 | Decrease \$15,000 |
| 77000 | Rubbish Removal | 8,000 | 10,000 | 667 | 833 | | | 0 | Increase \$2,000 |
| 77700 | Postage | 28,000 | 28,000 | 2,333 | 2,333 | | | 0 | Same |
| 78400 | Miscellaneous Operations | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 84500 | Repairs & Maintenance Building | 25,000 | 20,000 | 2,083 | 1,667 | | | 0 | Decrease \$5,000 |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | Total Expenses | 7,024,655 | 7,332,130 | 585,388 | 611,011 | 0 | 0 | 0 | |

| | | 2019 Budget | 2020 Budget | | | | | | | |
|--|-----------------|-------------|-------------|--|--|--|--|--|--|--|
| | | | | | | | | | | |
| | Excess Revenues | 485,092 | 481,684 | | | | | | | |
| | SPA Capital | 480,000 | 480,000 | | | | | | | |
| | | | | | | | | | | |
| | | 5,092 | 1,684 | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |

EXHIBIT "A"

| | Revenues | 2018 Budget | 2019 Budget | 2018 Monthly | 2019 Monthly | Total Budget | Actual | Variance | Notes |
|-------|-------------------------------------|------------------|------------------|----------------|----------------|--------------|--------|----------|--------------------|
| 30100 | Water Sales Customers | 897,600 | 897,600 | 74,800 | 74,800 | | | 0 | Same |
| 30800 | Misc. Water Sales (Transient) | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 30900 | Water Sales MUD No. 248 | 130,000 | 130,000 | 10,833 | 10,833 | | | 0 | Same |
| 31100 | Sewer Sales Customers | 1,419,075 | 1,419,075 | 118,256 | 118,256 | | | 0 | Same |
| 31500 | Sewer Sales MUD No. 69 | 275,000 | 275,000 | 22,917 | 22,917 | | | 0 | Same |
| 31700 | Sewer Sales MUD No. 222 | 256,000 | 256,000 | 21,333 | 21,333 | | | 0 | Same |
| 31800 | Sewer Sales MUD No. 248 | 500,000 | 500,000 | 41,667 | 41,667 | | | 0 | Same |
| 32000 | Connection Fee/ Reconnect Fee | 12,000 | 12,000 | 1,000 | 1,000 | | | 0 | Same |
| 32100 | Miscellaneous Income/Fees/Penalties | 70,000 | 70,000 | 5,833 | 5,833 | | | 0 | Same |
| 33000 | TWA Water - Sewer | 16,000 | 16,000 | 1,333 | 1,333 | | | 0 | Same |
| 33100 | Tap Fees | 40,000 | 40,000 | 3,333 | 3,333 | | | 0 | Same |
| 33300 | NHCRWA Assessments | 2,134,890 | 2,384,672 | 177,908 | 198,723 | | | 0 | Increase 11.7% |
| 33400 | Maintenance Charge | 12,500 | 12,500 | 1,042 | 1,042 | | | 0 | Same |
| 33410 | Infrastructure Rehabilitation | 72,900 | 72,900 | 6,075 | 6,075 | | | 0 | Same |
| 33500 | Meter Rental | 1,000 | 1,000 | 83 | 83 | | | 0 | Same |
| 33600 | Grease Trap | 7,000 | 7,000 | 583 | 583 | | | 0 | Same |
| 36000 | SPA Capital Income | 600,000 | 480,000 | 50,000 | 40,000 | | | 0 | Decrease \$120,000 |
| 36001 | SPA Operating Income | 600,000 | 720,000 | 50,000 | 60,000 | | | 0 | Increase \$120,000 |
| 36100 | Property Tax Coll. Charge | 66,000 | 66,000 | 5,500 | 5,500 | | | 0 | Same |
| 37400 | Operating Income MUD 248 | 160,000 | 140,000 | 13,333 | 11,667 | | | 0 | Decrease \$20,000 |
| 37500 | Annex & Utility Commitment | 0 | 0 | 0 | 0 | | | 0 | Same |
| 30500 | Water Sales MUD No.69 | 0 | 0 | 0 | 0 | | | 0 | Same |
| 30600 | Water Sales Timberlake ID | 0 | 0 | 0 | 0 | | | 0 | Same |
| 30700 | Water Sales MUD No. 222 | 0 | 0 | 0 | 0 | | | 0 | Same |
| 30920 | Water Sales MUD No. 188 | 0 | 0 | 0 | 0 | | | 0 | Same |
| 32300 | Interest Income | 0 | 0 | 0 | 0 | | | 0 | Same |
| 37300 | Easement & Annexation Reimbursement | 0 | 0 | 0 | 0 | | | 0 | Same |
| | Total Revenues | 7,279,965 | 7,509,747 | 606,664 | 625,812 | | | 0 | Same |

2019 Approved Budget

HCFWSD # 61

| | Expenses Offset By SPA | 2018 Budget | 2019 Budget | 2018 Monthly | 2019 Monthly | Total Budget | Actual | Variance | Notes |
|-------|--|----------------|----------------|--------------|--------------|--------------|--------|----------|--------------|
| 42021 | Utilities Water No. 1 | 33,687 | 33,687 | 2,807 | 2,807 | | | 0 | Same |
| 42022 | Utilities Water No. 2 (Well #2&3) | 77,198 | 77,198 | 6,433 | 6,433 | | | 0 | Same |
| 42023 | Utilities Water No. 3 | 56,144 | 56,144 | 4,679 | 4,679 | | | 0 | Same |
| 42020 | Utilities Water No. 4 | 70,180 | 70,180 | 5,848 | 5,848 | | | 0 | Same |
| 42031 | Utilities STP No. 1 | 137,000 | 137,000 | 11,417 | 11,417 | | | 0 | Same |
| 42032 | Utilities STP No. 2 | 187,500 | 187,500 | 15,625 | 15,625 | | | 0 | Same |
| 42041 | Utilities Oakcliff Lift Station | 2,680 | 2,680 | 223 | 223 | | | 0 | Same |
| 42042 | Utilities Crossbend Village Lift Station | 383 | 383 | 32 | 32 | | | 0 | Same |
| 42043 | Utilities Lift Station #2 | 1,532 | 1,532 | 128 | 128 | | | 0 | Same |
| 42044 | Utilities Lift Station #3 | 766 | 766 | 64 | 64 | | | 0 | Same |
| 42045 | Utilities Elevated Storage No.2 | 638 | 638 | 53 | 53 | | | 0 | Same |
| 42046 | Utilities Eldridge Lift Station | 2,106 | 2,106 | 176 | 176 | | | 0 | Same |
| 42048 | Utilities Wortham Landing Lift Station | 1,709 | 1,709 | 142 | 142 | | | 0 | Same |
| 42049 | Utilities Wortham Falls Lift Station | 1,468 | 1,468 | 122 | 122 | | | 0 | Same |
| 42050 | Utilities Ravensway Lake Lift Station | 638 | 638 | 53 | 53 | | | 0 | Same |
| 47021 | Chemicals Water No. 1 | | 7,260 | | 605 | | | 0 | Added To SPA |
| 47022 | Chemicals Water No. 2 | | 9,515 | | 793 | | | 0 | Added To SPA |
| 47023 | Chemicals Water No. 3 | | 13,200 | | 1,100 | | | 0 | Added To SPA |
| 47024 | Chemicals HG WTR2 Well 3 | | 8,750 | | 729 | | | 0 | Added To SPA |
| 47025 | Chemicals Water No. 4 | | 24,000 | | 2,000 | | | 0 | Added To SPA |
| 47031 | Chemicals STP No. 1 | | 11,000 | | 917 | | | 0 | Added To SPA |
| 47032 | Chemicals STP No. 2 | | 14,000 | | 1,167 | | | 0 | Added To SPA |
| 84200 | Utilities Admin. Office Building | 7,656 | 7,656 | 638 | 638 | | | 0 | Same |
| 48133 | Retention Pond Maintenance | 200,000 | 200,000 | 16,667 | 16,667 | | | 0 | Same |
| 48150 | Security | 5,000 | 5,000 | 417 | 417 | | | 0 | Same |
| | Total Expenses Offset By SPA | 786,285 | 874,010 | | | | | 0 | Same |
| 43031 | Sludge Removal STP No. 1 | 40,000 | 40,000 | 3,333 | 3,333 | | | 0 | Same |
| 43032 | Sludge Removal STP No. 2 | 90,000 | 90,000 | 7,500 | 7,500 | | | 0 | Same |
| 44000 | Lab Testing Distribution | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 44001 | Lab Testing Collections | 18,000 | 18,000 | 15,000 | 1,500 | | | 0 | Same |
| 44031 | Lab Testing STP I | 24,000 | 24,000 | 2,000 | 2,000 | | | 0 | Same |
| 44032 | Lab Testing STP 2 | 28,000 | 28,000 | 2,333 | 2,333 | | | 0 | Same |
| 45000 | Repairs & Maint.. Dist. & Improvements | 75,000 | 75,000 | 6,250 | 6,250 | | | 0 | Same |

2019 Approved Budget

HCFWSD # 61

| | Expenses | 2018 Budget | 2019 Budget | 2018 Monthly | 2019 Monthly | Total Budget | Actual | Variance | Notes |
|-------|---|-------------|-------------|--------------|--------------|--------------|--------|----------|---------------------------------------|
| 45001 | Repairs & Maint.. Coll & Improvements | 35,000 | 35,000 | 2,917 | 2,917 | | | 0 | Same |
| 45021 | Repairs & Maint.. Water Plant 1 | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 45022 | Repairs & Maint.. Water Plant 2 | 15,000 | 15,000 | 1,250 | 1,250 | | | 0 | Same |
| 45024 | Repairs & Maint.. Water Plant 3 | 15,000 | 20,000 | 1,250 | 1,667 | | | 0 | Increase \$5,000 |
| 45025 | Repairs & Maint.. Water Plant 4 | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 45031 | Repairs & Maint.. STP No. 1 | 45,000 | 45,000 | 3,750 | 3,750 | | | 0 | Same |
| 45032 | Repairs & Maint.. STP No.2 | 110,000 | 100,000 | 9,167 | 8,333 | | | 0 | Decrease \$10,000 |
| 45033 | Repairs & Maint.. Wortham Falls | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45034 | Repairs & Maint.. Ravensway | 3,000 | 3,000 | 250 | 250 | | | 0 | Same |
| 45041 | Repairs & Maint.. Oakcliff Lift Station | 4,000 | 4,000 | 333 | 333 | | | 0 | Same |
| 45042 | Repairs & Maint.. Crossbend Village L/S | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45043 | Repairs & Maint.. Lift Station 2 | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45044 | Repairs & Maint.. Lift Station 3 | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 45045 | Repairs & Maint.. Elevated 2 | 2,500 | 2,500 | 208 | 208 | | | 0 | Same |
| 45046 | Repairs & Maint.. Eldridge Lift Station | 3,000 | 3,000 | 250 | 250 | | | 0 | Same |
| 45047 | Repairs & Maint.. Wortham Landing L/S | 4,000 | 4,000 | 333 | 333 | | | 0 | Same |
| 47021 | Chemicals Water No. 1 | 7,260 | | 0 | 0 | | | 0 | Same |
| 47022 | Chemicals Water No. 2 | 9,515 | | 0 | 0 | | | 0 | Same |
| 47023 | Chemicals Water No. 3 | 13,200 | | 0 | 0 | | | 0 | Same |
| 47024 | Chemicals HG WTR2 Well 3 | 8,750 | | 0 | 0 | | | 0 | Same |
| 47025 | Chemicals Water No. 4 | 24,000 | | 0 | 0 | | | 0 | Same |
| 47031 | Chemicals STP No. 1 | 11,000 | | 0 | 0 | | | 0 | Same |
| 47032 | Chemicals STP No. 2 | 14,000 | | 0 | 0 | | | 0 | Same |
| 49000 | Truck Repair | 12,000 | 12,000 | 1,000 | 1,000 | | | 0 | Same |
| 49010 | Truck Fuel | 40,000 | 40,000 | 3,333 | 3,333 | | | 0 | Same |
| 49011 | Truck Purchase | 40,000 | 110,000 | 3,333 | 9,167 | | | 0 | Increase \$70,000.00 (Mechanic Truck) |
| 49012 | Field Equipment Repair | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 49013 | Diesel Fuel | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 49200 | Communications | 10,000 | 10,000 | 833 | 833 | | | 0 | Same |
| 50100 | Employee Payroll | 1,280,287 | 1,331,498 | 106,691 | 110,958 | | | 0 | Increase 4% (Incl.TCDRS Payment) |
| | Director Payroll | 36,000 | 36,000 | 3,000 | 3,000 | | | 0 | Same |
| 50300 | Health & Disability Insurance | 561,988 | 541,988 | 46,832 | 45,166 | | | 0 | 4.2% Reduction for 2019 |

2019 Approved Budget

HCFWSD # 61

| | | | | | | | | | |
|-------|-------------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------|-----------------|--|
| 51100 | TEC | 6,873 | 7,148 | 573 | 596 | | | 0 | Increase 4% |
| 51200 | FICA Employer | 81,230 | 84,479 | 6,769 | 7,040 | | | 0 | Increase 4% |
| | Expenses | 2018 Budget | 2019 Budget | 2018 Monthly | 2019 Monthly | Total Budget | Actual | Variance | Notes |
| 51300 | Medicare Employer | 19,776 | 20,567 | 1,648 | 1,714 | | | 0 | Increase 4% |
| 71100 | Engineering Fees | 140,000 | 155,000 | 11,667 | 12,917 | | | 0 | Increase \$15,000 |
| 71200 | Accounting Fees | 15,000 | 16,500 | 1,250 | 1,375 | | | 0 | Increase \$1,500 |
| 71201 | Audit Fees | 22,500 | 22,500 | 1,875 | 1,875 | | | 0 | Same |
| 71300 | Attorney Fees | 120,000 | 130,000 | 10,000 | 10,833 | | | 0 | Increase \$10,000 (Electronic Records) |
| 71420 | Permit Fees Water | 16,000 | 16,000 | 1,333 | 1,333 | | | 0 | Same |
| 71430 | Permit Fees Sewer | 50,000 | 50,000 | 4,167 | 4,167 | | | 0 | Same |
| 71600 | NHC Regional Water Authority | 2,277,450 | 2,543,911 | 189,788 | 211,993 | | | 0 | Increase 11.7% |
| 71610 | Water User Coalition | 2,500 | 2,500 | 208 | 208 | | | | Same |
| 71650 | Texas Water Assessment | 15,554 | 15,554 | 1,296 | 1,296 | | | 0 | Same |
| 72400 | Bank Service Charges | 500 | 1,500 | 42 | 125 | | | 0 | Increase \$1,000 |
| 72600 | Education/license/travel/membership | 35,000 | 35,000 | 2,917 | 2,917 | | | 0 | Same |
| 72800 | Employee/Director Expense | 18,000 | 18,000 | 1,500 | 1,500 | | | 0 | Same |
| 72900 | Election Expense | 20,000 | 0 | 1,667 | 0 | | | 0 | Decrease \$20,000.00 (No Election) |
| 73500 | Equipment Purchase Office | 10,000 | 6,000 | 833 | 500 | | | 0 | Decrease \$4,000 |
| 73600 | Equipment/Tools Purchase Field | 50,000 | 25,000 | 4,167 | 2,083 | | | 0 | Decrease \$25,000 |
| 73700 | Safety Equipment | 5,000 | 5,000 | 417 | 417 | | | 0 | Same |
| 74100 | Telephone | 50,000 | 50,000 | 4,167 | 4,167 | | | 0 | Same |
| 74400 | General Insurance | 130,000 | 130,000 | 10,833 | 10,833 | | | 0 | Same |
| 75400 | Uniforms | 12,000 | 12,000 | 1,000 | 1,000 | | | 0 | Same |
| 75500 | Physicals & Employee Medical | 2,000 | 2,000 | 167 | 167 | | | 0 | Same |
| 76100 | Office Expense | 30,000 | 30,000 | 2,500 | 2,500 | | | 0 | Same |
| 76200 | Computer Expense | 21,000 | 25,000 | 1,750 | 2,083 | | | 0 | Increase \$4,000 (Computer Upgrades) |
| 77000 | Rubbish Removal | 8,000 | 8,000 | 667 | 667 | | | 0 | Same |
| 77700 | Postage | 32,000 | 28,000 | 2,667 | 2,333 | | | 0 | Decrease \$4,000 |
| 78400 | Miscellaneous Operations | 20,000 | 20,000 | 1,667 | 1,667 | | | 0 | Same |
| 84500 | Repairs & Maintenance Building | 25,000 | 25,000 | 2,083 | 2,083 | | | 0 | Same |
| | | | | | | | | | |
| | | | | | | | | | |
| | Total Expenses | 7,465,453 | 7,898,665 | 622,121 | 658,222 | 0 | 0 | 0 | |
| | | | | | | | | | |

| | | | | | | | | | | | |
|--|-----------------|---------|---------|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | Excess Revenues | 600,797 | 485,092 | | | | | | | | |
| | SPA Capital | 600,000 | 480,000 | | | | | | | | |
| | | | | | | | | | | | |
| | | 797 | 5,092 | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-7 |
| BASIC FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET | 8-11 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION | 12 |
| STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES | 13-14 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES | 15 |
| NOTES TO THE FINANCIAL STATEMENTS | 16-35 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND | 37 |
| SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS | 38 |
| SCHEDULE OF DISTRICT CONTRIBUTIONS | 39 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | 40 |
| SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE | |
| NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements) | |
| SERVICES AND RATES | 42-44 |
| GENERAL FUND EXPENDITURES | 45-46 |
| INVESTMENTS | 47 |
| TAXES LEVIED AND RECEIVABLE | 48-49 |
| LONG-TERM DEBT SERVICE REQUIREMENTS | 50-56 |
| CHANGE IN LONG-TERM BOND DEBT | 57-58 |
| COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS | 59-62 |
| BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS | 63-64 |

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 28, 2021

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental 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, 2020**

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 \$31,359,923 as of December 31, 2020.

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, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|--|---|---------------|----------------------------------|
| | 2020 | 2019 | Change Positive (Negative) |
| Current and Other Assets | \$ 35,462,577 | \$ 24,509,539 | \$ 10,953,038 |
| Capital Assets (Net of Accumulated Depreciation) | 42,232,005 | 41,615,219 | 616,786 |
| Total Assets | \$ 77,694,582 | \$ 66,124,758 | \$ 11,569,824 |
| Deferred Outflows of Resources | \$ 258,290 | \$ 257,701 | \$ 589 |
| Long -Term Liabilities | \$ 39,134,209 | \$ 26,658,347 | \$ (12,475,862) |
| Other Liabilities | 3,981,068 | 3,646,680 | (334,388) |
| Total Liabilities | \$ 43,115,277 | \$ 30,305,027 | \$ (12,810,250) |
| Deferred Inflows of Resources | \$ 3,477,672 | \$ 3,338,234 | \$ (139,438) |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 21,030,289 | \$ 21,927,773 | \$ (897,484) |
| Restricted | 3,250,404 | 3,348,385 | (97,981) |
| Unrestricted | 7,079,230 | 7,463,040 | (383,810) |
| Total Net Position | \$ 31,359,923 | \$ 32,739,198 | \$ (1,379,275) |

The following table provides a summary of the District's operations for the years ended December 31, 2020, and December 31, 2019. The District's net position decreased by \$1,379,275, accounting for a 4.2% decline in net position.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|---------------|----------------------------------|
| | 2020 | 2019 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 3,007,528 | \$ 3,123,919 | \$ (116,391) |
| Charges for Services | 5,969,346 | 5,904,645 | 64,701 |
| Other Revenues | 1,789,586 | 1,918,085 | (128,499) |
| Total Revenues | \$ 10,766,460 | \$ 10,946,649 | \$ (180,189) |
| Expenses for Services | 12,145,735 | 10,630,010 | (1,515,725) |
| Change in Net Position | \$ (1,379,275) | \$ 316,639 | \$ (1,695,914) |
| Net Position, Beginning of Year | 32,739,198 | 32,422,559 | 316,639 |
| Net Position, End of Year | \$ 31,359,923 | \$ 32,739,198 | \$ (1,379,275) |

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2020, were \$30,281,500, an increase of \$10,695,013 from the prior year.

The General Fund fund balance decreased by \$397,148, primarily due to operating costs and capital outlay exceeding property tax and service revenues during the current fiscal year.

The Debt Service Fund fund balance increased by \$55,079, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$11,037,082 due to proceeds from the Series 2020 bond sale.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$121,191 less than budgeted revenues. Actual expenditures were \$757,641 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2020, total \$42,232,005 (net of accumulated depreciation) and include land, buildings, trucks and equipment as well as the water and wastewater systems. Significant capital asset activity includes the, purchase of two ford trucks, a tractor, water plant no. 3 recoating, sanitary sewer rehabilitation, phases 7 and 9, wastewater treatment plant no. 2 lift station rehabilitation, detention pond improvements 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 | | | |
|---|----------------------|----------------------|----------------------------------|
| | 2020 | 2019 | Change Positive (Negative) |
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | \$ 3,806,407 | \$ 3,806,407 | \$ |
| Construction in Progress | 1,723,492 | 332,201 | 1,391,291 |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Water System | 16,774,224 | 16,932,584 | (158,360) |
| Wastewater System | 18,261,974 | 18,732,732 | (470,758) |
| Buildings | 1,631,798 | 1,683,615 | (51,817) |
| Trucks and Equipment | 34,110 | 127,680 | (93,570) |
| Total Net Capital Assets | <u>\$ 42,232,005</u> | <u>\$ 41,615,219</u> | <u>\$ 616,786</u> |

**HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

LONG-TERM DEBT ACTIVITY

At year-end, the District had bond debt payable of \$41,530,000. The changes in the debt position of the District during the fiscal year ended December 31, 2020, are summarized as follows:

| | |
|--------------------------------------|----------------------|
| Bond Debt Payable, January 1, 2020 | \$ 28,790,000 |
| Add: Bond Sale Series 2020 | 15,000,000 |
| Less: Bond Principal Paid | <u>2,260,000</u> |
| Bond Debt Payable, December 31, 2020 | <u>\$ 41,530,000</u> |

The District's Series 2011 and Series 2012 Refunding bonds have an underlying rating of "A" by Standard & Poor's and the Series 2017, Series 2019 Refunding and Series 2020 bonds have an underlying rating of "A1" by Moody's. The Series 2011, Series 2012 Refunding, Series 2019 Refunding and Series 2020 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, 2020.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to 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, 2020

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|--|----------------------------|------------------------------|
| ASSETS | | |
| Cash | \$ 6,607,080 | \$ 1,588,758 |
| Investments | | 2,523,150 |
| Receivables: | | |
| Property Taxes | | 2,778,883 |
| Penalty and Interest on Delinquent Taxes | | |
| Service Accounts | 507,728 | |
| Accrued Interest | | 93 |
| Other | | 3,179 |
| Due from Other Funds | 649,904 | |
| Prepaid Costs | 28,537 | |
| Due from Other Governmental Units | 54,883 | |
| Net Pension Asset | | |
| Land | | |
| Construction in Progress | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| TOTAL ASSETS | <u>\$ 7,848,132</u> | <u>\$ 6,894,063</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows - Pensions | \$ | \$ |
| Deferred Charges on Refunding Bonds | | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 7,848,132</u></u> | <u><u>\$ 6,894,063</u></u> |

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> |
|----------------------------------|----------------------|----------------------|--------------------------------------|
| \$ 343,107 | \$ 8,538,945 | \$ | \$ 8,538,945 |
| 20,899,624 | 23,422,774 | | 23,422,774 |
| | 2,778,883 | | 2,778,883 |
| | | 99,706 | 99,706 |
| | 507,728 | | 507,728 |
| | 93 | | 93 |
| 15,532 | 18,711 | | 18,711 |
| 1,500 | 651,404 | (651,404) | |
| | 28,537 | 10,912 | 39,449 |
| | 54,883 | | 54,883 |
| | | 1,405 | 1,405 |
| | | 3,806,407 | 3,806,407 |
| | | 1,723,492 | 1,723,492 |
| | | 36,702,106 | 36,702,106 |
| <u>\$ 21,259,763</u> | <u>\$ 36,001,958</u> | <u>\$ 41,692,624</u> | <u>\$ 77,694,582</u> |
| \$ | \$ | \$ 117,325 | \$ 117,325 |
| | | 140,965 | 140,965 |
| <u>\$ - 0 -</u> | <u>\$ - 0 -</u> | <u>\$ 258,290</u> | <u>\$ 258,290</u> |
| <u>\$ 21,259,763</u> | <u>\$ 36,001,958</u> | <u>\$ 41,950,914</u> | <u>\$ 77,952,872</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, 2020

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|---|----------------------------|------------------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 330,208 | \$ |
| Accrued Interest Payable | | |
| Due to Other Funds | | 7,000 |
| Due to Taxpayers | | 36 |
| Security Deposits | 555,491 | |
| Accrued Interest at Time of Sale | | 15,803 |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| TOTAL LIABILITIES | <u>\$ 885,699</u> | <u>\$ 22,839</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | \$ | \$ 3,663,685 |
| Deferred Inflows - Pensions | | |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>\$ - 0 -</u> | <u>\$ 3,663,685</u> |
| FUND BALANCES | | |
| Nonspendable: | | |
| Prepaid Costs | \$ 28,537 | \$ |
| Restricted for Authorized Construction: | | |
| Restricted for Debt Service | | 3,207,539 |
| Unassigned | <u>6,933,896</u> | |
| TOTAL FUND BALANCES | <u>\$ 6,962,433</u> | <u>\$ 3,207,539</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u><u>\$ 7,848,132</u></u> | <u><u>\$ 6,894,063</u></u> |
| 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 |
|--------------------------|----------------------|------------------------|------------------------------|
| \$ 503,831 | \$ 834,039 | \$ | \$ 834,039 |
| | | 271,502 | 271,502 |
| 644,404 | 651,404 | (651,404) | |
| | 36 | | 36 |
| | 555,491 | | 555,491 |
| | 15,803 | (15,803) | |
| | | 2,320,000 | 2,320,000 |
| | | 39,134,209 | 39,134,209 |
| <u>\$ 1,148,235</u> | <u>\$ 2,056,773</u> | <u>\$ 41,058,504</u> | <u>\$ 43,115,277</u> |
| \$ | \$ 3,663,685 | \$ (198,858) | \$ 3,464,827 |
| | | 12,845 | 12,845 |
| <u>\$ - 0 -</u> | <u>\$ 3,663,685</u> | <u>\$ (186,013)</u> | <u>\$ 3,477,672</u> |
| \$ | \$ 28,537 | \$ (28,537) | \$ |
| 20,111,528 | 20,111,528 | (20,111,528) | |
| | 3,207,539 | (3,207,539) | |
| | 6,933,896 | (6,933,896) | |
| <u>\$ 20,111,528</u> | <u>\$ 30,281,500</u> | <u>\$ (30,281,500)</u> | <u>\$ - 0 -</u> |
| <u>\$ 21,259,763</u> | <u>\$ 36,001,958</u> | | |
| | | \$ 21,030,289 | \$ 21,030,289 |
| | | 3,250,404 | 3,250,404 |
| | | 7,079,230 | 7,079,230 |
| | | <u>\$ 31,359,923</u> | <u>\$ 31,359,923</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, 2020

| | |
|--|---------------|
| Total Fund Balances - Governmental Funds | \$ 30,281,500 |
|--|---------------|

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. | 10,912 |
|---|--------|

| | |
|--|------------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | 42,232,005 |
|--|------------|

| | |
|--|---------|
| 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. | 105,885 |
|--|---------|

| | |
|---|---------|
| 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. | 140,965 |
|---|---------|

| | |
|---|---------|
| 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. | 298,564 |
|---|---------|

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 | \$ (255,699) | |
| Bonds Payable Within One Year | (2,320,000) | |
| Bonds Payable After One Year | <u>(39,134,209)</u> | <u>(41,709,908)</u> |
| Total Net Position - Governmental Activities | | <u>\$ 31,359,923</u> |

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, 2020

| | General Fund | Debt Service Fund |
|---|----------------------------|----------------------------|
| REVENUES | | |
| Property Taxes | \$ | \$ 3,107,730 |
| Water Service | 975,252 | |
| Wastewater Service | 2,199,906 | |
| Regional Water Authority Fees | 2,701,076 | |
| Sales Tax Revenue | 1,081,209 | |
| Penalty and Interest | 50,615 | 36,556 |
| Tap Connection and Inspection Fees | 93,112 | |
| Investment Revenues | | 15,367 |
| Miscellaneous Revenues | 591,453 | 72,154 |
| TOTAL REVENUES | <u>\$ 7,692,623</u> | <u>\$ 3,231,807</u> |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Personnel | \$ 2,105,283 | \$ |
| Professional Fees | 333,102 | 10,733 |
| Contracted Services | 19,775 | 92,320 |
| Utilities | 720,104 | |
| Regional Water Authority Assessment | 2,882,480 | |
| Repairs and Maintenance | 831,707 | |
| Depreciation | | |
| Other | 753,498 | 18,433 |
| Capital Outlay | 443,822 | |
| Debt Service: | | |
| Bond Principal | | 2,260,000 |
| Bond Interest | | 795,242 |
| Bond Issuance Costs | | |
| TOTAL EXPENDITURES/EXPENSES | <u>\$ 8,089,771</u> | <u>\$ 3,176,728</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES | <u>\$ (397,148)</u> | <u>\$ 55,079</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Long-Term Debt Issued | \$ | \$ |
| Bond Discount | | |
| Bond Premium | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ - 0 -</u> | <u>\$ -0-</u> |
| NET CHANGE IN FUND BALANCES | \$ (397,148) | \$ 55,079 |
| CHANGE IN NET POSITION | | |
| FUND BALANCES/NET POSITION - JANUARY 1, 2020 | <u>7,359,581</u> | <u>3,152,460</u> |
| FUND BALANCES/NET POSITION - DECEMBER 31, 2020 | <u><u>\$ 6,962,433</u></u> | <u><u>\$ 3,207,539</u></u> |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--------------------------|-----------------------|------------------------|----------------------------|
| \$ | \$ 3,107,730 | \$ (100,202) | \$ 3,007,528 |
| | 975,252 | | 975,252 |
| | 2,199,906 | | 2,199,906 |
| | 2,701,076 | | 2,701,076 |
| | 1,081,209 | | 1,081,209 |
| | 87,171 | (87,171) | |
| | 93,112 | | 93,112 |
| 47,097 | 62,464 | | 62,464 |
| | 663,607 | (17,694) | 645,913 |
| <u>\$ 47,097</u> | <u>\$ 10,971,527</u> | <u>\$ (205,067)</u> | <u>\$ 10,766,460</u> |
| \$ | \$ 2,105,283 | \$ (19,896) | \$ 2,085,387 |
| 111,383 | 455,218 | | 455,218 |
| | 112,095 | | 112,095 |
| | 720,104 | | 720,104 |
| | 2,882,480 | | 2,882,480 |
| | 831,707 | 1,246,280 | 2,077,987 |
| | | 1,602,179 | 1,602,179 |
| 685 | 772,616 | | 772,616 |
| 3,027,260 | 3,471,082 | (3,471,082) | |
| | 2,260,000 | (2,260,000) | |
| | 795,242 | (112,087) | 683,155 |
| 754,514 | 754,514 | | 754,514 |
| <u>\$ 3,893,842</u> | <u>\$ 15,160,341</u> | <u>\$ (3,014,606)</u> | <u>\$ 12,145,735</u> |
| <u>\$ (3,846,745)</u> | <u>\$ (4,188,814)</u> | <u>\$ 2,809,539</u> | <u>\$ (1,379,275)</u> |
| \$ 15,000,000 | \$ 15,000,000 | \$ (15,000,000) | \$ |
| (145,821) | (145,821) | 145,821 | |
| 29,648 | 29,648 | (29,648) | |
| <u>\$ 14,883,827</u> | <u>\$ 14,883,827</u> | <u>\$ (14,883,827)</u> | <u>\$ - 0 -</u> |
| \$ 11,037,082 | \$ 10,695,013 | \$ (10,695,013) | \$ |
| | | (1,379,275) | (1,379,275) |
| 9,074,446 | 19,586,487 | 13,152,711 | 32,739,198 |
| <u>\$ 20,111,528</u> | <u>\$ 30,281,500</u> | <u>\$ 1,078,423</u> | <u>\$ 31,359,923</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, 2020**

| | |
|---|-----------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 10,695,013 |
| 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. | (100,202) |
| 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. | (99,028) |
| 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. | 19,896 |
| 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. | (1,602,179) |
| 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. | 2,218,965 |
| Governmental funds report bond premiums and discounts as other financing sources/uses in the year received/paid. However, in the Statement of Net Position, bond premiums and discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. | 116,173 |
| 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. | 2,260,000 |
| 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. | 112,087 |
| Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. | (15,000,000) |
| Change in Net Position - Governmental Activities | <u>\$ (1,379,275)</u> |

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

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, 2020

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 2019 taxes collected during the period October 1, 2019, to December 31, 2020. In addition, taxes collected from January 1, 2020, to December 31, 2020 for the 2018 and prior tax levies are included in revenue. The 2020 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, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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:

| | <u>Years</u> |
|-------------------------|--------------|
| 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 – Budget 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 18 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, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT

| | Series 2011 | Refunding Series 2012 | Refunding Series 2016 |
|---|---------------------------|---------------------------|---------------------------|
| Amount Outstanding – December 31, 2020 | \$ 900,000 | \$ 1,520,000 | \$4,495,000 |
| Interest Rates | 2.80%-3.10% | 3.00% | 1.92% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2021/2022 | September 1, 2021/2022 | September 1, 2021/2028 |
| 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 | Series 2020 |
| Amount Outstanding – December 31, 2020 | \$ 11,110,000 | \$ 8,505,000 | \$ 15,000,000 |
| Interest Rates | 2.00% - 3.00% | 2.00% - 4.00% | 2.00% - 2.25% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2021/2030 | September 1, 2021/2030 | September 1, 2031/2040 |
| Interest Payment Dates | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 |
| Callable Dates | September 1, 2025* | September 1, 2025* | September 1, 2026* |

* 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. Series 2020 term bonds due September 1, 2032, September 1, 2035, September 1, 2037 and September 1, 2040 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, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2020:

| | January 1, 2020 | Additions | Retirements | December 31, 2020 |
|-----------------------|----------------------|----------------------------|---------------------|----------------------|
| Bonds Payable | \$ 28,790,000 | \$ 15,000,000 | \$ 2,260,000 | \$ 41,530,000 |
| Unamortized Discounts | (197,573) | (145,821) | (27,108) | (316,286) |
| Unamortized Premiums | 325,920 | 29,648 | 115,073 | 240,495 |
| Bonds Payable, Net | <u>\$ 28,918,347</u> | <u>\$ 14,883,827</u> | <u>\$ 2,347,965</u> | <u>\$ 41,454,209</u> |
| | | Amount Due Within One Year | | \$ 2,320,000 |
| | | Amount Due After One Year | | 39,134,209 |
| | | Bonds Payable, Net | | <u>\$ 41,454,209</u> |

As of December 31, 2020, the District had authorized but unissued bonds in the amount of \$1,610,000 for utility facilities and \$13,670,000 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 \$15,000,000 of unlimited tax or refunding bonds remain unissued at year-end.

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

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|---------------------|----------------------|
| 2021 | \$ 2,320,000 | \$ 931,946 | \$ 3,251,946 |
| 2022 | 2,380,000 | 942,606 | 3,322,606 |
| 2023 | 2,450,000 | 882,650 | 3,332,650 |
| 2024 | 2,530,000 | 807,163 | 3,337,163 |
| 2025 | 2,605,000 | 742,932 | 3,347,932 |
| 2026-2030 | 14,245,000 | 2,767,089 | 17,012,089 |
| 2031-2035 | 7,040,000 | 1,305,613 | 8,345,613 |
| 2036-2040 | 7,960,000 | 540,182 | 8,500,182 |
| | <u>\$ 41,530,000</u> | <u>\$ 8,920,181</u> | <u>\$ 50,450,181</u> |

During the year ended December 31, 2020, 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 \$3,464,827 on the adjusted taxable valuation of \$1,175,821,560 for the 2020 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, 2020

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

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.

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 \$9,128,614 and the bank balance was \$9,304,889. Of the bank balance, \$1,683,115 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, 2020

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, 2020, as listed below:

| | Cash | Certificates of Deposit | Total |
|-----------------------|---------------------|----------------------------|---------------------|
| GENERAL FUND | \$ 6,607,080 | \$ | \$ 6,607,080 |
| DEBT SERVICE FUND | 1,588,758 | 589,669 | 2,178,427 |
| CAPITAL PROJECTS FUND | 343,107 | | 343,107 |
| TOTAL DEPOSITS | <u>\$ 8,538,945</u> | <u>\$ 589,669</u> | <u>\$ 9,128,614</u> |

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, 2020

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, 2020, 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 | \$ 1,929,179 | \$ 1,929,179 | \$ | \$ | \$ |
| Money Market Mutual Fund | 4,302 | 4,302 | | | |
| Certificates of Deposit | 589,669 | 589,669 | | | |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | 20,899,624 | 20,899,624 | | | |
| TOTAL INVESTMENTS | \$ 23,422,774 | \$ 23,422,774 | \$ - 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, 2020, 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, 2020

NOTE 6. CAPITAL ASSETS

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

| | January 1, 2020 | Increases | Decreases | December 31, 2020 |
|--|----------------------|---------------------|-------------------|----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 3,806,407 | \$ | \$ | \$ 3,806,407 |
| Construction in Progress | <u>332,201</u> | <u>2,224,802</u> | <u>833,511</u> | <u>1,723,492</u> |
| Total Capital Assets Not Being Depreciated | <u>\$ 4,138,608</u> | <u>\$ 2,224,802</u> | <u>\$ 833,511</u> | <u>\$ 5,529,899</u> |
| Capital Assets Subject to Depreciation | | | | |
| Water System | \$ 27,772,038 | \$ 494,715 | \$ | \$ 28,266,753 |
| Wastewater System | 32,286,964 | 260,710 | | 32,547,674 |
| Building | 2,072,704 | | | 2,072,704 |
| Trucks and Equipment | <u>697,188</u> | <u>78,086</u> | <u>40,886</u> | <u>734,388</u> |
| Total Capital Assets Subject to Depreciation | <u>\$ 62,828,894</u> | <u>\$ 833,511</u> | <u>\$ 40,886</u> | <u>\$ 63,621,519</u> |
| Accumulated Depreciation | | | | |
| Water System | \$ 10,839,454 | \$ 653,075 | \$ | \$ 11,492,529 |
| Wastewater System | 13,554,232 | 731,468 | | 14,285,700 |
| Building | 389,089 | 51,817 | | 440,906 |
| Trucks and Equipment | <u>569,508</u> | <u>165,819</u> | <u>35,049</u> | <u>700,278</u> |
| Total Accumulated Depreciation | <u>\$ 25,352,283</u> | <u>\$ 1,602,179</u> | <u>\$ 35,049</u> | <u>\$ 26,919,413</u> |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | <u>\$ 37,476,611</u> | <u>\$ (768,668)</u> | <u>\$ 5,837</u> | <u>\$ 36,702,106</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 41,615,219</u> | <u>\$ 1,456,134</u> | <u>\$ 839,348</u> | <u>\$ 42,232,005</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, 2020

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, increased to \$3.85 per 1,000 gallons effective April 1, 2019 and increased to \$4.25 per 1,000 gallons effective April 1, 2020. During the current fiscal year, the District recorded well pumpage fees in the amount of \$2,882,480.

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 recorded \$1,081,209 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, 2020, the District received revenues of \$273,860 for sewage treatment.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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. On June 10, 2020, the District entered into a Wastewater Treatment Agreement with District No. 248 to clarify the wastewater treatment agreement between the districts and for District No. 248 to purchase an additional 110 ESFC in the amount of \$2,500 per ESFC, for a total of \$275,000. During the year ended December 31, 2020, the District received revenues of \$362,363.

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, 2020, the District received revenues of \$224,416.

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 (ESFC'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 ESFC increments, additional existing capacity in excess of 400 ESFC's, up to a maximum of 800 ESFC's. District No. 248 will pay the sum of \$1,250.00 per ESFC for additional capacity, in no less than 100 ESFC 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 ESFC'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. On February 12, 2020, the District entered into a Water Supply Agreement with District No. 248 to clarify the water supply agreement between the districts and for District No. 248 to purchase an additional 116 ESFC in the amount of \$2,500 per ESFC, for a total of \$290,000. The term of this contract is 40 years from the effective date. During the year ended December 31, 2020, the District received revenues of \$96,026.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10. CONTRACTS WITH OTHER ENTITIES (Continued)

Water Supply Contracts (Continued)

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.

NOTE 11. INTERFUND RECEIVABLES AND LIABILITIES

As of December 31, 2020, the District had the following interfund liabilities: the Capital Projects Fund owed the General Fund \$644,404 for the remaining funds transferred to the Capital Projects Fund to fund the construction of the new administration building, Series 2020 bond issuance cost and costs related to the Wortham Falls detention improvement. The Debt Service Fund owed the General Fund \$5,500 for tax assessor and collections fees paid. 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 nearly 800 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.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12. PENSION PLAN (Continued)

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, 2019, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | <u>0</u> |
| Inactive employees entitled but not yet receiving benefits | <u>2</u> |
| Active employees | <u>19</u> |

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 2020 accounting. The deposit rate payable by the employee members for calendar years 2020 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, 2020, the annual pension cost for the TCDRS plan for its employees was \$102,171; the actual contributions were \$102,171. The employees contributed \$77,901 to the plan for the 2020 fiscal year.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumption:

| | |
|---|--|
| Actuarial valuation date | 12/31/19 |
| Actuarial cost method | Entry Age |
| Amortization method | Level percentage of payroll, closed |
| Remaining Amortization period | 12.0 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

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.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12. PENSION PLAN (Continued)

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.

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 April 2020 information for a 10 year time horizon.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 17. PENSION PLAN (Continued)

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 | 14.50% | 5.20% |
| Private Equity | 20.00% | 8.20% |
| Global Equities | 2.50% | 5.50% |
| International Equities-Development | 7.00% | 5.20% |
| International Equities-Emerging | 7.00% | 5.70% |
| Investment-Grade Bonds | 3.00% | -0.20% |
| High-Yield Bonds | 12.00% | 3.14% |
| Direct Lending | 11.00% | 7.16% |
| Distressed Debt | 4.00% | 6.90% |
| REIT Equities | 3.00% | 4.50% |
| Master Limited Partnerships (MLPs) | 2.00% | 8.40% |
| Private Real Estate partnerships | 6.00% | 5.50% |
| Hedge Funds | 8.00% | 2.30% |

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 17. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2019 are as follows:

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (a)-(b) |
| Balances of December 31, 2018 | \$ 167,448 | \$ 164,125 | \$ 3,323 |
| Changes for the year: | | | |
| Service Costs | 159,988 | | 159,988 |
| Interest on the Total Pension Liability | 26,445 | | 26,445 |
| Effect of Economic/Demographic | | | |
| Gains or Losses | 13,036 | | 13,036 |
| Refund of Contributions | (1,950) | (1,950) | |
| Administrative Expenses | | (279) | 279 |
| Member Contributions | | 74,331 | (74,331) |
| Net investment income | | 26,780 | (26,780) |
| Employer Contributions | | 97,498 | (97,498) |
| Other | | 5,867 | (5,867) |
| Balances of December 31, 2019 | \$ 364,967 | \$ 366,372 | \$ (1,405) |

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 | Current Discount Rate | 1% Increase |
|-------------------------------|------------------|-----------------------|--------------------|
| | 7.10% | 8.10% | 9.10% |
| Total pension Liability | \$ 419,402 | \$ 364,967 | \$ 319,584 |
| Fiduciary net position | <u>366,372</u> | <u>366,372</u> | <u>366,372</u> |
| Net pension liability/(asset) | <u>\$ 53,030</u> | <u>\$ (1,405)</u> | <u>\$ (46,788)</u> |

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 17. PENSION PLAN (Continued)

As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

| | Deferred Inflows of resources | Deferred Outflows of resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ 10,442 | \$ 11,406 |
| Changes in assumptions | | |
| Net difference between projected and actual earnings | 2,403 | 3,748 |
| Contributions paid to TCDRS subsequent to the measurement date | | 102,171 |
| Total | <u>\$ 12,845</u> | <u>\$ 117,325</u> |

\$102,171 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 for the measurement year ending December 31, 2020 (i.e. to be recognized in the District's financial statements dated December 31, 2021). 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: | |
| 2020 | \$ (229) |
| 2021 | (229) |
| 2022 | (229) |
| 2023 | (1,164) |
| 2024 | 138 |
| Thereafter | 274 |

NOTE 13. BOND SALE

On November 19, 2020, the District issued \$15,000,000 of Unlimited Tax Bonds, Series 2020 to fund the construction and engineering rehabilitation of water plant nos 1, 3 and 4, water distribution system, water collection system, lift station, wastewater treatment plant nos. 1 and 2, and detention pond; and the administration building parking lot expansion. Additional proceeds were used to cover bond issuance costs.

NOTE 14. ECONOMIC UNCERTAINTIES

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

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

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, 2020

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|--------------------------------------|---------------------|---|
| REVENUES | | | |
| Water Service | \$ 1,030,600 | \$ 975,252 | \$ (55,348) |
| Wastewater Service | 2,409,075 | 2,199,906 | (209,169) |
| Regional Water Authority Fee | 2,623,139 | 2,701,076 | 77,937 |
| Sales Tax Revenue | 1,200,000 | 1,081,209 | (118,791) |
| Penalty and Interest | | 50,615 | 50,615 |
| Tap Connection and Inspection Fees | 73,000 | 93,112 | 20,112 |
| Miscellaneous Revenues | <u>478,000</u> | <u>591,453</u> | <u>113,453</u> |
| TOTAL REVENUES | <u>\$ 7,813,814</u> | <u>\$ 7,692,623</u> | <u>\$ (121,191)</u> |
| EXPENDITURES | | | |
| Service Operations: | | | |
| Personnel | \$ 2,069,237 | \$ 2,105,283 | \$ (36,046) |
| Professional Fees | 307,500 | 333,102 | (25,602) |
| Contracted Services | 16,500 | 19,775 | (3,275) |
| Utilities | 695,812 | 720,104 | (24,292) |
| Regional Water Authority Assessment | 2,798,302 | 2,882,480 | (84,178) |
| Repairs and Maintenance | 541,500 | 831,707 | (290,207) |
| Other | 843,279 | 753,498 | 89,781 |
| Capital Outlay | <u>60,000</u> | <u>443,822</u> | <u>(383,822)</u> |
| TOTAL EXPENDITURES | <u>\$ 7,332,130</u> | <u>\$ 8,089,771</u> | <u>\$ (757,641)</u> |
| NET CHANGE IN FUND BALANCE | \$ 481,684 | \$ (397,148) | \$ (878,832) |
| FUND BALANCE - JANUARY 1, 2020 | <u>7,359,581</u> | <u>7,359,581</u> | <u></u> |
| FUND BALANCE - DECEMBER 31, 2020 | <u>\$ 7,841,265</u> | <u>\$ 6,962,433</u> | <u>\$ (878,832)</u> |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Measurement Date 12/31/2019 | Measurement Date 12/31/2018 |
|---|-----------------------------------|-----------------------------------|
| Total Pension Liability | | |
| Service Cost | \$ 159,988 | \$ 167,321 |
| Interest (on the Total Pension Liability) | 26,445 | 13,553 |
| Difference between expected and actual experience | 13,036 | (13,426) |
| Benefit payments, including refunds of employee contributions | <u>(1,950)</u> | <u></u> |
| Net change in total pension liability | \$ 197,519 | \$ 167,448 |
| Total pension liability, beginning | <u>167,448</u> | <u></u> |
| Total pension liability, ending (a) | <u>\$ 364,967</u> | <u>\$ 167,448</u> |
| Plan Fiduciary Net Position | | |
| Contributions - employer | \$ 97,498 | \$ 89,534 |
| Contributions - employee | 74,331 | 68,260 |
| Net investment income | 26,780 | 1,762 |
| Benefit payments, including refunds of employee contributions | (1,950) | 0 |
| Administrative Expense | (279) | (132) |
| Other | <u>5,867</u> | <u>4,701</u> |
| Net Change in plan fiduciary net position | \$ 202,247 | \$ 164,125 |
| Plan Fiduciary net position, beginning | <u>164,125</u> | <u></u> |
| Plan Fiduciary net position, ending (b) | <u>\$ 366,372</u> | <u>\$ 164,125</u> |
| Net Pension Liability/(Asset), Ending = (a) - (b) | <u><u>\$ (1,405)</u></u> | <u><u>\$ 3,323</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 100.38% | 98.02% |
| Covered-employee payroll | \$ 1,238,856 | \$ 1,137,665 |
| Net pension liability as a percentage of covered employee payroll | (0.11)% | 0.29% |

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

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, 2020

| <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> |
|---|--|---|---|--|---|
| 2018 | \$ 89,534 | \$ 89,534 | \$ -0- | \$ 1,137,665 | 7.87% |
| 2019 | \$ 97,498 | \$ 97,498 | \$ -0- | \$ 1,238,855 | 7.87% |
| 2020 | \$ 102,171 | \$ 102,171 | \$ -0- | \$ 1,298,234 | 7.87% |

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

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, 2020

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 | 12.0 years (based on contribution rate calculated in 12/31/19 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 Assumptions and Methods Reflected in the Schedule of Employer Contributions* | 2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. |
| 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: No changes in plan provisions were reflected in the Schedule. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. |

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in Notes to 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, 2020

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

SERVICES AND RATES

FOR THE YEAR ENDED DECEMBER 31, 2020

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.

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use | Usage Levels |
|---|-----------------------------------|------------------|---------------------|---|--|
| 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 | | | | \$ 4.25 | 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: \$42.63

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|-------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| Unmetered | | | x 1.0 | |
| ≤¾" | <u>3,702</u> | <u>3,669</u> | x 1.0 | <u>3,669</u> |
| 1" | <u>97</u> | <u>91</u> | x 2.5 | <u>228</u> |
| 1½" | <u>35</u> | <u>34</u> | x 5.0 | <u>170</u> |
| 2" | <u>125</u> | <u>122</u> | x 8.0 | <u>976</u> |
| 3" | <u>8</u> | <u>8</u> | x 15.0 | <u>120</u> |
| 4" | <u>7</u> | <u>7</u> | x 25.0 | <u>175</u> |
| 6" | <u>17</u> | <u>17</u> | x 50.0 | <u>850</u> |
| 8" | <u>14</u> | <u>14</u> | x 80.0 | <u>1,120</u> |
| 10" | <u>3</u> | <u>3</u> | x 115.0 | <u>345</u> |
| Total Water Connections | <u>4,008</u> | <u>3,965</u> | | <u>7,653</u> |
| Total Wastewater Connections* | <u>3,957</u> | <u>3,965</u> | x 1.0 | <u>3,965</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: | 709,740,000 | Water Accountability Ratio: 96.39% |
| | | (Gallons billed and maintenance/Gallons pumped) |
| Gallons billed to customers: | 684,145,000 | |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County 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, 2020

| | |
|---|---------------------|
| PERSONNEL EXPENDITURES (Including Benefits) | <u>\$ 2,105,283</u> |
| PROFESSIONAL FEES: | |
| Auditing | \$ 23,800 |
| Engineering | 162,419 |
| Legal | <u>146,883</u> |
| TOTAL PROFESSIONAL FEES | <u>\$ 333,102</u> |
| CONTRACTED SERVICES: | |
| Bookkeeping | <u>\$ 19,775</u> |
| UTILITIES: | |
| Electricity | \$ 641,795 |
| Telephone | <u>78,309</u> |
| TOTAL UTILITIES | <u>\$ 720,104</u> |
| REPAIRS AND MAINTENANCE | <u>\$ 831,707</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Director Fees | \$ 34,950 |
| Election Costs | 3,140 |
| Insurance | 110,262 |
| Office Supplies and Postage | 63,194 |
| Travel and Meetings | 20,026 |
| Other | <u>19,105</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 250,677</u> |
| CAPITAL OUTLAY: | |
| Capitalized Assets | \$ 443,822 |
| Expenditures Not Capitalized | <u></u> |
| TOTAL CAPITAL OUTLAY | <u>\$ 443,822</u> |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

OTHER EXPENDITURES:

| | |
|-------------------------------------|---------------|
| Chemicals | \$ 72,259 |
| Communications | 9,438 |
| Equipment/Tools | 21,506 |
| Fuel | 27,085 |
| Laboratory Fees | 76,006 |
| Permit Fees | 41,856 |
| Regional Water Authority Assessment | 2,882,480 |
| Regulatory Assessment | 13,898 |
| Sludge Hauling | 192,557 |
| Uniforms | 10,832 |
| Other | <u>37,384</u> |

| | |
|--------------------------|---------------------|
| TOTAL OTHER EXPENDITURES | <u>\$ 3,385,301</u> |
|--------------------------|---------------------|

| | |
|--------------------|----------------------------|
| TOTAL EXPENDITURES | <u><u>\$ 8,089,771</u></u> |
|--------------------|----------------------------|

Number of persons employed by the District 18 Full-Time 1 Part-Time

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

| <u>Funds</u> | <u>Identification or Certificate Number</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance at End of Year</u> | <u>Accrued Interest Receivable at End of Year</u> |
|------------------------------|---|--------------------------|--------------------------|-----------------------------------|---|
| <u>DEBT SERVICE FUND</u> | | | | | |
| TexPool | XXXX0009 | Varies | Daily | \$ 1,929,179 | \$ |
| Money Market Mutual Fund | XXXX3725 | Varies | Daily | 4,302 | |
| Certificate of Deposit | XXXX1441 | 0.25% | 02/28/21 | 90,000 | 74 |
| Certificate of Deposit | XXXX1128 | 0.03% | 04/23/21 | 155,000 | 9 |
| Certificate of Deposit | XXXX1192 | 0.10% | 08/10/21 | 245,000 | 10 |
| Certificate of Deposit | XXXX3058 | 0.01% | 01/27/21 | 99,669 | |
| TOTAL DEBT SERVICE FUND | | | | <u>\$ 2,523,150</u> | <u>\$ 93</u> |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | XXXX0010 | Varies | Daily | \$ 1,509,579 | \$ |
| TexPool | XXXX0011 | Varies | Daily | 452,226 | |
| TexPool | XXXX0012 | Varies | Daily | 4,245,114 | |
| TexPool | XXXX0013 | Varies | Daily | 2,491 | |
| TexPool | XXXX0014 | Varies | Daily | 291,866 | |
| TexPool | XXXX0001 | Varies | Daily | 31,368 | |
| TexPool | XXXX0003 | Varies | Daily | 207,589 | |
| TexPool | XXXX0015 | Varies | Daily | 14,159,391 | |
| TOTAL CAPITAL PROJECTS FUND | | | | <u>\$ 20,899,624</u> | <u>\$ - 0 -</u> |
| TOTAL - ALL FUNDS | | | | <u>\$ 23,422,774</u> | <u>\$ 93</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, 2020

| | <u>Debt Service Taxes</u> | |
|--------------------------------------|---------------------------|----------------------------|
| TAXES RECEIVABLE - | | |
| JANUARY 1, 2020 | \$ 2,948,306 | |
| Adjustments to Beginning Balance | <u>(194,497)</u> | \$ 2,753,809 |
| Original 2020 Tax Levy | \$ 2,983,951 | |
| Adjustment to 2020 Tax Levy | <u>480,876</u> | <u>3,464,827</u> |
| TOTAL TO BE ACCOUNTED FOR | | \$ 6,218,636 |
| TAX COLLECTIONS: | | |
| Prior Years | \$ 2,554,951 | |
| Current Year | <u>884,802</u> | <u>3,439,753</u> |
| TAXES RECEIVABLE - DECEMBER 31, 2020 | | <u><u>\$ 2,778,883</u></u> |
| TAXES RECEIVABLE BY | | |
| YEAR: | | |
| 2020 | | \$ 2,580,025 |
| 2019 | | 76,619 |
| 2018 | | 34,578 |
| 2017 | | 23,023 |
| 2016 | | 20,488 |
| 2015 | | 10,035 |
| 2014 and Prior | | <u>34,115</u> |
| TOTAL | | <u><u>\$ 2,778,883</u></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, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| PROPERTY VALUATIONS: | | | | |
| Land | \$ 345,206,300 | \$ 287,283,351 | \$ 286,271,158 | \$ 255,855,215 |
| Improvements | 914,223,828 | 919,306,502 | 848,504,116 | 816,302,612 |
| Personal Property | 101,198,707 | 106,547,200 | 100,330,583 | 95,811,455 |
| Exemptions | <u>(184,807,275)</u> | <u>(166,248,980)</u> | <u>(160,366,736)</u> | <u>(136,571,223)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 1,175,821,560</u> | <u>\$ 1,146,888,073</u> | <u>\$ 1,074,739,121</u> | <u>\$ 1,031,398,059</u> |
| TAX RATES PER \$100 VALUATION: | | | | |
| Debt Service | \$ 0.29 | \$ 0.29 | \$ 0.30 | \$ 0.31 |
| 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>\$ 0.29</u> | <u>\$ 0.30</u> | <u>\$ 0.31</u> |
| ADJUSTED TAX LEVY* | <u>\$ 3,464,827</u> | <u>\$ 3,326,300</u> | <u>\$ 3,225,103</u> | <u>\$ 3,201,179</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>25.54 %</u> | <u>97.70 %</u> | <u>98.93 %</u> | <u>99.28 %</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, 2020

| Due During Fiscal Years Ending December 31 | S E R I E S - 2 0 1 1 | | |
|--|---------------------------------|---|-------------------|
| | Principal Due September 1 | Interest Due March 1/ September 1 | Total |
| 2021 | \$ 440,000 | \$ 27,460 | \$ 467,460 |
| 2022 | 460,000 | 14,260 | 474,260 |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| | <u>\$ 900,000</u> | <u>\$ 41,720</u> | <u>\$ 941,720</u> |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

| S E R I E S - 2 0 1 2 R E F U N D I N G | | | |
|--|---------------------------------|---|---------------------|
| Due During Fiscal Years Ending December 31 | Principal Due September 1 | Interest Due March 1/ September 1 | Total |
| 2021 | \$ 745,000 | \$ 45,600 | \$ 790,600 |
| 2022 | 775,000 | 23,250 | 798,250 |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| | <u>\$ 1,520,000</u> | <u>\$ 68,850</u> | <u>\$ 1,588,850</u> |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

| S E R I E S - 2 0 1 6 R E F U N D I N G | | | |
|--|---------------------------------|---|---------------------|
| Due During Fiscal Years Ending December 31 | Principal Due September 1 | Interest Due March 1/ September 1 | Total |
| 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 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| | <u>\$ 4,495,000</u> | <u>\$ 327,072</u> | <u>\$ 4,822,072</u> |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

| S E R I E S - 2 0 1 7 | | | |
|--|---------------------------------|---|----------------------|
| Due During Fiscal Years Ending December 31 | Principal Due September 1 | Interest Due March 1/ September 1 | Total |
| 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 |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| | <u>\$ 11,110,000</u> | <u>\$ 2,226,325</u> | <u>\$ 13,336,325</u> |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

| S E R I E S - 2 0 1 9 R E F U N D I N G | | | |
|--|---------------------------------|---|---------------------|
| Due During Fiscal Years Ending December 31 | Principal Due September 1 | Interest Due March 1/ September 1 | Total |
| 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 |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| | <u>\$ 8,505,000</u> | <u>\$ 1,318,275</u> | <u>\$ 9,823,275</u> |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

| S E R I E S - 2 0 2 0 | | | |
|--|---------------------------------|---|----------------------|
| Due During Fiscal Years Ending December 31 | Principal Due September 1 | Interest Due March 1/ September 1 | Total |
| 2021 | \$ | \$ 247,582 | \$ 247,582 |
| 2022 | | 316,062 | 316,062 |
| 2023 | | 316,062 | 316,062 |
| 2024 | | 316,063 | 316,063 |
| 2025 | | 316,062 | 316,062 |
| 2026 | | 316,063 | 316,063 |
| 2027 | | 316,062 | 316,062 |
| 2028 | | 316,063 | 316,063 |
| 2029 | | 316,062 | 316,062 |
| 2030 | | 316,063 | 316,063 |
| 2031 | 1,340,000 | 316,062 | 1,656,062 |
| 2032 | 1,375,000 | 289,262 | 1,664,262 |
| 2033 | 1,405,000 | 261,763 | 1,666,763 |
| 2034 | 1,440,000 | 233,663 | 1,673,663 |
| 2035 | 1,480,000 | 204,863 | 1,684,863 |
| 2036 | 1,515,000 | 175,263 | 1,690,263 |
| 2037 | 1,555,000 | 143,069 | 1,698,069 |
| 2038 | 1,590,000 | 110,025 | 1,700,025 |
| 2039 | 1,630,000 | 74,250 | 1,704,250 |
| 2040 | 1,670,000 | 37,575 | 1,707,575 |
| | <u>\$ 15,000,000</u> | <u>\$ 4,937,939</u> | <u>\$ 19,937,939</u> |

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

| ANNUAL REQUIREMENTS FOR ALL SERIES | | | |
|--|------------------------|-----------------------|--|
| Due During Fiscal Years Ending December 31 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2021 | \$ 2,320,000 | \$ 931,946 | \$ 3,251,946 |
| 2022 | 2,380,000 | 942,606 | 3,322,606 |
| 2023 | 2,450,000 | 882,650 | 3,332,650 |
| 2024 | 2,530,000 | 807,163 | 3,337,163 |
| 2025 | 2,605,000 | 742,932 | 3,347,932 |
| 2026 | 2,685,000 | 680,511 | 3,365,511 |
| 2027 | 2,760,000 | 624,250 | 3,384,250 |
| 2028 | 2,840,000 | 563,428 | 3,403,428 |
| 2029 | 2,925,000 | 491,787 | 3,416,787 |
| 2030 | 3,035,000 | 407,113 | 3,442,113 |
| 2031 | 1,340,000 | 316,062 | 1,656,062 |
| 2032 | 1,375,000 | 289,262 | 1,664,262 |
| 2033 | 1,405,000 | 261,763 | 1,666,763 |
| 2034 | 1,440,000 | 233,663 | 1,673,663 |
| 2035 | 1,480,000 | 204,863 | 1,684,863 |
| 2036 | 1,515,000 | 175,263 | 1,690,263 |
| 2037 | 1,555,000 | 143,069 | 1,698,069 |
| 2038 | 1,590,000 | 110,025 | 1,700,025 |
| 2039 | 1,630,000 | 74,250 | 1,704,250 |
| 2040 | 1,670,000 | 37,575 | 1,707,575 |
| | <u>\$ 41,530,000</u> | <u>\$ 8,920,181</u> | <u>\$ 50,450,181</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, 2020

| Description | Original Bonds Issued | Bonds Outstanding January 1, 2020 | |
|---|----------------------------|---|-----------------|
| Harris County Fresh Water Supply District No. 61 Unlimited Tax Bonds - Series 2011 | \$ 8,630,000 | \$ 1,315,000 | |
| Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2012 | 8,295,000 | 2,235,000 | |
| Harris County Fresh Water Supply District No. 61 Unlimited Tax Refunding Bonds - Series 2016 | 7,390,000 | 5,450,000 | |
| 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 | 8,540,000 | |
| Harris County Fresh Water Supply District No. 61 Unlimited Tax Bonds - Series 2020 | 15,000,000 | | |
| TOTAL | \$ 59,105,000 | \$ 28,790,000 | |
| Bond Authority: | Tax and Refunding Bonds | Tax Bonds | Refunding Bonds |
| Amount Authorized by Voters | \$ 30,000,000 | \$ 75,545,000 | \$ 36,000,000 |
| Amount Issued | 15,000,000 | 73,935,000 | 22,330,000 |
| Remaining to be Issued | \$ 15,000,000 | \$ 1,610,000 | \$ 13,670,000 |

See accompanying independent auditor's report.

| Current Year Transactions | | | | |
|---------------------------|--------------|------------|---|--|
| | Retirements | | Bonds Outstanding December 31, 2020 | Paying Agent |
| Bonds Sold | Principal | Interest | | |
| \$ | \$ 415,000 | \$ 39,080 | \$ 900,000 | Wells Fargo Bank N.A. Houston, TX |
| | 715,000 | 67,050 | 1,520,000 | The Bank of New York Mellon Trust Co., N.A. Dallas, TX |
| | 955,000 | 104,640 | 4,495,000 | The Independent Bankers Bank Houston, TX |
| | 140,000 | 293,275 | 11,110,000 | Amegy Bank, N.A. Houston, TX |
| | 35,000 | 291,197 | 8,505,000 | The Bank of New York Mellon Trust Co., N.A. Dallas, TX |
| 15,000,000 | | | 15,000,000 | Zions Bancorporation, N.A Houston, TX |
| \$ 15,000,000 | \$ 2,260,000 | \$ 795,242 | \$ 41,530,000 | |

Debt Service Fund cash and investment balances as of
December 31, 2020:

\$ 4,111,908

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

\$ 2,522,509

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 | | |
|--|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 |
| REVENUES | | | |
| Water Service | \$ 975,252 | \$ 936,906 | \$ 991,363 |
| Wastewater Service | 2,199,906 | 2,305,953 | 2,307,234 |
| Regional Water Authority Fee | 2,701,076 | 2,470,393 | 2,288,384 |
| Sales Tax Revenues | 1,081,209 | 1,119,902 | 1,139,429 |
| Penalty and Interest | 50,615 | 53,863 | 54,472 |
| Tap Connection and Inspection Fees | 93,112 | 56,344 | 139,018 |
| Miscellaneous Revenues | 591,453 | 385,749 | 344,215 |
| TOTAL REVENUES | <u>\$ 7,692,623</u> | <u>\$ 7,329,110</u> | <u>\$ 7,264,115</u> |
| EXPENDITURES | | | |
| Personnel | \$ 2,105,283 | \$ 1,998,741 | \$ 1,876,891 |
| Professional Fees | 333,102 | 413,193 | 337,269 |
| Contracted Services | 19,775 | 15,221 | 20,481 |
| Utilities | 720,104 | 738,557 | 676,268 |
| Regional Water Authority Assessment | 2,882,480 | 2,701,703 | 2,548,682 |
| Repairs and Maintenance | 831,707 | 638,222 | 594,890 |
| Other | 753,498 | 704,682 | 716,100 |
| Capital Outlay | 443,822 | 117,758 | 88,594 |
| TOTAL EXPENDITURES | <u>\$ 8,089,771</u> | <u>\$ 7,328,077</u> | <u>\$ 6,859,175</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (397,148)</u> | <u>\$ 1,033</u> | <u>\$ 404,940</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In(Out) | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (397,148)</u> | <u>\$ 1,033</u> | <u>\$ 404,940</u> |
| BEGINNING FUND BALANCE | <u>7,359,581</u> | <u>7,358,548</u> | <u>6,953,608</u> |
| ENDING FUND BALANCE | <u>\$ 6,962,433</u> | <u>\$ 7,359,581</u> | <u>\$ 7,358,548</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---------------------|---------------------|-----------------------------|----------------|----------------|----------------|----------------|
| 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| \$ 931,395 | \$ 923,491 | 12.6 % | 12.7 % | 13.7 % | 13.9 % | 13.8 % |
| 2,334,959 | 2,335,420 | 28.6 | 31.5 | 31.8 | 34.8 | 34.8 |
| 1,888,555 | 1,604,918 | 35.1 | 33.7 | 31.5 | 28.1 | 23.9 |
| 1,103,640 | 1,124,010 | 14.1 | 15.3 | 15.7 | 16.4 | 16.7 |
| 50,304 | 49,759 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| 61,453 | 258,605 | 1.2 | 0.8 | 1.9 | 0.9 | 3.8 |
| 346,561 | 426,738 | 7.7 | 5.3 | 4.7 | 5.2 | 6.3 |
| <u>\$ 6,716,867</u> | <u>\$ 6,722,941</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ 1,777,914 | \$ 1,618,616 | 27.4 % | 27.3 % | 25.8 % | 26.5 % | 24.1 % |
| 322,280 | 346,659 | 4.3 | 5.6 | 4.6 | 4.8 | 5.2 |
| 12,114 | 15,922 | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 |
| 906,907 | 986,166 | 9.4 | 10.1 | 9.3 | 13.5 | 14.7 |
| 2,113,830 | 1,790,969 | 37.5 | 36.9 | 35.1 | 31.5 | 26.6 |
| 526,347 | 678,380 | 10.8 | 8.7 | 8.2 | 7.8 | 10.1 |
| 696,885 | 814,463 | 9.8 | 9.6 | 9.9 | 10.4 | 12.1 |
| 80,729 | 65,416 | 5.8 | 1.6 | 1.2 | 1.2 | 1.0 |
| <u>\$ 6,437,006</u> | <u>\$ 6,316,591</u> | <u>105.3 %</u> | <u>100.0 %</u> | <u>94.4 %</u> | <u>95.9 %</u> | <u>94.0 %</u> |
| | | | | | | |
| <u>\$ 279,861</u> | <u>\$ 406,350</u> | <u>(5.3) %</u> | <u>0.0 %</u> | <u>5.6 %</u> | <u>4.1 %</u> | <u>6.0 %</u> |
| | | | | | | |
| <u>\$ 574,030</u> | <u>\$ - 0 -</u> | | | | | |
| \$ 853,891 | \$ 406,350 | | | | | |
| <u>6,099,717</u> | <u>5,693,367</u> | | | | | |
| <u>\$ 6,953,608</u> | <u>\$ 6,099,717</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 | | |
|--|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 |
| REVENUES | | | |
| Property Taxes | \$ 3,107,730 | \$ 3,191,313 | \$ 3,102,728 |
| Penalty and Interest | 36,556 | 80,043 | 43,414 |
| Investment Revenues | 15,367 | 74,118 | 67,406 |
| Miscellaneous Revenues | <u>72,154</u> | <u>47,703</u> | <u>29,536</u> |
| TOTAL REVENUES | <u>\$ 3,231,807</u> | <u>\$ 3,393,177</u> | <u>\$ 3,243,084</u> |
| EXPENDITURES | | | |
| Tax Collection Expenditures | \$ 119,286 | \$ 135,287 | \$ 117,723 |
| Debt Service Principal | 2,260,000 | 2,465,000 | 2,365,000 |
| Debt Service Interest and Fees | 797,442 | 737,242 | 961,463 |
| Bond Issuance Costs | <u></u> | <u>299,746</u> | <u></u> |
| TOTAL EXPENDITURES | <u>\$ 3,176,728</u> | <u>\$ 3,637,275</u> | <u>\$ 3,444,186</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 55,079</u> | <u>\$ (244,098)</u> | <u>\$ (201,102)</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 | <u></u> | <u>244,709</u> | <u></u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ - 0 -</u> | <u>\$ 209,621</u> | <u>\$ - 0 -</u> |
| NET CHANGE IN FUND BALANCE | \$ 55,079 | \$ (34,477) | \$ (201,102) |
| BEGINNING FUND BALANCE | <u>3,152,460</u> | <u>3,186,937</u> | <u>3,388,039</u> |
| ENDING FUND BALANCE | <u>\$ 3,207,539</u> | <u>\$ 3,152,460</u> | <u>\$ 3,186,937</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>3,965</u> | <u>3,940</u> | <u>3,937</u> |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>3,965</u> | <u>3,887</u> | <u>3,887</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---------------------|---------------------|-----------------------------|----------------|----------------|----------------|----------------|
| 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| \$ 3,118,078 | \$ 3,008,732 | 96.2 % | 94.0 % | 95.7 % | 96.5 % | 97.4 % |
| 47,920 | 33,955 | 1.1 | 2.4 | 1.3 | 1.5 | 1.1 |
| 31,156 | 10,749 | 0.5 | 2.2 | 2.1 | 1.0 | 0.3 |
| <u>33,463</u> | <u>38,192</u> | <u>2.2</u> | <u>1.4</u> | <u>0.9</u> | <u>1.0</u> | <u>1.2</u> |
| \$ <u>3,230,617</u> | \$ <u>3,091,628</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ 120,883 | \$ 122,229 | 3.7 % | 4.0 % | 3.6 % | 3.7 % | 4.0 % |
| 2,265,000 | 2,095,000 | 69.9 | 72.6 | 72.9 | 70.1 | 67.8 |
| 800,175 | 878,472 | 24.7 | 21.7 | 29.6 | 24.8 | 28.4 |
| <u>161,474</u> | <u>161,474</u> | <u>8.8</u> | <u>8.8</u> | <u>8.8</u> | <u>8.8</u> | <u>8.8</u> |
| \$ <u>3,186,058</u> | \$ <u>3,257,175</u> | <u>98.3 %</u> | <u>107.1 %</u> | <u>106.1 %</u> | <u>98.6 %</u> | <u>105.4 %</u> |
| | | | | | | |
| \$ 44,559 | \$ (165,547) | <u>1.7 %</u> | <u>(7.1) %</u> | <u>(6.1) %</u> | <u>1.4 %</u> | <u>(5.4) %</u> |
| | | | | | | |
| \$ | \$ 7,390,000 | | | | | |
| | (7,212,667) | | | | | |
| | | | | | | |
| \$ - 0 - | \$ 177,333 | | | | | |
| | | | | | | |
| \$ 44,559 | \$ 11,786 | | | | | |
| <u>3,343,480</u> | <u>3,331,694</u> | | | | | |
| \$ <u>3,388,039</u> | \$ <u>3,343,480</u> | | | | | |
| | | | | | | |
| <u>3,915</u> | <u>3,892</u> | | | | | |
| | | | | | | |
| <u>3,841</u> | <u>3,914</u> | | | | | |

See accompanying independent auditor's report.

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

- 63 -

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020

| Consultants: | <u>Date Hired</u> | <u>Fees for the year ended December 31, 2020</u> | <u>Title</u> |
|---------------------------------------|-------------------|--|---|
| Smith, Murdaugh, Little & Bonham, LLP | 05/22/67 | \$ 333,919 \$ 315,613 \$ 10,733 | General Council Bond Related Delinquent Tax Attorney |
| McCall Gibson Swedlund Barfoot PLLC | 12/17/14 | \$ 23,800 \$ 1,500 | Auditor Bond Related |
| Municipal Business Service | 01/01/83 | \$ 10,528 | District Funds Manager |
| Robert W. Baird & Company | 02/18/15 | \$ 191,762 | Financial Advisor |
| Lockwood Andrews & Newnam, Inc. | 09/93 | \$ 966,241 | 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.

Water District

Notice of Public Hearing on Tax Rate

The Board of Directors of Harris County FWSD #61 will hold a public hearing on a proposed tax rate for the year 2021 on September 22, 2021 at 5:30 p.m. at 13205 Cypress N Houston Cypress, Texas 77429. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

| | |
|--------------------------------|--|
| FOR the proposal: | Darrell Barroso, Lary Cangelose, Mike Kelley, Jon Morgan, Ben Solis |
| AGAINST the proposal: | None |
| PRESENT and not voting: | None |
| ABSENT: | None |

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

| | Last Year | This Year |
|---|---------------------|--------------|
| Total tax rate (per \$100 of value) | \$0.29/\$100 | \$0.29/\$100 |
| | Adopted | Proposed |
| Difference in rates per \$100 of value | <u>\$0.00/\$100</u> | |
| Percentage increase/decrease in rates (+/-) | <u>0.00%</u> | |
| Average appraised value | \$188,081 | \$202,780 |
| General exemptions available | 20% | 20% |
| (excludes senior citizen's or disabled person's exemptions) | <u>\$N/A</u> | <u>\$N/A</u> |
| Average taxable value | \$141,932 | \$153,101 |
| Tax on average residence homestead | \$411.60 | \$443.99 |
| Annual increase/decrease in tax if Proposed tax rate is adopted (+/-) | +\$32.39 | |
| and percentage of increase (+/-) | +7.87% | |

NOTICE OF TAXPAYER'S RIGHT TO ROLLBACK ELECTION

If the district adopts a combined debt service, operation and maintenance and contract tax rate that would result in the taxes on the average residence homestead increasing by more than 8 percent, an election must be held to determine whether to approve the operation and maintenance tax rate under Section 49.23602, Water Code.

The 86th Texas Legislature modified the manner in which the voter-approval tax rate is calculated to limit the rate of growth of property taxes in the state.