

# **Harris County Municipal Utility District No. 81**

Harris County, Texas

Independent Auditor's Report and Financial Statements

December 31, 2019



**Harris County Municipal Utility District No. 81**  
**December 31, 2019**

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## Independent Auditor's Report

Board of Directors  
Harris County Municipal Utility District No. 81  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 81 (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2019, and the respective changes in financial position thereof 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 budgetary comparison schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Houston, Texas  
May 5, 2020

# **Harris County Municipal Utility District No. 81**

## **Management's Discussion and Analysis**

### **December 31, 2019**

#### **Overview of the Financial Statements**

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

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

#### **Government-wide Financial Statements**

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

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

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

**Harris County Municipal Utility District No. 81**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2019**

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

**Notes to Financial Statements**

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

**Harris County Municipal Utility District No. 81**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2019**

**Financial Analysis of the District as a Whole**

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

**Summary of Net Position**

	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 10,494,722	\$ 10,239,788
Capital assets	10,354,513	10,731,042
Total assets	20,849,235	20,970,830
Deferred outflows of resources	173,161	54,554
Total assets and deferred outflows of resources	\$ 21,022,396	\$ 21,025,384
Long-term liabilities	\$ 8,345,175	\$ 8,362,944
Other liabilities	955,121	783,183
Total liabilities	9,300,296	9,146,127
Deferred inflows of resources	1,913,217	1,838,432
Net position:		
Net investment in capital assets	2,171,149	2,422,652
Restricted	193,602	167,815
Unrestricted	7,444,132	7,450,358
Total net position	\$ 9,808,883	\$ 10,040,825

The total net position of the District decreased by \$231,942. The majority of the decrease in net position is related to the conveyance of capital assets to another entity for maintenance, as well as debt service expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b>2019</b>	<b>2018</b>
Revenues:		
Property taxes	\$ 1,837,211	\$ 1,920,620
City of Houston rebates	278,699	275,984
Charges for services	3,825,524	3,923,134
Other revenues	583,513	314,745
Total revenues	6,524,947	6,434,483

**Harris County Municipal Utility District No. 81**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2019**

**Summary of Changes in Net Position (Continued)**

	<b>2019</b>	<b>2018</b>
Expenses:		
Services	\$ 5,225,890	\$ 5,124,504
Depreciation	881,581	858,359
Conveyance of capital assets	119,896	-
Debt service	529,522	339,598
Total expenses	<u>6,756,889</u>	<u>6,322,461</u>
Change in net position	(231,942)	112,022
Net position, beginning of year	<u>10,040,825</u>	<u>9,928,803</u>
Net position, end of year	<u>\$ 9,808,883</u>	<u>\$ 10,040,825</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended December 31, 2019, were \$7,572,469, a decrease of \$11,895 from the prior year.

The general fund's fund balance decreased by \$27,949 due to a transfer to the capital projects fund for capital outlay expenditures.

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

The debt service fund's fund balance increased by \$22,261 due to property tax revenues generated being greater than bond principal and interest requirements and cash paid as a part of a current year refunding bond issue.

The capital projects fund's fund balance decreased by \$6,207, primarily due to capital outlay expenditures exceeding a transfer from the general fund.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, sewer service and surface water conversion revenues, and regional water fee, solid waste, other and capital outlay expenditures being greater than anticipated. In addition, water service revenues and purchased services expenditures were less than anticipated, and a transfer to the capital projects fund was not included in the budget. The fund balance as of December 31, 2019, was expected to be \$8,112,527 and the actual end-of-year fund balance was \$7,353,256.



**Harris County Municipal Utility District No. 81**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2019**

**Capital Assets and Related Debt**

**Capital Assets**

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

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2019</b>	<b>2018</b>
Construction in progress	\$ 205,440	\$ 164,829
Water facilities	7,322,462	7,845,339
Wastewater facilities	2,826,611	2,720,874
Total capital assets	\$ 10,354,513	\$ 10,731,042

During the current year, additions to capital assets were as follows:

Construction in progress related to water well No. 4 rehabilitation project and water plant No. 4 emergency generator and MCC replacement	\$ 205,440
West Memorial Municipal Utility District (West Memorial) wastewater treatment plant lift station, Phase I	228,310
West Memorial wastewater treatment plant emergency generator	11,889
Booster pump additions at the water plant	59,413
Total additions to capital assets	\$ 505,052

**Debt**

The changes in the debt position of the District during the fiscal year ended December 31, 2019, are summarized below:

Long-term debt payable, beginning of year	\$ 8,362,944
Increases in long-term debt	5,458,868
Decreases in long-term debt	(5,476,637)
Long-term debt payable, end of year	\$ 8,345,175

At December 31, 2019, the District had \$12,235,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

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**Management's Discussion and Analysis (Continued)**  
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The District's bonds carry an underlying rating of "A+" from Standard & Poor's. The Series 2014 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2019 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

During the current year, the District issued \$5,400,000 in unlimited tax refunding bonds, Series 2019 to refund \$5,240,000 of outstanding Series 2010 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$735,075 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$556,808.

**Other Relevant Factors**

**Relationship to the City of Houston (the City)**

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

Effective December 2, 2002, the District entered into a Strategic Partnership Agreement (the Agreement) with the City which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years, at which time the City has the option to annex the District if it chooses to do so.

**Harris County Municipal Utility District No. 81**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**December 31, 2019**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>							
Cash	\$ 332,910	\$ 104,409	\$ 960,193	\$ 2,256	\$ 1,399,768	\$ -	\$ 1,399,768
Short-term investments	7,190,364	28,505	279,237	90,304	7,588,410	-	7,588,410
Receivables:							
Property taxes	518,630	-	445,209	-	963,839	-	963,839
Service accounts	266,048	-	-	-	266,048	-	266,048
Accrued penalty and interest	-	-	-	-	-	49,261	49,261
Interfund receivable	514,105	-	-	-	514,105	(514,105)	-
Due from participants	-	80,900	-	-	80,900	(16,095)	64,805
Operating reserve	119,696	-	-	-	119,696	(30,000)	89,696
Sales tax rebate receivable	44,506	-	-	-	44,506	26,783	71,289
Prepaid expenditures	1,606	-	-	-	1,606	-	1,606
Capital assets (net of accumulated depreciation):							
Construction in progress	-	-	-	-	-	205,440	205,440
Infrastructure	-	-	-	-	-	10,149,073	10,149,073
<b>Total assets</b>	<b>8,987,865</b>	<b>213,814</b>	<b>1,684,639</b>	<b>92,560</b>	<b>10,978,878</b>	<b>9,870,357</b>	<b>20,849,235</b>
<b>Deferred Outflows of Resources</b>							
Deferred amount on debt refundings	0	0	0	0	0	173,161	173,161
<b>Total assets and deferred outflows of resources</b>	<b>\$ 8,987,865</b>	<b>\$ 213,814</b>	<b>\$ 1,684,639</b>	<b>\$ 92,560</b>	<b>\$ 10,978,878</b>	<b>\$ 10,043,518</b>	<b>\$ 21,022,396</b>

**Harris County Municipal Utility District No. 81**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**December 31, 2019**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>							
Accounts payable	\$ 250,097	\$ 93,814	\$ 14,939	\$ 90,000	\$ 448,850	\$ (16,095)	\$ 432,755
Accrued interest payable	-	-	8,550	-	8,550	112,429	120,979
Retainage payable	11,350	-	-	-	11,350	-	11,350
Customer deposits	300,037	-	-	-	300,037	-	300,037
Due to participants	-	120,000	-	-	120,000	(30,000)	90,000
Interfund payable	-	-	514,105	-	514,105	(514,105)	-
Long-term liabilities:							
Due within one year	-	-	-	-	-	370,000	370,000
Due after one year	-	-	-	-	-	7,975,175	7,975,175
Total liabilities	<u>561,484</u>	<u>213,814</u>	<u>537,594</u>	<u>90,000</u>	<u>1,402,892</u>	<u>7,897,404</u>	<u>9,300,296</u>
<b>Deferred Inflows of Resources</b>							
Deferred property tax revenues	1,073,125	0	930,392	0	2,003,517	(90,300)	1,913,217
<b>Fund Balances/Net Position</b>							
Fund balances:							
Nonspendable, prepaid expenditures	1,606	-	-	-	1,606	(1,606)	-
Restricted:							
Unlimited tax bonds	-	-	216,653	-	216,653	(216,653)	-
Water, sewer and drainage	-	-	-	2,560	2,560	(2,560)	-
Assigned, operating reserve	119,696	-	-	-	119,696	(119,696)	-
Unassigned	7,231,954	-	-	-	7,231,954	(7,231,954)	-
Total fund balances	<u>7,353,256</u>	<u>0</u>	<u>216,653</u>	<u>2,560</u>	<u>7,572,469</u>	<u>(7,572,469)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,987,865</u>	<u>\$ 213,814</u>	<u>\$ 1,684,639</u>	<u>\$ 92,560</u>	<u>\$ 10,978,878</u>		
Net position:							
Net investment in capital assets						2,171,149	2,171,149
Restricted for debt service						191,042	191,042
Restricted for capital projects						2,560	2,560
Unrestricted						7,444,132	7,444,132
Total net position						<u>\$ 9,808,883</u>	<u>\$ 9,808,883</u>

**Harris County Municipal Utility District No. 81**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended December 31, 2019**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>							
Property taxes	\$ 1,116,890	\$ -	\$ 705,706	\$ -	\$ 1,822,596	\$ 14,615	\$ 1,837,211
Sales tax rebates	277,518	-	-	-	277,518	1,181	278,699
Water service	897,680	-	-	-	897,680	-	897,680
Sewer service	1,386,557	-	-	-	1,386,557	-	1,386,557
Surface water conversion	991,536	-	-	-	991,536	-	991,536
Service to other districts	-	605,497	-	-	605,497	(55,746)	549,751
Penalty and interest	58,817	-	25,276	-	84,093	9,863	93,956
Investment income	160,408	1,514	10,022	3,038	174,982	-	174,982
Other income	32,239	24,677	20	-	56,936	257,639	314,575
<b>Total revenues</b>	<b>4,921,645</b>	<b>631,688</b>	<b>741,024</b>	<b>3,038</b>	<b>6,297,395</b>	<b>227,552</b>	<b>6,524,947</b>
<b>Expenditures/Expenses</b>							
Service operations:							
Purchased services	390,205	-	-	-	390,205	(55,746)	334,459
Regional water fee	1,048,533	490	-	-	1,049,023	-	1,049,023
Professional fees	304,054	115,662	3,510	-	423,226	4,757	427,983
Contracted services	224,812	56,031	59,745	-	340,588	-	340,588
Solid waste	623,843	-	-	-	623,843	-	623,843
Utilities	141,882	182,066	-	-	323,948	-	323,948
Repairs and maintenance	947,012	337,531	-	-	1,284,543	-	1,284,543
Other expenditures	606,899	197,547	37,036	21	841,503	-	841,503
Capital outlay	446,673	-	-	183,032	629,705	(629,705)	-
Depreciation	-	-	-	-	-	881,581	881,581
Conveyance of capital assets	-	-	-	-	-	119,896	119,896
Debt service:							
Principal retirement	-	-	335,000	-	335,000	(335,000)	-
Interest and fees	-	-	206,272	-	206,272	77,608	283,880
Debt defeasance	-	-	79,000	-	79,000	(79,000)	-
Debt issuance costs	41,873	-	203,769	-	245,642	-	245,642
<b>Total expenditures/expenses</b>	<b>4,775,786</b>	<b>889,327</b>	<b>924,332</b>	<b>183,053</b>	<b>6,772,498</b>	<b>(15,609)</b>	<b>6,756,889</b>
<b>Deficiency of Revenues Over</b>							
<b>Expenditures</b>	<b>145,859</b>	<b>(257,639)</b>	<b>(183,308)</b>	<b>(180,015)</b>	<b>(475,103)</b>	<b>243,161</b>	

**Harris County Municipal Utility District No. 81**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended December 31, 2019**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>							
Interfund transfers in (out)	\$ (173,808)	\$ -	\$ -	\$ 173,808	\$ -	\$ -	
General obligation bonds issued	-	-	5,400,000	-	5,400,000	(5,400,000)	
Premium on debt issued	-	-	58,868	-	58,868	(58,868)	
Deposit with escrow agent	-	-	(5,253,299)	-	(5,253,299)	5,253,299	
Recovery from governmental agency	-	257,639	-	-	257,639	(257,639)	
Total other financing sources (uses)	(173,808)	257,639	205,569	173,808	463,208	(463,208)	
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>							
	(27,949)	-	22,261	(6,207)	(11,895)	11,895	
<b>Change in Net Position</b>						(231,942)	\$ (231,942)
<b>Fund Balances/Net Position</b>							
Beginning of year	7,381,205	-	194,392	8,767	7,584,364	-	10,040,825
End of year	\$ 7,353,256	\$ 0	\$ 216,653	\$ 2,560	\$ 7,572,469	\$ 0	\$ 9,808,883

# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

December 31, 2019

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

Harris County Municipal Utility District No. 81 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective July 16, 1973, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal service.

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

#### ***Reporting Entity***

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

#### ***Government-wide and Fund Financial Statements***

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

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

# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

### December 31, 2019

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

The District presents the following major governmental funds:

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

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

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

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

#### **Fund Balances – Governmental Funds**

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

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

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

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

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

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



# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

December 31, 2019

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

### ***Measurement Focus and Basis of Accounting***

#### **Government-wide Financial Statements**

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

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

#### **Fund Financial Statements**

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

# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

December 31, 2019

### ***Deferred Outflows and Inflows of Resources***

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

### ***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis.

Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### ***Pension Costs***

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

### ***Use of Estimates***

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

### ***Investments and Investment Income***

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

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

### ***Property Taxes***

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

**Harris County Municipal Utility District No. 81**  
**Notes to Financial Statements**  
**December 31, 2019**

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2018 on the 2018 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2019, the tax levied in October 2019 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2020. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

***Capital Assets***

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

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

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

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

***Deferred Amount on Debt Refundings***

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

**Harris County Municipal Utility District No. 81**  
**Notes to Financial Statements**  
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***Debt Issuance Costs***

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

***Long-term Obligations***

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

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

***Net Position/Fund Balances***

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

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

***Reconciliation of Government-wide and Fund Financial Statements***

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 10,354,513
Sales tax rebates receivable from the City of Houston (the City) are not available in the current period and are not reported in the funds.	26,783
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	90,300

**Harris County Municipal Utility District No. 81**  
**Notes to Financial Statements**  
**December 31, 2019**

Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	\$ 49,261
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	173,161
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(112,429)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(8,345,175)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 2,236,414</u></u>

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

Change in fund balances.	\$ (11,895)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation, noncapitalized costs and conveyance of capital assets exceeded capital outlay expenditures in the current year.	(376,529)
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	267,299
Governmental funds report effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(58,868)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	25,659
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(77,608)</u>
Change in net position of governmental activities.	<u><u>\$ (231,942)</u></u>

**Harris County Municipal Utility District No. 81**  
**Notes to Financial Statements**  
**December 31, 2019**

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

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

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

At December 31, 2019, none of the District's bank balances were exposed to custodial credit risk.

***Investments***

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

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

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2019, the District had the following investments and maturities:

Type	<b>Maturities in Years</b>				
	<b>Amortized Cost</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
TexPool	\$ 7,588,410	\$ 7,588,410	\$ 0	\$ 0	\$ 0

# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

December 31, 2019

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

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

### **Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at December 31, 2019, as follows:

Carrying value:		
Deposits	\$	1,399,768
Investments		7,588,410
Total	\$	8,988,178

### **Investment Income**

Investment income of \$174,982 for the year ended December 31, 2019, consisted of interest income.

### **Note 3: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2019, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Construction in progress	\$ 164,829	\$ 205,440	\$ (164,829)	\$ 205,440
Capital assets, depreciable:				
Water production and distribution facilities	15,299,958	59,413	-	15,359,371
Wastewater collection and treatment facilities	7,926,312	240,199	164,829	8,331,340
Total capital assets, depreciable	23,226,270	299,612	164,829	23,690,711

**Harris County Municipal Utility District No. 81**  
**Notes to Financial Statements**  
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<b>Governmental Activities (Continued)</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Reclassifi- cations</b>	<b>Balances, End of Year</b>
Less accumulated depreciation:				
Water production and distribution facilities	\$ (7,454,619)	\$ (582,290)	\$ -	\$ (8,036,909)
Wastewater collection and treatment facilities	(5,205,438)	(299,291)	-	(5,504,729)
Total accumulated depreciation	(12,660,057)	(881,581)	0	(13,541,638)
Total governmental activities, net	<u>\$ 10,731,042</u>	<u>\$ (376,529)</u>	<u>\$ 0</u>	<u>\$ 10,354,513</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2019, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:					
General obligation bonds	\$ 6,565,000	\$ 5,400,000	\$ 5,280,000	\$ 6,685,000	\$ 65,000
Direct placement bonds	1,920,000	-	295,000	1,625,000	305,000
Less discounts on bonds	122,056	-	98,363	23,693	-
Add premium on bonds	-	58,868	-	58,868	-
Total governmental activities long-term liabilities	<u>\$ 8,362,944</u>	<u>\$ 5,458,868</u>	<u>\$ 5,476,637</u>	<u>\$ 8,345,175</u>	<u>\$ 370,000</u>

**General Obligation Bonds**

	<b>Series 2014</b>	<b>Refunding Series 2015**</b>
Amounts outstanding, December 31, 2019	\$1,285,000	\$1,625,000
Interest rates	2.00% to 4.00%	2.23%
Maturity dates, serially beginning/ending	September 1, 2020/2036	September 1, 2020/2024
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2021	September 1, 2019

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

\*\*Direct placement bonds.



**Harris County Municipal Utility District No. 81**  
**Notes to Financial Statements**  
**December 31, 2019**

	<b>Refunding Series 2019</b>
Amount outstanding, December 31, 2019	\$5,400,000
Interest rate	3.00%
Maturity dates, serially beginning/ending	September 1, 2020/2036
Interest payment dates	March 1/ September 1
Callable date*	September 1, 2024

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

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation and direct placement bonds outstanding at December 31, 2019.

Year	General Obligation Bonds		Direct Placement Bonds		Total
	Principal	Interest	Principal	Interest	
2020	\$ 65,000	\$ 245,700	\$ 305,000	\$ 36,237	\$ 651,937
2021	65,000	203,600	315,000	29,436	613,036
2022	70,000	201,825	325,000	22,412	619,237
2023	70,000	199,900	335,000	15,164	620,064
2024	70,000	197,975	345,000	7,694	620,669
2025-2029	2,340,000	843,413	-	-	3,183,413
2030-2034	2,770,000	459,400	-	-	3,229,400
2035-2036	1,235,000	58,950	-	-	1,293,950
Total	\$ 6,685,000	\$ 2,410,763	\$ 1,625,000	\$ 110,943	\$ 10,831,706

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

Bonds voted	\$ 38,950,000
Bonds sold	26,715,000

**Note 5: Significant Bond Resolution and Commission Requirements**

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended December 31, 2019, the District levied an ad valorem debt service tax at the rate of \$0.1400 per \$100 of assessed

# **Harris County Municipal Utility District No. 81**

## **Notes to Financial Statements**

### **December 31, 2019**

valuation, which resulted in a tax levy of \$892,835 on the taxable valuation of \$637,743,473 for the 2019 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$651,937.

#### **Note 6: Maintenance Taxes**

At an election held January 21, 1995, voters authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property within the District subject to taxation. During the year ended December 31, 2019, the District levied an ad valorem maintenance tax at the rate of \$0.1600 per \$100 of assessed valuation, which resulted in a tax levy of \$1,020,382 on the taxable valuation of \$637,743,473 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

#### **Note 7: Strategic Partnership Agreement**

Effective December 2, 2002, the District and the City entered into the Agreement, under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes of applying certain of the City's Planning, Zoning, Health and Safety Ordinances. Under the Agreement, the City provides health inspection services and enforcement of Chapters 20 and 21 of the City's Code of Ordinances. The District continues to exercise all powers and functions of a municipal utility district, as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$278,699 in revenues related to the Agreement.

#### **Note 8: Regional Water Authority**

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority) which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of December 31, 2019, the Authority was billing the District \$2.95 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases. Effective January 1, 2020, the Authority increased the rate to \$3.20 per 1,000 gallons of water pumped from its wells.

# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

December 31, 2019

### Note 9: Financing and Operating of Regional Facilities

#### *West Memorial Regional Sewage Treatment Plant*

On August 30, 1983, the District entered into a 40-year agreement with Cimarron Municipal Utility District, West Memorial Municipal Utility District (West Memorial), Interstate Municipal Utility District and Mason Creek Utility District (Mason Creek), whereby West Memorial agreed to provide or cause to be provided, the expansion of the regional wastewater treatment and disposal facilities necessary to serve the participants. West Memorial has oversight responsibilities and holds title for the benefit of the participating districts.

Construction costs were shared based on the pro rata share of capacity acquired by the districts. The District has contributed approximately \$860,000 for its share of construction costs. Each participant's gallons-per-day (gpd) capacity and percentage of ownership is as shown below.

<b>Participants</b>	<b>Gallons-per-day Capacity</b>	<b>Percentage</b>
Cimarron Municipal Utility District	2,471,000	38.16
West Memorial	599,000	9.25
Interstate Municipal Utility District	1,350,000	20.85
Mason Creek	800,000	12.36
The District	<u>1,255,000</u>	<u>19.38</u>
Totals	<u><u>6,475,000</u></u>	<u><u>100.00</u></u>

West Memorial operates the West Memorial Regional Wastewater Treatment Plant. The District has paid \$89,696 for its pro rata share of an operating and maintenance reserve, which is equivalent to three months of average budgeted operating and maintenance expenses. Participants are billed monthly at a rate of \$11.25 per residential connection for operating costs based on a contractual formula. During the current year, the District incurred \$320,318 for its share of operating costs.

The statement shown below represents condensed financial information of the plant operations as of and for the year ended June 30, 2019, which was audited by another certified public accounting firm who issued an unqualified opinion thereon. The most recent audited information available is as follows.

# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

December 31, 2019

	<b>West Memorial Plant General Fund</b>
Total assets	\$ 832,805
Total liabilities	\$ 419,005
Total fund balance	413,800
Total liabilities and fund balance	\$ 832,805
Total revenues	\$ 3,412,642
Total expenditures	3,412,642
Excess revenues	-
Other financing uses:	
Decrease in operating reserve	(3,388)
Net decrease in fund balance	\$ (3,388)

### ***Cinco Regional Sewage Treatment Plant***

On May 15, 1978, the District, Cornerstones Municipal Utility District, Memorial Municipal Utility District and Mason Creek entered into a 40-year agreement to construct and operate the Cinco Regional Sewage Treatment Plant (Cinco Regional Plant) and trunk sewer lines. This agreement has been amended on August 25, 1978, June 14, 1979, June 27, 1979, September 13, 1982, July 31, 1987, August 18, 1987, and February 21, 1992. Cinco Municipal Utility District No. 1 (Cinco No. 1) was added by amendment for the purpose of sharing the costs of trunk lines to the physical plant and having the opportunity to expand the Plant, if necessary. The agreement was amended on October 1, 2004, so that Cinco No. 1 is no longer a party to the agreement. Construction and related costs were shared based on a pro rata share of capacity acquired by each participant. The District's share of construction and related costs was \$683,454.

On December 11, 1997, the participants in the Cinco Regional Plant entered into a restated agreement, as amended by the First Amendment to the Restated Cinco Regional Sewage Treatment Plant Agreement dated May 1, 2005. The restated agreement amends the manner in which monthly operating costs are shared. The restatement also redefines the participants' responsibility for the maintenance of joint conveyance lines where costs will be shared based on capacity in the lines

# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

December 31, 2019

owned by the participants. Each district made a \$30,000 contribution for an operating reserve. Operations under the new contract began January 1, 1998. During the current year, the District incurred \$55,746 for its share of operating costs.

Each participant's gpd capacity and percentage of ownership is as follows:

<b>Participants</b>	<b>Gallons-per-day Capacity</b>	<b>Percentage</b>
Cornerstones Municipal Utility District	1,000,000	33.33
Memorial Municipal Utility District	940,000	31.33
Mason Creek	500,000	16.67
The District	<u>560,000</u>	<u>18.67</u>
Totals	<u><u>3,000,000</u></u>	<u><u>100.00</u></u>

The Houston area sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The Cinco Regional Plant sustained material damage at its facilities, including a trunk line and manhole failure and the returned activated sludge pump motors, all of which have since been repaired. The Cinco Regional Plant filed an insurance claim with their insurance provider and a claim with the Federal Emergency Management Agency (FEMA). During the prior year, the Cinco Regional Plant received \$107,816 from the insurance company and \$136,155 from FEMA towards repairs. During the current year, the Cinco Regional Plant received an additional \$257,639 from FEMA towards repairs.

### ***Reclaimed Water Agreement***

On May 11, 2016, the Cinco Regional Plant participants entered into a Reclaimed Water Agreement with Cinco No. 1, effective for a period of 30 years. The agreement grants an easement to Cinco No. 1, under the terms and conditions specified in the agreement, for the purposes of constructing, maintaining and operating a wastewater treatment plant effluent reuse facility and wastewater effluent line on the site the Cinco Regional Plant is located. The agreement allows Cinco No. 1 to purchase up to 100 percent of the wastewater effluent from the Cinco Regional Plant for the purpose of providing irrigation to its service area and is responsible for the sole cost and expense of the design and construction of the effluent reuse facility. The District has been designated as the representative district to act as the Operating District on behalf of the participants for the purposes of this agreement. Upon completion of the construction of the wastewater effluent line, Cinco No. 1 will convey ownership of the line to Memorial Municipal Utility District and maintenance responsibility will be accepted by the Cinco Regional Plant. During the terms of the agreement, Cinco No. 1 will hold legal title to the wastewater treatment plant effluent reuse facility.

# Harris County Municipal Utility District No. 81

## Notes to Financial Statements

December 31, 2019

Under the agreement Cinco No. 1 was required to pay an initial rate of \$0.25 per 1,000 gallons of wastewater effluent purchased, with an automatic increase of 10 percent of the dollar amount of any increase in the groundwater pumpage fees charged by the North Fort Bend Water Authority. At December 31, 2019, the rate charged to Cinco No. 1 was \$0.34 per 1,000 gallons of wastewater effluent purchased. On January 1, 2020, the rate increased to \$0.37 per 1,000 gallons of wastewater effluent purchased.

The participants also entered into a letter agreement dated April 14, 2016, that sets forth the procedures for the Cinco Plant Operating Committee to provide representation to the Operating District from each of the Cinco Regional Plant participants. All operational and financial matters arising under the Reclaimed Water Agreement shall be brought to the Cinco Plant Operating Committee for review and recommendation. In addition, all payments from Cinco No. 1 under the agreement shall be deposited into the Plant operating account, to be allocated among the Plant participants upon the basis of their percentage of ownership.

### **Note 10: Risk Management**

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

### **Note 11: Refunding Bonds**

During the current year, the District issued \$5,400,000 in unlimited tax refunding bonds, Series 2019 to refund \$5,240,000 of outstanding Series 2010 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$735,075 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$556,808.

### **Note 12: Uncertainties**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

### **Note 13: Subsequent Event**

In April 2020, the District received approval from the Commission on an application for the issuance of \$4,000,000 in unlimited tax bonds.

## **Required Supplementary Information**

**Harris County Municipal Utility District No. 81**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended December 31, 2019**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 961,500	\$ 1,116,890	\$ 155,390
Sales tax rebates	285,000	277,518	(7,482)
Water service	1,241,430	897,680	(343,750)
Sewer service	1,299,160	1,386,557	87,397
Surface water conversion	915,000	991,536	76,536
Penalty and interest	68,400	58,817	(9,583)
Investment income	121,000	160,408	39,408
Other income	34,800	32,239	(2,561)
	<u>4,926,290</u>	<u>4,921,645</u>	<u>(4,645)</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
Service operations:			
Purchased services	557,507	390,205	167,302
Regional water fee	900,000	1,048,533	(148,533)
Professional fees	260,000	304,054	(44,054)
Contracted services	205,150	224,812	(19,662)
Solid waste	561,769	623,843	(62,074)
Utilities	186,000	141,882	44,118
Repairs and maintenance	902,404	947,012	(44,608)
Other expenditures	397,138	606,899	(209,761)
Capital outlay	225,000	446,673	(221,673)
Debt issuance costs	-	41,873	(41,873)
	<u>4,194,968</u>	<u>4,775,786</u>	<u>(580,818)</u>
<b>Total expenditures</b>			
<b>Excess of Revenues Over Expenditures</b>	731,322	145,859	(585,463)
<b>Other Financing Uses</b>			
Interfund transfers out	-	(173,808)	(173,808)
<b>Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out</b>			
	731,322	(27,949)	(759,271)
<b>Fund Balance, Beginning of Year</b>	<u>7,381,205</u>	<u>7,381,205</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 8,112,527</u>	<u>\$ 7,353,256</u>	<u>\$ (759,271)</u>



**Harris County Municipal Utility District No. 81**  
**Budgetary Comparison Schedule – Special Revenue Fund**  
**Year Ended December 31, 2019**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Service to other districts	\$ 910,551	\$ 605,497	\$ (305,054)
Investment income	1,800	1,514	(286)
Other income	25,750	24,677	(1,073)
Total revenues	<u>938,101</u>	<u>631,688</u>	<u>(306,413)</u>
<b>Expenditures</b>			
Service operations:			
Regional water fee	-	490	(490)
Professional fees	98,000	115,662	(17,662)
Contracted services	55,850	56,031	(181)
Utilities	184,800	182,066	2,734
Repairs and maintenance	376,800	337,531	39,269
Other expenditures	222,651	197,547	25,104
Total expenditures	<u>938,101</u>	<u>889,327</u>	<u>48,774</u>
<b>Deficiency of Revenues Over Expenditures</b>	-	(257,639)	(257,639)
<b>Other Financing Sources</b>			
Recovery from governmental agency	-	257,639	257,639
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	-	-	-
<b>Fund Balance, Beginning of Year</b>	-	-	-
<b>Fund Balance, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Harris County Municipal Utility District No. 81**  
**Notes to Required Supplementary Information**  
**December 31, 2019**

***Budgets and Budgetary Accounting***

Annual operating budgets are prepared for the general and special revenue funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets were not amended during 2019.

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

## **Other Information**

**Harris County Municipal Utility District No. 81**  
**Other Schedules Included Within This Report**  
**December 31, 2019**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 13-28
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

**Harris County Municipal Utility District No. 81**  
**Schedule of Services and Rates**  
**Year Ended December 31, 2019**

1. Services provided by the District:

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 12.00	5,000	N	\$ 1.50	5,001 to 15,000
				\$ 2.50	15,001 to 30,000
				\$ 3.50	30,001 to No Limit
Wastewater:	\$ 32.69	0	Y		
Regional water fee:	\$ 2.95	1	N	\$ 2.95	1 to No Limit

Does the District employ winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage (including fees): Water \$ 49.00 Wastewater \$ 32.69

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	3,089	3,061	x1.0	3,061
1"	62	51	x2.5	128
1 1/2"	22	21	x5.0	105
2"	38	38	x8.0	304
3"	-	-	x15.0	-
4"	3	3	x25.0	75
6"	-	-	x50.0	-
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	3,215	3,175		3,753
Total wastewater	3,137	3,099	x1.0	3,099

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

Gallons pumped into the system:	363,435
Gallons billed to customers:	348,809
Water accountability ratio (gallons billed/gallons pumped):	95.98%

\*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 81**  
**Schedule of General Fund Expenditures**  
**Year Ended December 31, 2019**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$ 19,400		
Legal	109,561		
Engineering	175,093		
Financial advisor	-		304,054
	<hr/>		
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			390,205
<b>Regional Water Fee</b>			1,048,533
<b>Contracted Services</b>			
Bookkeeping	23,175		
General manager	-		
Appraisal district	-		
Tax collector	-		
Security	-		
Other contracted services	201,637		224,812
	<hr/>		
<b>Utilities</b>			141,882
<b>Repairs and Maintenance</b>			947,012
<b>Administrative Expenditures</b>			
Directors' fees	24,300		
Office supplies	49,825		
Insurance	32,707		
Other administrative expenditures	490,985		597,817
	<hr/>		
<b>Capital Outlay</b>			
Capitalized assets	326,777		
Expenditures not capitalized	119,896		446,673
	<hr/>		
<b>Tap Connection Expenditures</b>			-
<b>Solid Waste Disposal</b>			623,843
<b>Debt issuance costs</b>			41,873
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			9,082
			<hr/>
Total expenditures			<u>\$ 4,775,786</u>

**Harris County Municipal Utility District No. 81**  
**Schedule of Temporary Investments**  
**December 31, 2019**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
TexPool	1.61%	Demand	\$ 7,190,364	\$ -
<b>Special Revenue Fund</b>				
TexPool	1.61%	Demand	28,505	-
<b>Debt Service Fund</b>				
TexPool	1.61%	Demand	279,237	-
<b>Capital Projects Fund</b>				
TexPool	1.61%	Demand	<u>90,304</u>	<u>-</u>
Totals			<u>\$ 7,588,410</u>	<u>\$ 0</u>

**Harris County Municipal Utility District No. 81**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended December 31, 2019**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 543,186	\$ 347,693
Additions and corrections to prior years' taxes	<u>(699)</u>	<u>(522)</u>
Adjusted receivable, beginning of year	<u>542,487</u>	<u>347,171</u>
 <b>2019 Original Tax Levy</b>	 903,507	 790,569
Additions and corrections	<u>116,875</u>	<u>102,266</u>
Adjusted tax levy	<u>1,020,382</u>	<u>892,835</u>
Total to be accounted for	1,562,869	1,240,006
 Tax collections: Current year	 (554,495)	 (485,183)
Prior years	<u>(489,744)</u>	<u>(309,614)</u>
Receivable, end of year	<u>\$ 518,630</u>	<u>\$ 445,209</u>
 <b>Receivable, by Years</b>		
2019	\$ 465,887	\$ 407,652
2018	15,749	9,947
2017	10,304	6,698
2016	7,542	5,557
2015	5,474	3,558
2014	4,350	3,698
2013	2,562	2,427
2012	1,516	1,437
2011	1,163	1,102
2010	1,039	984
2009	758	506
2008	493	197
2007	634	304
2006	481	250
2005	216	129
2004	250	138
2003	111	316
2002	<u>101</u>	<u>309</u>
Receivable, end of year	<u>\$ 518,630</u>	<u>\$ 445,209</u>



**Harris County Municipal Utility District No. 81**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended December 31, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Property Valuations</b>				
Land	\$ 167,502,208	\$ 153,250,251	\$ 146,556,963	\$ 147,999,054
Improvements	543,989,463	514,125,560	501,208,365	475,100,406
Personal property	20,299,224	16,257,328	21,250,844	19,425,980
Exemptions	<u>(94,047,422)</u>	<u>(90,585,731)</u>	<u>(90,756,025)</u>	<u>(85,835,471)</u>
Total property valuations	<u>\$ 637,743,473</u>	<u>\$ 593,047,408</u>	<u>\$ 578,260,147</u>	<u>\$ 556,689,969</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.1400	\$ 0.1200	\$ 0.1300	\$ 0.1400
Maintenance tax rates*	<u>0.1600</u>	<u>0.1900</u>	<u>0.2000</u>	<u>0.1900</u>
Total tax rates per \$100 valuation	<u>\$ 0.3000</u>	<u>\$ 0.3100</u>	<u>\$ 0.3300</u>	<u>\$ 0.3300</u>
<b>Tax Levy</b>	<u>\$ 1,913,217</u>	<u>\$ 1,838,432</u>	<u>\$ 1,908,243</u>	<u>\$ 1,837,062</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>54%</u> ***	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$0.50 on January 21, 1995

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

\*\*\*In process of collection. Not due until January 31, 2020. Taxes were over 94 percent collected as of the date of the audit report.

**Harris County Municipal Utility District No. 81**  
**Schedule of Long-term Debt Service Requirements by Years**  
**December 31, 2019**

<b>Due During Fiscal Years Ending December 31</b>	<b>Series 2014</b>		
	<b>Principal Due September 1</b>	<b>Interest Due March 1, September 1</b>	<b>Total</b>
2020	\$ 35,000	\$ 43,200	\$ 78,200
2021	35,000	42,500	77,500
2022	35,000	41,625	76,625
2023	35,000	40,750	75,750
2024	35,000	39,875	74,875
2025	75,000	38,913	113,913
2026	80,000	36,850	116,850
2027	85,000	34,250	119,250
2028	90,000	31,487	121,487
2029	95,000	28,563	123,563
2030	95,000	25,475	120,475
2031	95,000	22,150	117,150
2032	95,000	18,825	113,825
2033	100,000	15,500	115,500
2034	100,000	11,750	111,750
2035	100,000	8,000	108,000
2036	100,000	4,000	104,000
Totals	<u>\$ 1,285,000</u>	<u>\$ 483,713</u>	<u>\$ 1,768,713</u>

**Harris County Municipal Utility District No. 81**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**December 31, 2019**

<b>Refunding Series 2015</b>			
<b>Due During Fiscal Years Ending December 31</b>	<b>Principal Due September 1</b>	<b>Interest Due March 1, September 1</b>	<b>Total</b>
2020	\$ 305,000	\$ 36,237	\$ 341,237
2021	315,000	29,436	344,436
2022	325,000	22,412	347,412
2023	335,000	15,164	350,164
2024	345,000	7,694	352,694
Totals	\$ 1,625,000	\$ 110,943	\$ 1,735,943

**Harris County Municipal Utility District No. 81**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**December 31, 2019**

<b>Due During Fiscal Years Ending December 31</b>	<b>Refunding Series 2019</b>		
	<b>Principal Due September 1</b>	<b>Interest Due March 1, September 1</b>	<b>Total</b>
2020	\$ 30,000	\$ 202,500	\$ 232,500
2021	30,000	161,100	191,100
2022	35,000	160,200	195,200
2023	35,000	159,150	194,150
2024	35,000	158,100	193,100
2025	365,000	157,050	522,050
2026	370,000	146,100	516,100
2027	385,000	135,000	520,000
2028	390,000	123,450	513,450
2029	405,000	111,750	516,750
2030	425,000	99,600	524,600
2031	440,000	86,850	526,850
2032	460,000	73,650	533,650
2033	470,000	59,850	529,850
2034	490,000	45,750	535,750
2035	505,000	31,050	536,050
2036	530,000	15,900	545,900
Totals	<u>\$ 5,400,000</u>	<u>\$ 1,927,050</u>	<u>\$ 7,327,050</u>

**Harris County Municipal Utility District No. 81**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**December 31, 2019**

Due During Fiscal Years Ending December 31	<u>Annual Requirements For All Series</u>		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 370,000	\$ 281,937	\$ 651,937
2021	380,000	233,036	613,036
2022	395,000	224,237	619,237
2023	405,000	215,064	620,064
2024	415,000	205,669	620,669
2025	440,000	195,963	635,963
2026	450,000	182,950	632,950
2027	470,000	169,250	639,250
2028	480,000	154,937	634,937
2029	500,000	140,313	640,313
2030	520,000	125,075	645,075
2031	535,000	109,000	644,000
2032	555,000	92,475	647,475
2033	570,000	75,350	645,350
2034	590,000	57,500	647,500
2035	605,000	39,050	644,050
2036	<u>630,000</u>	<u>19,900</u>	<u>649,900</u>
Totals	<u>\$ 8,310,000</u>	<u>\$ 2,521,706</u>	<u>\$ 10,831,706</u>

**Harris County Municipal Utility District No. 81**  
**Changes in Long-term Bonded Debt**  
**Year Ended December 31, 2019**

	<b>Bond Issues</b>				<b>Totals</b>
	<b>Series 2010</b>	<b>Series 2014</b>	<b>Refunding Series 2015</b>	<b>Refunding Series 2019</b>	
Interest rates		2.00% to 4.00%	2.23%	3.00%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates		September 1, 2020/2036	September 1, 2020/2024	September 1, 2020/2036	
Bonds outstanding, beginning of current year	\$ 5,240,000	\$ 1,325,000	\$ 1,920,000	\$ -	\$ 8,485,000
Bonds sold in current year	-	-	-	5,400,000	5,400,000
Bonds refunded in current year	5,240,000	-	-	-	5,240,000
Retirements, principal	-	40,000	295,000	-	335,000
Bonds outstanding, end of current year	<u>\$ 0</u>	<u>\$ 1,285,000</u>	<u>\$ 1,625,000</u>	<u>\$ 5,400,000</u>	<u>\$ 8,310,000</u>
Interest paid during current year	<u>\$ 116,906</u>	<u>\$ 44,000</u>	<u>\$ 42,816</u>	<u>\$ 0</u>	<u>\$ 203,722</u>

Paying agent's name and address:

**Series 2010** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

**Series 2014** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

**Series 2015** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

**Series 2019** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 38,950,000	0	0
Amount issued	\$ 26,715,000	0	0
Remaining to be issued	\$ 12,235,000	0	0

Debt service fund cash and temporary investment balances as of December 31, 2019: \$ 1,239,430

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 637,159

**Harris County Municipal Utility District No. 81**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended December 31,**

	Amounts				
	2019	2018	2017	2016	2015
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,116,890	\$ 1,160,563	\$ 1,052,174	\$ 1,024,683	\$ 887,818
Sales tax rebates	277,518	277,929	276,411	306,324	316,895
Water service	897,680	1,155,367	906,934	894,232	903,401
Sewer service	1,386,557	1,320,777	1,301,250	1,297,292	1,353,663
Surface water conversion	991,536	910,938	824,242	761,841	696,884
Garbage service	-	-	-	-	11,399
Penalty and interest	58,817	62,324	56,718	99,575	113,238
Tap connection and inspection fees	-	2,475	180	-	475
Investment income	160,408	131,520	45,466	16,948	7,474
Other income	32,239	33,767	37,258	62	4,024
	<u>4,921,645</u>	<u>5,055,660</u>	<u>4,500,633</u>	<u>4,400,957</u>	<u>4,295,271</u>
<b>Total revenues</b>					
<b>Expenditures</b>					
Service operations:					
Purchased services	390,205	600,662	498,723	521,561	473,029
Regional water fees	1,048,533	1,138,876	1,021,574	792,667	779,513
Professional fees	304,054	250,002	231,668	238,736	215,055
Contracted services	224,812	208,302	203,804	196,223	178,786
Solid waste	623,843	574,682	548,582	538,314	611,378
Utilities	141,882	170,056	176,136	169,886	182,512
Repairs and maintenance	947,012	827,899	553,103	793,995	632,380
Other expenditures	606,899	379,336	372,565	335,607	313,888
Tap connections	-	-	-	-	400
Capital outlay	446,673	390,958	248,720	487,422	123,911
Debt issuance costs	41,873	-	-	-	-
	<u>4,775,786</u>	<u>4,540,773</u>	<u>3,854,875</u>	<u>4,074,411</u>	<u>3,510,852</u>
<b>Total expenditures</b>					
<b>Excess of Revenues Over Expenditures</b>	145,859	514,887	645,758	326,546	784,419
<b>Other Financing Uses</b>					
Interfund transfers out	(173,808)	-	(60,000)	-	-
<b>Excess (Deficiency) of Revenues and Transfers</b>					
<b>In Over Expenditures and Transfers Out</b>	(27,949)	514,887	585,758	326,546	784,419
<b>Fund Balance, Beginning of Year</b>	<u>7,381,205</u>	<u>6,866,318</u>	<u>6,280,560</u>	<u>5,954,014</u>	<u>5,169,595</u>
<b>Fund Balance, End of Year</b>	<u>\$ 7,353,256</u>	<u>\$ 7,381,205</u>	<u>\$ 6,866,318</u>	<u>\$ 6,280,560</u>	<u>\$ 5,954,014</u>
<b>Total Active Retail Water Connections</b>	<u>3,175</u>	<u>3,160</u>	<u>3,171</u>	<u>3,176</u>	<u>3,168</u>
<b>Total Active Retail Wastewater Connections</b>	<u>3,099</u>	<u>3,078</u>	<u>3,127</u>	<u>3,136</u>	<u>3,089</u>

**Percent of Fund Total Revenues**

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
22.7 %	23.0 %	23.4 %	23.3 %	20.7 %
5.6	5.5	6.1	6.9	7.4
18.2	22.8	20.2	20.3	21.0
28.1	26.1	28.9	29.5	31.5
20.2	18.0	18.3	17.3	16.2
-	-	-	-	0.3
1.2	1.2	1.3	2.3	2.6
-	0.1	0.0	-	0.0
3.3	2.6	1.0	0.4	0.2
0.7	0.7	0.8	0.0	0.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
7.9	11.9	11.1	11.9	11.0
21.3	22.5	22.7	18.0	18.2
6.2	4.9	5.2	5.4	5.0
4.6	4.1	4.5	4.5	4.2
12.7	11.4	12.2	12.2	14.2
2.9	3.4	3.9	3.9	4.3
19.2	16.4	12.3	18.0	14.7
12.3	7.5	8.3	7.6	7.3
-	-	-	-	0.0
9.1	7.7	5.5	11.1	2.9
0.8	-	-	-	-
<u>97.0</u>	<u>89.8</u>	<u>85.7</u>	<u>92.6</u>	<u>81.8</u>
<u><u>3.0 %</u></u>	<u><u>10.2 %</u></u>	<u><u>14.3 %</u></u>	<u><u>7.4 %</u></u>	<u><u>18.2 %</u></u>



**Harris County Municipal Utility District No. 81**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended December 31,**

	Amounts				
	2019	2018	2017	2016	2015
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 705,706	\$ 755,110	\$ 776,285	\$ 667,425	\$ 755,480
Penalty and interest	25,276	44,362	20,747	34,691	27,507
Investment income	10,022	7,568	3,056	1,150	257
Other income	20	10	1,217	-	-
Total revenues	<u>741,024</u>	<u>807,050</u>	<u>801,305</u>	<u>703,266</u>	<u>783,244</u>
<b>Expenditures</b>					
Current:					
Professional fees	3,510	2,131	5,373	10,387	7,646
Contracted services	59,745	60,545	57,553	69,932	57,096
Other expenditures	37,036	37,901	26,908	15,055	26,505
Debt service:					
Principal retirement	335,000	325,000	320,000	305,000	310,000
Interest and fees	206,272	329,284	341,592	354,799	364,640
Debt defeasance	79,000	-	-	-	-
Debt issuance costs	203,769	-	-	-	73,416
Total expenditures	<u>924,332</u>	<u>754,861</u>	<u>751,426</u>	<u>755,173</u>	<u>839,303</u>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<u>(183,308)</u>	<u>52,189</u>	<u>49,879</u>	<u>(51,907)</u>	<u>(56,059)</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in	-	-	60,000	-	-
General obligation bonds issued	5,400,000	-	-	-	2,295,000
Premium on debt issued	58,868	-	-	-	-
Deposit with escrow agent	(5,253,299)	-	-	-	(2,213,400)
Total other financing sources	<u>205,569</u>	<u>0</u>	<u>60,000</u>	<u>0</u>	<u>81,600</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>					
	22,261	52,189	109,879	(51,907)	25,541
<b>Fund Balance, Beginning of Year</b>	<u>194,392</u>	<u>142,203</u>	<u>32,324</u>	<u>84,231</u>	<u>58,690</u>
<b>Fund Balance, End of Year</b>	<u>\$ 216,653</u>	<u>\$ 194,392</u>	<u>\$ 142,203</u>	<u>\$ 32,324</u>	<u>\$ 84,231</u>

**Percent of Fund Total Revenues**

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
95.2 %	93.6 %	96.9 %	94.9 %	96.5 %
3.4	5.5	2.6	4.9	3.5
1.4	0.9	0.4	0.2	0.0
0.0	0.0	0.1	-	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.5	0.2	0.7	1.5	1.0
8.0	7.5	7.2	9.9	7.3
5.0	4.7	3.4	2.1	3.4
45.2	40.3	39.9	43.4	39.6
27.8	40.8	42.6	50.5	46.5
10.7	-	-	-	-
27.5	-	-	-	9.4
<u>124.7</u>	<u>93.5</u>	<u>93.8</u>	<u>107.4</u>	<u>107.2</u>
<u>(24.7) %</u>	<u>6.5 %</u>	<u>6.2 %</u>	<u>(7.4) %</u>	<u>(7.2) %</u>

**Harris County Municipal Utility District No. 81**  
**Board Members, Key Personnel and Consultants**  
**Year Ended December 31, 2019**

Complete District mailing address:	Harris County Municipal Utility District No. 81 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 18, 2018
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
John Savage	Elected 05/16- 05/20	\$ 6,000	\$ 0	President
George Goff	Elected 05/16- 05/20	5,250	1,286	Vice President
Patrick W. Cathcart	Elected 05/18- 05/22	4,050	0	Secretary
Donna Brown	Elected 05/18- 05/22	3,600	0	Treasurer
Bruce Cox	Elected 05/18- 05/22	5,400	1,136	Assistant Secretary

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

**Harris County Municipal Utility District No. 81**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended December 31, 2019**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/24/03	\$ 178,730 54,034	General Counsel Bond Counsel
BGE, Inc.	12/18/03	352,852	Engineer
BKD, LLP	10/18/84	27,600	Auditor
Harris County Appraisal District	Legislative Action	13,519	Appraiser
Starr Johnson		50,268	District Employee
McLennan & Associates, LP	03/08/04	49,433	Bookkeeper
Municipal District Services, LLC	04/01/12	1,133,718	District Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/28/96	2,910	Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated	03/26/15	55,877	Financial Advisor
Si Environmental, LLC	07/12/12	207,931	Cinco Regional Plant Operator
Doris Vogt		16,091	District Employee
Wheeler & Associates, Inc.	08/10/76	73,621	Tax Assessor/ Collector
<b>Investment Officer</b>			
George Goff	09/28/95	N/A	Director