

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2021**

DRAFT SUBJECT TO CHANGE

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Harris County Municipal Utility  
District No. 18  
Harris County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Municipal Utility District No. 18 (the "District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2021, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

Board of Directors  
Harris County Municipal Utility District No. 18

**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 are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

March 14, 2022

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Management’s discussion and analysis of Harris County Municipal Utility District No. 18’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2021. 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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 presents information that includes all of the District’s assets, liabilities and, if applicable, 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 one governmental fund type. The General Fund accounts for property tax revenues, customer service revenues, operating costs and general expenditures.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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. The notes to the financial statements can be found in this report.

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's assets exceeded liabilities and deferred inflows of resources by \$8,614,904 as of December 31, 2021. A portion of the District's net position reflects its investment in capital assets (water, wastewater and drainage facilities). The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 5,694,750	\$ 5,386,485	\$ 308,265
Capital Assets (Net of Accumulated Depreciation)	4,358,080	3,924,648	433,432
Total Assets	\$ 10,052,830	\$ 9,311,133	\$ 741,697
Total Liabilities	\$ 212,416	\$ 210,872	\$ (1,544)
Deferred Inflows of Resources	\$ 1,225,510	\$ 1,148,438	\$ (77,072)
Net Position:			
Investment in Capital Assets	\$ 4,358,080	\$ 3,924,648	\$ 433,432
Unrestricted	4,256,824	4,027,175	229,649
Total Net Position	\$ 8,614,904	\$ 7,951,823	\$ 663,081

The following table provides a summary of the District's operations for the years ended December 31, 2021, and December 31, 2020. The District's net position increased by \$663,081.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,157,323	\$ 1,149,665	\$ 7,658
Charges for Services	1,360,135	1,574,254	(214,119)
Other Revenues	45,459	55,221	(9,762)
Total Revenues	\$ 2,562,917	\$ 2,779,140	\$ (216,223)
Expenses for Services	1,899,836	2,359,398	459,562
Change in Net Position	\$ 663,081	\$ 419,742	\$ 243,339
Net Position, Beginning of Year	7,951,823	7,532,081	419,742
Net Position, End of Year	\$ 8,614,904	\$ 7,951,823	\$ 663,081



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

The General Fund fund balance increased by \$239,089, primarily due to tax and service revenues exceeding operating and capital costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were less than budgeted revenues by \$105,743 and actual expenditures were \$147,482 less than budgeted expenditures which resulted in a net positive variance of \$41,739. See the budget to actual comparison for more information.

**CAPITAL ASSETS**

Capital assets as of December 31, 2021, total \$4,358,080 and include the water, wastewater and drainage systems. Significant capital asset activity completed during the current fiscal year included Malcolmson Road water plant ground storage tank rehabilitation, wastewater treatment plant MCC replacement, Oak Bluff water plant no. 1 fence replacement, water well no. 3 emergency rehabilitation and water plants nos. 1 and 2 roof replacement.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$	\$ 207,636	\$ (207,636)
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,609,200	1,132,512	476,688
Wastewater System	2,733,251	2,567,893	165,358
Drainage System	15,629	16,607	(978)
Total Net Capital Assets	\$ 4,358,080	\$ 3,924,648	\$ 433,432

**LONG-TERM DEBT ACTIVITY**

At year end, the District had no long-term debt.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**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 Municipal Utility District No. 18, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

DRAFT SUBJECT TO CHANGE

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 376,271	\$	\$ 376,271
Investments	3,599,924		3,599,924
Receivables:			
Property Taxes	1,008,321		1,008,321
Penalty and Interest on Delinquent Taxes		12,778	12,778
Service Accounts	96,198		96,198
Other	300		300
City of Houston	3,264		3,264
Prepaid Costs	8,599		8,599
Advance for Regional Wastewater Treatment			
Plant Operations	264,007		264,007
Chloramination Credit Receivable		325,088	325,088
Construction in Progress			
Capital Assets (Net of Accumulated Depreciation)	<u>                    </u>	<u>4,358,080</u>	<u>4,358,080</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,356,884</u>	<u>\$ 4,695,946</u>	<u>\$ 10,052,830</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 95,734	\$	\$ 95,734
Due to Taxpayers	3,295		3,295
Security Deposits	<u>113,387</u>		<u>113,387</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 212,416</u>	<u>\$ -0-</u>	<u>\$ 212,416</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	<u>\$ 1,255,056</u>	<u>\$ (29,546)</u>	<u>\$ 1,225,510</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Prepaid Costs	\$ 8,599	\$ (8,599)	\$
For Wastewater Treatment Plant Operations	264,007	(264,007)	
Unassigned	<u>3,616,806</u>	<u>(3,616,806)</u>	<u></u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 3,889,412</u>	<u>\$ (3,889,412)</u>	<u>\$ -0-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 5,356,884</u>		
<b>NET POSITION</b>			
Investment in Capital Assets		\$ 4,358,080	\$ 4,358,080
Unrestricted		<u>4,256,824</u>	<u>4,256,824</u>
<b>TOTAL NET POSITION</b>		<u>\$ 8,614,904</u>	<u>\$ 8,614,904</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

Total Fund Balance - Governmental Fund	\$ 3,889,412
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Credits due from the North Harris County Regional Water Authority for chloramine conversion costs are not current financial resources and, therefore, are not reported as assets in the governmental funds.	325,088
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	4,358,080
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District.	<u>42,324</u>
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Total Net Position - Governmental Activities	<u>\$ 8,614,904</u>
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DRAFT SUBJECT TO CHANGE

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 1,157,567	\$ (244)	\$ 1,157,323
Water Service	298,063		298,063
Wastewater Service	279,665		279,665
Regional Water Authority Fees	719,259		719,259
Penalty and Interest	30,930	(429)	30,501
Sales Tax Revenues	19,947		19,947
Tap Connection and Inspection Fees	12,700		12,700
Investment Revenues/Chloramine Conversion Credits	29,988	(8,767)	21,221
Miscellaneous Revenues	24,238		24,238
<b>TOTAL REVENUES</b>	<u>\$ 2,572,357</u>	<u>\$ (9,440)</u>	<u>\$ 2,562,917</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 228,786	\$	\$ 228,786
Contracted Services	244,789		244,789
Purchased Water Service	458,190		458,190
Purchased Wastewater Service	61,212		61,212
Utilities	44,885		44,885
Regional Water Authority Assessment	288,405		288,405
Repairs and Maintenance	226,988		226,988
Depreciation		208,607	208,607
Other	137,974		137,974
Capital Outlay	642,039	(642,039)	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 2,333,268</u>	<u>\$ (433,432)</u>	<u>\$ 1,899,836</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 239,089	\$ (239,089)	\$
<b>CHANGE IN NET POSITION</b>		663,081	663,081
<b>FUND BALANCE/NET POSITION - JANUARY 1, 2021</b>	<u>3,650,323</u>	<u>4,301,500</u>	<u>7,951,823</u>
<b>FUND BALANCE/NET POSITION - DECEMBER 31, 2021</b>	<u>\$ 3,889,412</u>	<u>\$ 4,725,492</u>	<u>\$ 8,614,904</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Change in Fund Balance - Governmental Fund \$ 239,089

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. (244)

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. (429)

Governmental Funds report payment of chloramine conversion credits as revenues in the period received. However, in the Statement of Net Postion, reimbursements reduce long-term receivables. (8,767)

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. (208,607)

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. 642,039

Change in Net Position - Governmental Activities \$ 663,081

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1. CREATION OF DISTRICT**

Harris County Municipal Utility District No. 18 of Harris County, Texas (the “District”) was created effective May 17, 1972, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for and employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities with the District. The Board of Directors held its first meeting on May 22, 1972, and the first bonds were sold on February 15, 1973.

**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.

The District has entered into a joint venture with Cypress Creek Utility District, Lake Forest Utility District and Malcomson Road Utility District for wastewater treatment. Oversight responsibility of these jointly owned facilities is by the Lake Forest Plant Advisory Council. Additional disclosure is provided in Note 6.

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



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Financial Statement Presentation

- Net Investment in 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.

Fund Financial Statements

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for property tax revenues, customer service revenues, operating costs and general expenditures.

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 the 2020 tax levy collections during the period October 1, 2020, to December 31, 2021, and taxes collected from January 1, 2021, to December 31, 2021, for the 2019 and prior tax levies. The 2021 tax levy has been fully deferred to meet the obligations of the District in the 2022 fiscal year.

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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Capital Assets (Continued)

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

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

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 not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that the directors are considered to be “employees” for federal income tax purposes only.

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:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Measurement Focus (Continued)

*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. The District does not have any restricted fund balances.

*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.

**NOTE 3. 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.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

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 \$376,271 and the bank balance was \$446,318. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at December 31, 2021, as listed below:

	Cash
GENERAL FUND	\$ 376,271

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 meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

As of December 31, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 3,599,924	\$ 3,599,924

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021, the District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool, to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021:

	January 1, 2021	Increases	Decreases	December 31, 2021
<b>Capital Assets Not Being Depreciated</b>				
Construction in Progress	\$ 207,636	\$ 642,039	\$ 849,675	\$ -0-
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 4,031,069	\$ 571,125	\$	\$ 4,602,194
Wastewater System	5,106,246	278,550		5,384,796
Drainage System	1,562,224			1,562,224
<b>Total Capital Assets Subject to Depreciation</b>	\$ 10,699,539	\$ 849,675	\$ - 0 -	\$ 11,549,214
<b>Less Accumulated Depreciation</b>				
Water System	\$ 2,898,557	\$ 94,437	\$	\$ 2,992,994
Wastewater System	2,538,353	113,192		2,651,545
Drainage System	1,545,617	978		1,546,595
<b>Total Accumulated Depreciation</b>	\$ 6,982,527	\$ 208,607	\$ - 0 -	\$ 7,191,134
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	\$ 3,717,012	\$ 641,068	\$ - 0 -	\$ 4,358,080
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	\$ 3,924,648	\$ 1,283,107	\$ 849,675	\$ 4,358,080

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 5. MAINTENANCE TAX**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District’s improvements. On November 16, 2011, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. During the year ended December 31, 2021, the District levied an ad valorem maintenance tax rate of \$ 0.356 per \$100 of assessed valuation, which resulted in a tax levy of \$1,225,510 on the adjusted taxable valuation of \$344,246,229 for the 2021 tax year. Revenue from the 2021 tax levy has been fully deferred until the 2022 fiscal year.

**NOTE 6. REGIONAL SEWAGE TREATMENT PLANT**

On June 3, 1977, the District entered into a 40-year contract with Lake Forest Utility District, Cypress Creek Utility District and Malcomson Road Utility District, which created the Lake Forest Plant Advisory Council (the “Council”). The contract expired during the prior fiscal year and the participants agreed to extend the term for one year to allow for the drafting of a new agreement. On December 17, 2018, the participants entered into a new 40-year contract.

The Council is governed by council members appointed by the Board of Directors of the participating districts. The Council is responsible for the supervision of the performance of the contract, and the construction, expansion and operation of the waste disposal system (the “system”) to serve each of the participants.

Each participant owns an undivided interest in the waste disposal system equal to its respective pro-rata share of capacity in the system relative to the total installed capacity of the system. Current plant capacity, in gallons per day, and percentage of ownership are as follows:

Participants	Ownership Percentage
Cypress Creek Utility District	20.8%
Harris County Municipal Utility District No. 18	20.4
Lake Forest Utility District	30.1
Malcomson Road Utility District	<u>28.7</u>
TOTAL	<u>100.0%</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 6. REGIONAL SEWAGE TREATMENT PLANT (Continued)**

The Council bills the Participants an estimated amount based on anticipated costs to operate the facilities. Subsequent to year end, actual costs are allocated to the Participants. Operating costs are allocated based on either the Participant's equivalent connections, ownership percentage, or some other agreed upon method. General and administrative costs are shared equally, except for insurance which is allocated based on percentage of ownership. The difference between actual costs and estimated monthly billings are recorded as a receivable from or payable to each Participant. The Council has billed the Participants for an operation and maintenance reserve. Separate financial statements for the Lake Forest Plant Advisory Council may be obtained by contacting the Council's attorney, Smith, Murdaugh, Little & Bonham, L.L.P.

The following summary of financial data for the Council is presented for the fiscal year ended December 31, 2021:

	Council Total
Total Assets	\$ 5,211,509
Total Liabilities	1,082,417
Total Net Position	\$ 4,129,092
Total Operating Revenues	\$ 1,429,976
Total Operating Expenses	905,879
Change in Net Position	\$ 524,097
Net Position, January 1, 2021	3,604,995
Net Position, December 31, 2021	\$ 4,129,092

As of December 31, 2021, the District's reserve for operations and maintenance and other advances for future needs of the system totaled \$264,007. The District recorded purchased wastewater services in the amount of \$61,212 and capital costs of \$106,686 during the current fiscal year.

**NOTE 7. EMERGENCY WATER SUPPLY CONTRACTS**

On December 14, 1976, the District executed a contract for the construction and operation of a water supply connection with Lake Forest Utility District ("Lake Forest"). The parties agree that each party will own one-half undivided interest in the interconnection and each district will be responsible for maintaining the facilities on their side of the interconnect. The parties agree to furnish water to each other on an emergency basis. The price to be paid for water delivered shall be the lowest rate charged by either district for a single-family residential customer in that district, but not less than \$0.45 per 1,000 gallons. The term of the agreement is five years, and shall be automatically extended for successive five-year terms unless one year's notice of termination is given. On December 17, 2002, the agreement was amended to pass through regional water authority fees assessed to the providing district.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 8. SEWER LINE CONTRACT**

On April 11, 1978, the District entered into an agreement with Malcolmson Road Utility District (“Malcolmson Road”) to connect and utilize a portion of the capacity in a 21-inch sewer line which is owned by Malcolmson Road. The agreement expired in the current fiscal year. On September 17, 2018, the District entered into a new agreement with Malcolmson Road. Per this new agreement, the District is responsible for paying 13.6% of all repair and maintenance costs as required for continued operation. The term of the agreement is 40 years from the effective date.

**NOTE 9. UTILITY SERVICE CONTRACTS**

On August 18, 1982, the District executed a contract with Lake Forest for Lake Forest to provide water service to 26 lots located in Lakewood Forest Subdivision, Section 12, within the boundaries of the District. The District bills and collects for services provided to the 26 lots. Lake Forest provides water to these lots and the District pays Lake Forest for providing water service based on their lowest rate per 1,000 gallons charged to their residential water customers.

On June 25, 1979, the District executed a Water Supply and Waste Disposal Contract with Cypress-Fairbanks Independent School District (“Cy-Fair”). The agreement was amended on June 12, 1989 and October 1, 2020. It obligates the District to provide Cy-Fair 50,000 gallons per day of water, as well as receive and treat 50,000 gallons per day of sewage. Cy-Fair pays the same water and sewage service rates as the District’s customers per the current rate order in effect. The term of the agreement is until September 30, 2040, and renews for successive one-year periods unless terminated by either party upon providing 90 days notice of termination.

**NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. The current fee being charged is \$4.60 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$288,405 for fees assessed during the current fiscal year.

The District approved the Groundwater Transfer Agreement-Buyer (the “Agreement”) with the Authority. In accordance with the Agreement, the District has elected to participate in the groundwater transfer program of the Authority, under the Regulations for Buy/Sell Agreement for Implementation of the Groundwater Transfer Program adopted by the Authority, as amended, and agrees to assume all rights and obligations of a buyer. The Authority has agreed to the District electing the buyer status. The District agrees to receive and buy water from the Authority

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

and the Authority agrees to sell and deliver water to the District at the minimum and maximum volumes as set forth in the Agreement. The current rate during the current fiscal year was \$5.05 per 1,000 gallons of water delivered. The District recorded expenditures of \$458,190 for water purchased per this Agreement during the current fiscal year.

The Authority required the District to convert its water system to chloramine disinfection for as long as it is connected to the Authority’s system. The District’s cost of this conversion was \$396,371. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the June 2011 Authority billing. Total credits received in the current fiscal year were \$28,796. Of this amount, \$8,767 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

Fiscal Year	Principal	Interest	Total
2022	\$ 9,293	\$ 19,503	\$ 28,796
2023	9,851	18,945	28,796
2024	10,442	18,354	28,796
2025	11,068	17,728	28,796
2026	11,732	17,064	28,796
2027-2031	70,104	73,876	143,980
2032-2036	93,814	50,165	143,979
2037-2041	<u>108,784</u>	<u>18,437</u>	<u>127,221</u>
Total	<u>\$ 325,088</u>	<u>\$ 234,072</u>	<u>\$ 559,160</u>

**NOTE 11. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT**

On July 11, 2006, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the “City”). The agreement provides that in accordance with Subchapter F of Chapter 43 of the Texas Local Government Code and the Act, the City shall annex a tract or tracts of land (the “Tract”) for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, own, operate, and maintain a water, wastewater, and drainage system in the District.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. The District retains all rights to assess and levy ad valorem taxes on taxable property within the Tract. Upon the limited purpose annexation of the Tract, the City's municipal courts shall have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and State laws. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of this agreement.

After the Tract is annexed for limited purposes by the City, the qualified voters of the Tract may vote in City elections pursuant to Texas Local Government Code. The City is responsible for notifying the voters within the Tract.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Texas Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts with 30 days of the City receiving the funds from the Texas Comptroller's office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the Agreement (July 11, 2006). During the current fiscal year, the District recorded \$19,947 in sales tax revenue, of which \$3,264 was recorded as a receivable.

**NOTE 13. ECONOMIC UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2021**

DRAFT SUBJECT TO CHANGE

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 1,125,000	\$ 1,157,567	\$ 32,567
Water Service	360,000	298,063	(61,937)
Wastewater Service	280,000	279,665	(335)
Regional Water Authority Fees	815,000	719,259	(95,741)
Penalty and Interest	10,500	30,930	20,430
Sales Tax Revenues	15,000	19,947	4,947
Tap Connection and Inspection Fees	12,600	12,700	100
Investment Revenues/Chloramine Conversion Credits	50,000	29,988	(20,012)
Miscellaneous Revenues	<u>10,000</u>	<u>24,238</u>	<u>14,238</u>
<b>TOTAL REVENUES</b>	<u>\$ 2,678,100</u>	<u>\$ 2,572,357</u>	<u>\$ (105,743)</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 229,750	\$ 228,786	\$ 964
Contracted Services	187,000	244,789	(57,789)
Purchased Water Service/Pumpage Fees	820,000	746,595	73,405
Purchased Wastewater Service	186,000	61,212	124,788
Utilities	59,000	44,885	14,115
Repairs and Maintenance	262,000	226,988	35,012
Other	153,000	137,974	15,026
Capital Outlay	<u>584,000</u>	<u>642,039</u>	<u>(58,039)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,480,750</u>	<u>\$ 2,333,268</u>	<u>\$ 147,482</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 197,350	\$ 239,089	\$ 41,739
<b>FUND BALANCE - JANUARY 1, 2021</b>	<u>3,650,323</u>	<u>3,650,323</u>	<u>                    </u>
<b>FUND BALANCE - DECEMBER 31, 2021</b>	<u>\$ 3,847,673</u>	<u>\$ 3,889,412</u>	<u>\$ 41,739</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**DECEMBER 31, 2021**

DRAFT SUBJECT TO CHANGE

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18  
SERVICES AND RATES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order effective October 14, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 12.00	6,000	N	\$ 1.00 \$ 1.25 \$ 1.50 \$ 2.50 \$ 3.50	6,001 to 15,000 15,001 to 20,000 20,001 to 30,000 30,001 to 40,000 40,001 and up

WASTEWATER: \$ 15.00 Y

SURCHARGE:  
Regional Water Authority Fees \$ 5.30 per 1,000 gallons of water used

District employs winter averaging for wastewater usage?                        
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$16.00 Wastewater: \$15.00 Surcharge: \$53.00 Total: \$84.00

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,341	1,341	x 1.0	1,341
1"	21	21	x 2.5	53
1½"	2	2	x 5.0	10
2"	63	63	x 8.0	504
3"	2	2	x 15.0	30
4"	2	2	x 25.0	50
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,432</u>	<u>1,432</u>		<u>2,038</u>
Total Wastewater Connections	<u>1,383</u>	<u>1,383</u>	x 1.0	<u>1,383</u>

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

Gallons pumped into system:	61,760,000	Water Accountability Ratio: 89%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	138,372,000	
Gallons purchased:	93,705,000	From: North Harris County Regional Water Authority

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**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 extraterritorial 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 MUNICIPAL UTILITY DISTRICT NO. 18**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

PROFESSIONAL FEES:

Auditing	\$ 12,000
Engineering	87,726
Legal	129,060
TOTAL PROFESSIONAL FEES	\$ 228,786

PURCHASED SERVICES FOR RESALE:

Purchased Water Service	\$ 458,190
Purchased Wastewater Service	61,212
TOTAL PURCHASED SERVICES FOR RESALE	\$ 519,402

CONTRACTED SERVICES:

Appraisal District	\$ 8,577
Bookkeeping	19,756
Operations and Billing	87,813
Security	96,131
Tax Collector	32,512
TOTAL CONTRACTED SERVICES	\$ 244,789

UTILITIES:

Electricity	\$ 44,213
Telephone	672
TOTAL UTILITIES	\$ 44,885

REPAIRS AND MAINTENANCE

\$ 226,988

ADMINISTRATIVE EXPENDITURES:

Director Fees	\$ 16,200
Insurance	22,617
Legal Notices	851
Office Supplies and Postage	34,094
Payroll Taxes	1,129
Travel and Meetings	4,645
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 79,536

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

CAPITAL OUTLAY	<u>\$ 642,039</u>
OTHER EXPENDITURES:	
Bulk Water Purchases	\$ 22,984
Chemicals	12,720
Laboratory Fees	1,062
Permit Fees	3,369
Inspection Fees	6,660
Regional Water Authority Assessment	288,405
Regulatory Assessment	2,972
Other	<u>8,671</u>
TOTAL OTHER EXPENDITURES	<u>\$ 346,843</u>
TOTAL EXPENDITURES	<u>\$ 2,333,268</u>

DRAFT SUBJECT TO CHANGE

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**INVESTMENTS**  
**DECEMBER 31, 2021**

<u>Fund</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>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	<u>\$ 3,599,924</u>	<u>\$ -0-</u>

DRAFT SUBJECT TO CHANGE

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Maintenance Taxes	
TAXES RECEIVABLE -		
JANUARY 1, 2021	\$ 432,333	
Adjustments to Beginning		
Balance	8,885	\$ 441,218
Original 2021 Tax Levy	\$ 1,225,510	
Adjustment to 2021 Tax Levy		1,225,510
TOTAL TO BE		
ACCOUNTED FOR		\$ 1,666,728
 TAX COLLECTIONS:		
Prior Years	\$ 411,672	
Current Year	246,735	658,407
 TAXES RECEIVABLE -		
DECEMBER 31, 2021		\$ 1,008,321
 TAXES RECEIVABLE BY		
YEAR:		
2021		\$ 978,775
2020		9,251
2019		5,000
2018		4,584
2017		3,201
2016		1,998
2015		1,076
2014		704
2013		670
2012 and prior		3,062
TOTAL		\$ 1,008,321

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020	2019	2018
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 86,527,594	\$ 67,501,953	\$ 60,665,128	\$ 55,653,994
Improvements	278,275,977	262,525,466	271,785,737	263,158,733
Personal Property	5,258,721	4,134,973	3,766,823	3,774,748
Exemptions	(25,816,063)	(23,772,065)	(24,819,963)	(23,467,235)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 344,246,229</b>	<b>\$ 310,390,327</b>	<b>\$ 311,397,725</b>	<b>\$ 299,120,240</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.000	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	0.356	0.37	0.37	0.38
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.356</b>	<b>\$ 0.37</b>	<b>\$ 0.37</b>	<b>\$ 0.38</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 1,225,510</b>	<b>\$ 1,148,438</b>	<b>\$ 1,152,165</b>	<b>\$ 1,136,651</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b>20.13 %</b>	<b>99.19 %</b>	<b>99.57 %</b>	<b>99.60 %</b>

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

Maintenance Tax – Maximum tax rate of \$0.50 per \$100 of assessed valuation approved by voters on November 16, 2011.

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**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amount		
	2021	2020	2019
<b>REVENUES</b>			
Property Taxes	\$ 1,157,567	\$ 1,146,829	\$ 1,123,018
Water Service	298,063	356,892	357,450
Wastewater Service	279,665	279,454	280,449
Regional Water Authority Fees	719,259	797,139	735,226
Penalty and Interest	30,930	22,310	27,579
Investment Revenues/Chloramine Conversion Credits	29,988	48,421	109,238
Miscellaneous Revenues	56,885	132,165	82,046
<b>TOTAL REVENUES</b>	<b>\$ 2,572,357</b>	<b>\$ 2,783,210</b>	<b>\$ 2,715,006</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 228,786	\$ 193,651	\$ 154,469
Contracted Services	244,789	220,139	201,577
Purchased Water and Wastewater Services	519,402	603,545	869,281
Utilities	44,885	51,210	50,381
Regional Water Authority Assessments	288,405	260,149	159,356
Repairs and Maintenance	226,988	688,173	287,297
Other	137,974	169,283	180,023
Capital Outlay	642,039	329,409	665,140
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,333,268</b>	<b>\$ 2,515,559</b>	<b>\$ 2,567,524</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 239,089</b>	<b>\$ 267,651</b>	<b>\$ 147,482</b>
<b>BEGINNING FUND BALANCE</b>	<b>3,650,323</b>	<b>3,382,672</b>	<b>3,235,190</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,889,412</b>	<b>\$ 3,650,323</b>	<b>\$ 3,382,672</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,432</b>	<b>1,432</b>	<b>1,429</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,383</b>	<b>1,383</b>	<b>1,382</b>

		Percentage of Total Revenue				
2018	2017	2021	2020	2019	2018	2017
\$ 1,069,330	\$ 997,925	44.9 %	41.4 %	41.4 %	42.8 %	42.4 %
341,638	341,071	11.6	12.8	13.2	13.6	14.5
280,384	278,921	10.9	10.0	10.3	11.2	11.9
625,738	595,308	28.0	28.6	27.1	25.0	25.3
23,353	20,386	1.2	0.8	1.0	0.9	0.9
86,385	51,163	1.2	1.7	4.0	3.4	2.2
78,135	65,111	2.2	4.7	3.0	3.1	2.8
<u>\$ 2,504,963</u>	<u>\$ 2,349,885</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 191,966	\$ 178,576	8.9 %	7.0 %	5.7 %	7.7 %	7.6 %
209,801	196,227	9.5	7.9	7.4	8.4	8.4
585,300	621,861	20.2	21.7	32.0	23.4	26.5
56,401	48,799	1.7	1.8	1.9	2.3	2.1
243,025	198,626	11.2	9.3	5.9	9.7	8.5
250,482	179,844	8.8	24.7	10.6	10.0	7.7
175,747	145,752	5.4	6.1	6.6	7.0	6.2
156,627	320,778	25.0	11.8	24.5	6.3	13.7
<u>\$ 1,869,349</u>	<u>\$ 1,890,463</u>	<u>90.7 %</u>	<u>90.3 %</u>	<u>94.6 %</u>	<u>74.8 %</u>	<u>80.7 %</u>
\$ 635,614	\$ 459,422	<u>9.3 %</u>	<u>9.7 %</u>	<u>5.4 %</u>	<u>25.2 %</u>	<u>19.3 %</u>
<u>2,599,576</u>	<u>2,140,154</u>					
<u>\$ 3,235,190</u>	<u>\$ 2,599,576</u>					
<u>1,426</u>	<u>1,423</u>					
<u>1,380</u>	<u>1,379</u>					

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2021**

District Mailing Address - Harris County Municipal Utility District No. 18  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2021	Expense Reimbursements for the year ended December 31, 2021	Title
Robert Bernardini	05/20 – 05/24 (Elected)	\$ 3,975	\$ 457	President
Karl Skarboszewski	05/18 – 05/22 (Elected)	\$ 5,250	\$ 309	Vice President
Charles Kennedy, Jr	05/20 – 05/24 (Elected)	\$ 1,650	\$ 28	Assistant Vice President
Michael Murr	05/18 – 05/22 (Elected)	\$ 2,850	\$ -0-	Secretary
Vally Swann	05/20 – 05/24 (Elected)	\$ 2,100	\$ 7	Assistant Secretary

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

Submission date of most recent District Registration Form: \_\_\_\_\_

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2021**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2021</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/27/03	\$ 124,150	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/27/17	\$ 12,000	Auditor
District Data Services, Inc.	09/12/78	\$ 19,756	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/11/96	\$ 4,910	Delinquent Tax Attorney
AEI Engineering, a Baxter & Woodman Company	07/30/03	\$ 128,193	Engineer
Masterson Advisors LLC	05/14/18	\$ -0-	Financial Advisor
Wendy Austin		\$ -0-	Investment Officer
Eagle Water Management, Inc.	05/30/12	\$ 277,349	Operator
Wheeler & Associates, Inc.	09/01/84	\$ 37,236	Tax Assessor/ Collector

DRAFT SUBJECT TO CHANGE