

Harris County Municipal Utility District No. 81

Harris County, Texas

Independent Auditor's Report and Financial Statements

December 31, 2020



Harris County Municipal Utility District No. 81
December 31, 2020

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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, 2020, 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, 2020, 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 14, 2021

Harris County Municipal Utility District No. 81

Management's Discussion and Analysis

December 31, 2020

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)
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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.

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Management's Discussion and Analysis (Continued)
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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

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 13,804,395	\$ 10,494,722
Capital assets	<u>10,465,243</u>	<u>10,354,513</u>
Total assets	<u>24,269,638</u>	<u>20,849,235</u>
Deferred outflows of resources	<u>159,772</u>	<u>173,161</u>
Total assets and deferred outflows of resources	<u>\$ 24,429,410</u>	<u>\$ 21,022,396</u>
Long-term liabilities	\$ 11,858,752	\$ 8,345,175
Other liabilities	<u>1,126,547</u>	<u>955,121</u>
Total liabilities	<u>12,985,299</u>	<u>9,300,296</u>
Deferred inflows of resources	<u>1,958,560</u>	<u>1,913,217</u>
Net position:		
Net investment in capital assets	1,298,843	2,171,149
Restricted	366,092	193,602
Unrestricted	<u>7,820,616</u>	<u>7,444,132</u>
Total net position	<u>\$ 9,485,551</u>	<u>\$ 9,808,883</u>

The total net position of the District decreased by \$323,332. The majority of the decrease in net position is related to depreciation expense on the District's capital assets. 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

	<u>2020</u>	<u>2019</u>
Revenues:		
Property taxes	\$ 1,895,434	\$ 1,837,211
City of Houston rebates	250,770	278,699
Charges for services	4,106,290	3,825,524
Other revenues	<u>221,740</u>	<u>583,513</u>
Total revenues	<u>6,474,234</u>	<u>6,524,947</u>

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Management's Discussion and Analysis (Continued)
December 31, 2020

Summary of Changes in Net Position (Continued)

	<u>2020</u>	<u>2019</u>
Expenses:		
Services	\$ 5,326,120	\$ 5,225,890
Depreciation	932,212	881,581
Conveyance of capital assets	-	119,896
Debt service	539,234	529,522
Total expenses	<u>6,797,566</u>	<u>6,756,889</u>
Change in net position	(323,332)	(231,942)
Net position, beginning of year	<u>9,808,883</u>	<u>10,040,825</u>
Net position, end of year	<u>\$ 9,485,551</u>	<u>\$ 9,808,883</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, 2020, were \$10,667,629, an increase of \$3,095,160 from the prior year.

The general fund's fund balance increased by \$389,482 due to property taxes, sales tax rebates and service revenues in excess of operating expenditures, as well as a transfer from the capital projects fund for reimbursement of 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 \$171,387 due to property tax revenues generated being greater than bond principal and interest requirements.

The capital projects fund's fund balance increased by \$2,534,291, primarily due to proceeds received from the District's bond sale exceeding capital outlay expenditures, debt issuance costs and a transfer to 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 surface water conversion revenues and purchased services, regional water fee and professional fees expenditures being greater than anticipated and investment income and repairs and maintenance and other expenditures being less than anticipated. In addition, capital outlay expenditures and an interfund transfer from the capital projects fund were not included in the budget. The fund balance as of December 31, 2020, was expected to be \$7,861,996 and the actual end-of-year fund balance was \$7,742,738.

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Management's Discussion and Analysis (Continued)
December 31, 2020

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)

	2020	2019
Construction in progress	\$ 159,371	\$ 205,440
Water facilities	7,765,111	7,322,462
Wastewater facilities	2,540,761	2,826,611
Total capital assets	\$ 10,465,243	\$ 10,354,513

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

Construction in progress related to alternate fill lines for ground storage tanks at water plant Nos. 1, 2 and 4, liquid bleach disinfection system for water plant Nos. 1 through 4 and Memorial Parkway, Section Nos. 1 and 2 sanitary sewer rehabilitation	\$ 159,371
Water plant No. 4 emergency generator and MCC replacement	670,663
Water well No. 4 rehabilitation project	198,760
West Memorial Municipal Utility District wastewater treatment plant lift station, Phase 1, and wastewater treatment plant emergency generator	14,148
Total additions to capital assets	\$ 1,042,942

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2020, are summarized below:

Long-term debt payable, beginning of year	\$ 8,345,175
Increases in long-term debt	3,884,713
Decreases in long-term debt	(371,136)
Long-term debt payable, end of year	\$ 11,858,752

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Management's Discussion and Analysis (Continued)
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At December 31, 2020, the District had \$8,235,000 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.

The District's bonds carry an underlying rating of "A+" from Standard & Poor's. The Series 2014 and 2020 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.

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, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	\$ 371,045	\$ 49,167	\$ 1,076,685	\$ 4,964	\$ 1,501,861	\$ -	\$ 1,501,861
Short-term investments	7,418,491	90,134	440,522	2,656,542	10,605,689	-	10,605,689
Receivables:							
Property taxes	554,288	-	330,897	-	885,185	-	885,185
Service accounts	278,343	-	-	-	278,343	-	278,343
Accrued penalty and interest	-	-	-	-	-	48,619	48,619
Interfund receivable	801,467	-	-	-	801,467	(801,467)	-
Due from participants	-	201,066	-	-	201,066	(28,779)	172,287
Due from others	-	154,884	-	-	154,884	-	154,884
Operating reserve	119,696	-	-	-	119,696	(30,000)	89,696
Sales tax rebate receivable	41,178	-	-	-	41,178	26,653	67,831
Capital assets (net of accumulated depreciation):							
Construction in progress	-	-	-	-	-	159,371	159,371
Infrastructure	-	-	-	-	-	10,305,872	10,305,872
Total assets	<u>9,584,508</u>	<u>495,251</u>	<u>1,848,104</u>	<u>2,661,506</u>	<u>14,589,369</u>	<u>9,680,269</u>	<u>24,269,638</u>
Deferred Outflows of Resources							
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>159,772</u>	<u>159,772</u>
Total assets and deferred outflows of resources	<u>\$ 9,584,508</u>	<u>\$ 495,251</u>	<u>\$ 1,848,104</u>	<u>\$ 2,661,506</u>	<u>\$ 14,589,369</u>	<u>\$ 9,840,041</u>	<u>\$ 24,429,410</u>

Harris County Municipal Utility District No. 81
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
December 31, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	\$ 244,686	\$ 292,754	\$ 14,925	\$ 5,414	\$ 557,779	\$ (28,779)	\$ 529,000
Accrued interest payable	-	-	5,125	-	5,125	114,488	119,613
Customer deposits	305,437	-	-	-	305,437	-	305,437
Due to others	-	82,497	-	-	82,497	-	82,497
Due to participants	-	120,000	-	-	120,000	(30,000)	90,000
Interfund payable	-	-	682,226	119,241	801,467	(801,467)	-
Long-term liabilities:							
Due within one year	-	-	-	-	-	380,000	380,000
Due after one year	-	-	-	-	-	11,478,752	11,478,752
Total liabilities	550,123	495,251	702,276	124,655	1,872,305	11,112,994	12,985,299
Deferred Inflows of Resources							
Deferred property tax revenues	1,291,647	0	757,788	0	2,049,435	(90,875)	1,958,560
Fund Balances/Net Position							
Fund balances:							
Restricted:							
Unlimited tax bonds	-	-	388,040	-	388,040	(388,040)	-
Water, sewer and drainage	-	-	-	2,536,851	2,536,851	(2,536,851)	-
Assigned:							
Future expenditures	29,122	-	-	-	29,122	(29,122)	-
Operating reserve	119,696	-	-	-	119,696	(119,696)	-
Unassigned	7,593,920	-	-	-	7,593,920	(7,593,920)	-
Total fund balances	7,742,738	0	388,040	2,536,851	10,667,629	(10,667,629)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 9,584,508	\$ 495,251	\$ 1,848,104	\$ 2,661,506	\$ 14,589,369		
Net position:							
Net investment in capital assets						1,298,843	1,298,843
Restricted for debt service						361,821	361,821
Restricted for capital projects						4,271	4,271
Unrestricted						7,820,616	7,820,616
Total net position						\$ 9,485,551	\$ 9,485,551

Harris County Municipal Utility District No. 81
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended December 31, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 1,011,942	\$ -	\$ 882,917	\$ -	\$ 1,894,859	\$ 575	\$ 1,895,434
Sales tax rebates	250,900	-	-	-	250,900	(130)	250,770
Water service	870,240	-	-	-	870,240	-	870,240
Sewer service	1,396,347	-	-	-	1,396,347	-	1,396,347
Surface water conversion	1,077,803	-	-	-	1,077,803	-	1,077,803
Service to other districts	-	933,265	-	-	933,265	(171,365)	761,900
Penalty and interest	39,398	-	36,967	-	76,365	(642)	75,723
Investment income	37,890	327	3,361	1,743	43,321	-	43,321
Other income	26,224	30,000	70	-	56,294	46,402	102,696
Total revenues	4,710,744	963,592	923,315	1,743	6,599,394	(125,160)	6,474,234
Expenditures/Expenses							
Service operations:							
Purchased services	641,411	-	-	-	641,411	(171,365)	470,046
Regional water fee	1,127,580	358	-	-	1,127,938	-	1,127,938
Professional fees	320,885	94,201	16,917	-	432,003	11,775	443,778
Contracted services	222,220	58,645	60,424	-	341,289	-	341,289
Solid waste	641,946	-	-	-	641,946	-	641,946
Utilities	143,838	150,318	-	-	294,156	-	294,156
Repairs and maintenance	880,385	527,792	-	-	1,408,177	-	1,408,177
Other expenditures	407,845	161,963	28,950	32	598,790	-	598,790
Capital outlay	78,493	-	-	976,224	1,054,717	(1,054,717)	-
Depreciation	-	-	-	-	-	932,212	932,212
Debt service:							
Principal retirement	-	-	370,000	-	370,000	(370,000)	-
Interest and fees	-	-	275,637	-	275,637	14,312	289,949
Debt issuance costs	-	-	-	249,285	249,285	-	249,285
Total expenditures/expenses	4,464,603	993,277	751,928	1,225,541	7,435,349	(637,783)	6,797,566
Excess (Deficiency) of Revenues Over							
Expenditures	246,141	(29,685)	171,387	(1,223,798)	(835,955)	512,623	

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, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities	
Other Financing Sources (Uses)								
Interfund transfers in (out)	\$ 126,624	\$ -	\$ -	\$ (126,624)	\$ -	\$ -		
General obligation bonds issued	-	-	-	4,000,000	4,000,000	(4,000,000)		
Discount on debt issued	-	-	-	(115,287)	(115,287)	115,287		
Recovery from governmental agency	16,717	29,685	-	-	46,402	(46,402)		
Total other financing sources	<u>143,341</u>	<u>29,685</u>	<u>0</u>	<u>3,758,089</u>	<u>3,931,115</u>	<u>(3,931,115)</u>		
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses								
	389,482	-	171,387	2,534,291	3,095,160	(3,095,160)		
Change in Net Position							(323,332)	\$ (323,332)
Fund Balances/Net Position								
Beginning of year	<u>7,353,256</u>	<u>-</u>	<u>216,653</u>	<u>2,560</u>	<u>7,572,469</u>	<u>-</u>	<u>9,808,883</u>	
End of year	<u>\$ 7,742,738</u>	<u>\$ 0</u>	<u>\$ 388,040</u>	<u>\$ 2,536,851</u>	<u>\$ 10,667,629</u>	<u>\$ 0</u>	<u>\$ 9,485,551</u>	

Harris County Municipal Utility District No. 81

Notes to Financial Statements

December 31, 2020

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, 2020

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

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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

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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

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December 31, 2020

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 2019 on the 2019 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, 2020, the tax levied in October 2020 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2021. 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:

	Years
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.

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Notes to Financial Statements
December 31, 2020

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.	\$ 10,465,243
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.	26,653
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	90,875

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Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	\$ 48,619
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	159,772
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(114,488)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(11,858,752)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (1,182,078)</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.	\$ 3,095,160
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 capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.	110,730
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.	(3,630,000)
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.	115,287
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(197)
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>(14,312)</u>
Change in net position of governmental activities.	<u><u>\$ (323,332)</u></u>

Harris County Municipal Utility District No. 81
Notes to Financial Statements
December 31, 2020

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, 2020, 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, 2020, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 10,605,689	\$ 10,605,689	\$ 0	\$ 0	\$ 0

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Notes to Financial Statements

December 31, 2020

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, 2020, 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, 2020, as follows:

Carrying value:		
Deposits	\$	1,501,861
Investments		10,605,689
Total	\$	12,107,550

Investment Income

Investment income of \$43,321 for the year ended December 31, 2020, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2020, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Construction in progress	\$ 205,440	\$ 159,371	\$ (205,440)	\$ 159,371
Capital assets, depreciable:				
Water production and distribution facilities	15,359,371	869,423	205,440	16,434,234
Wastewater collection and treatment facilities	8,331,340	14,148	-	8,345,488
Total capital assets, depreciable	23,690,711	883,571	205,440	24,779,722

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Notes to Financial Statements
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Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Less accumulated depreciation:				
Water production and distribution facilities	\$ (8,036,909)	\$ (632,214)	\$ -	\$ (8,669,123)
Wastewater collection and treatment facilities	(5,504,729)	(299,998)	-	(5,804,727)
Total accumulated depreciation	(13,541,638)	(932,212)	0	(14,473,850)
Total governmental activities, net	<u>\$ 10,354,513</u>	<u>\$ 110,730</u>	<u>\$ 0</u>	<u>\$ 10,465,243</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2020, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 6,685,000	\$ 4,000,000	\$ 65,000	\$ 10,620,000	\$ 65,000
Direct placement bonds	1,625,000	-	305,000	1,320,000	315,000
Less discounts on bonds	23,693	115,287	1,034	137,946	-
Add premium on bonds	58,868	-	2,170	56,698	-
Total governmental activities long-term liabilities	<u>\$ 8,345,175</u>	<u>\$ 3,884,713</u>	<u>\$ 371,136</u>	<u>\$ 11,858,752</u>	<u>\$ 380,000</u>

General Obligation Bonds

	Series 2014	Refunding Series 2015**
Amounts outstanding, December 31, 2020	\$1,250,000	\$1,320,000
Interest rates	2.50% to 4.00%	2.23%
Maturity dates, serially beginning/ending	September 1, 2021/2036	September 1, 2021/2024
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.

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Notes to Financial Statements
December 31, 2020

	Refunding Series 2019	Series 2020
Amounts outstanding, December 31, 2020	\$5,370,000	\$4,000,000
Interest rate	3.00%	2.000% to 2.125%
Maturity dates, serially beginning/ending	September 1, 2021/2036	September 1, 2037/2044
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2025

*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, 2020:

Year	General Obligation Bonds		Direct Placement Bonds		Total
	Principal	Interest	Principal	Interest	
2021	\$ 65,000	\$ 301,447	\$ 315,000	\$ 29,436	\$ 710,883
2022	70,000	285,694	325,000	22,412	703,106
2023	70,000	283,769	335,000	15,164	703,933
2024	70,000	281,843	345,000	7,694	704,537
2025	440,000	279,832	-	-	719,832
2026-2030	2,420,000	1,191,868	-	-	3,611,868
2031-2035	2,855,000	792,719	-	-	3,647,719
2036-2040	2,500,000	384,051	-	-	2,884,051
2041-2044	2,130,000	115,068	-	-	2,245,068
Total	<u>\$ 10,620,000</u>	<u>\$ 3,916,291</u>	<u>\$ 1,320,000</u>	<u>\$ 74,706</u>	<u>\$ 15,930,997</u>

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	30,715,000

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, 2020, the District levied an ad valorem debt service tax at the rate of \$0.1100 per \$100 of assessed

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December 31, 2020

valuation, which resulted in a tax levy of \$718,138 on the taxable valuation of \$652,857,933 for the 2020 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$710,883.

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, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.1900 per \$100 of assessed valuation, which resulted in a tax levy of \$1,240,422 on the taxable valuation of \$652,857,933 for the 2020 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 \$250,770 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, 2020, the Authority was billing the District \$3.20 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases. Effective January 1, 2021, the Authority increased the rate to \$3.45 per 1,000 gallons of water pumped from its wells.

Harris County Municipal Utility District No. 81

Notes to Financial Statements

December 31, 2020

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.

Participants	Gallons-per-day Capacity	Percentage
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 \$364,955 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, 2020, 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, 2020

	West Memorial Plant General Fund
Total assets	\$ 631,495
Total liabilities	\$ 213,225
Total fund balance	418,270
Total liabilities and fund balance	\$ 631,495
Total revenues	\$ 1,518,610
Total expenditures	1,518,610
Excess revenues	-
Other financing sources:	
Increase in operating reserve	4,470
Net increase in fund balance	\$ 4,470

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 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 \$171,365 for its share of operating costs.

Harris County Municipal Utility District No. 81
Notes to Financial Statements
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Each participant's gpd capacity and percentage of ownership is as follows:

Participants	Gallons-per-day Capacity	Percentage
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 prior years, the Cinco Regional Plant received \$107,816 from the insurance company and \$393,794 from FEMA towards repairs. During the current year, the Cinco Regional Plant received an additional \$29,685 from FEMA towards repairs.

Reclaimed Water Agreement

On May 11, 2016, as amended on March 20, 2017 and December 9, 2020, 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.

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Notes to Financial Statements

December 31, 2020

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, 2020, the rate charged to Cinco No. 1 was \$0.37 per 1,000 gallons of wastewater effluent purchased. On January 1, 2021, the rate increased to \$0.40 per 1,000 gallons of wastewater effluent purchased.

The participants also entered into a letter agreement dated April 14, 2016, supplemented on December 15, 2016 and December 9, 2020, 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: 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.

Required Supplementary Information

Harris County Municipal Utility District No. 81
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,000,000	\$ 1,011,942	\$ 11,942
Sales tax rebates	276,000	250,900	(25,100)
Water service	875,500	870,240	(5,260)
Sewer service	1,390,110	1,396,347	6,237
Surface water conversion	985,000	1,077,803	92,803
Penalty and interest	53,400	39,398	(14,002)
Investment income	126,000	37,890	(88,110)
Other income	28,800	26,224	(2,576)
	<u>4,734,810</u>	<u>4,710,744</u>	<u>(24,066)</u>
Total revenues			
Expenditures			
Service operations:			
Purchased services	554,550	641,411	(86,861)
Regional water fee	985,000	1,127,580	(142,580)
Professional fees	248,000	320,885	(72,885)
Contracted services	217,150	222,220	(5,070)
Solid waste	625,048	641,946	(16,898)
Utilities	168,000	143,838	24,162
Repairs and maintenance	971,000	880,385	90,615
Other expenditures	457,322	407,845	49,477
Capital outlay	-	78,493	(78,493)
	<u>4,226,070</u>	<u>4,464,603</u>	<u>(238,533)</u>
Total expenditures			
Excess of Revenues Over Expenditures	<u>508,740</u>	<u>246,141</u>	<u>(262,599)</u>
Other Financing Sources			
Recovery from governmental agency	-	16,717	16,717
Interfund transfers in	-	126,624	126,624
	<u>0</u>	<u>143,341</u>	<u>143,341</u>
Total other financing sources			
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	508,740	389,482	(119,258)
Fund Balance, Beginning of Year	<u>7,353,256</u>	<u>7,353,256</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 7,861,996</u>	<u>\$ 7,742,738</u>	<u>\$ (119,258)</u>

Harris County Municipal Utility District No. 81
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended December 31, 2020

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Service to other districts	\$ 915,550	\$ 915,550	\$ 933,265	\$ 17,715
Investment income	1,800	1,800	327	(1,473)
Other income	25,750	30,000	30,000	-
	<u>943,100</u>	<u>947,350</u>	<u>963,592</u>	<u>16,242</u>
Expenditures				
Service operations:				
Regional water fee	-	-	358	(358)
Professional fees	103,000	103,000	94,201	8,799
Contracted services	55,850	55,850	58,645	(2,795)
Utilities	184,800	184,800	150,318	34,482
Repairs and maintenance	376,800	376,800	527,792	(150,992)
Other expenditures	222,650	226,900	161,963	64,937
	<u>943,100</u>	<u>947,350</u>	<u>993,277</u>	<u>(45,927)</u>
Deficiency of Revenues Over Expenditures	-	-	(29,685)	(29,685)
Other Financing Sources				
Recovery from governmental agency	-	-	29,685	29,685
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Harris County Municipal Utility District No. 81
Notes to Required Supplementary Information
December 31, 2020

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 budget of the general fund was not amended and the original budget of the special revenue fund was amended during 2020.

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, 2020

(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 General Fund Expenditures
Year Ended December 31, 2020

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 20,400	
Legal	141,851	
Engineering	158,634	
Financial advisor	-	
		320,885
Purchased Services for Resale		
Bulk water and wastewater service purchases		641,411
Regional Water Fee		1,127,580
Contracted Services		
Bookkeeping	24,413	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	197,807	
		222,220
Utilities		143,838
Repairs and Maintenance		880,385
Administrative Expenditures		
Directors' fees	25,050	
Office supplies	50,447	
Insurance	36,137	
Other administrative expenditures	286,832	
		398,466
Capital Outlay		
Capitalized assets	78,493	
Expenditures not capitalized	-	
		78,493
Tap Connection Expenditures		-
Solid Waste Disposal		641,946
Debt Issuance Costs		-
Parks and Recreation		-
Other Expenditures		9,379
Total expenditures		\$ 4,464,603

Harris County Municipal Utility District No. 81
Schedule of Temporary Investments
December 31, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	0.08%	Demand	\$ 7,418,491	\$ -
Special Revenue Fund				
TexPool	0.08%	Demand	90,134	-
Debt Service Fund				
TexPool	0.08%	Demand	440,522	-
Capital Projects Fund				
TexPool	0.08%	Demand	<u>2,656,542</u>	<u>-</u>
Totals			<u>\$ 10,605,689</u>	<u>\$ 0</u>

Harris County Municipal Utility District No. 81
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2020

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 518,630	\$ 445,209
Additions and corrections to prior years' taxes	(9,957)	(7,825)
Adjusted receivable, beginning of year	<u>508,673</u>	<u>437,384</u>
 2020 Original Tax Levy	 1,138,964	 659,400
Additions and corrections	<u>101,458</u>	<u>58,738</u>
Adjusted tax levy	<u>1,240,422</u>	<u>718,138</u>
Total to be accounted for	1,749,095	1,155,522
 Tax collections:		
Current year	(737,359)	(426,891)
Prior years	<u>(457,448)</u>	<u>(397,734)</u>
Receivable, end of year	<u>\$ 554,288</u>	<u>\$ 330,897</u>
 Receivable, by Years		
2020	\$ 503,063	\$ 291,247
2019	16,715	14,625
2018	10,315	6,515
2017	5,945	3,864
2016	4,651	3,427
2015	3,588	2,332
2014	2,671	2,271
2013	2,035	1,928
2012	1,331	1,261
2011	977	926
2010	853	808
2009	564	376
2008	249	100
2007	391	188
2006	262	136
2005	216	130
2004	250	138
2003	111	316
2002	<u>101</u>	<u>309</u>
Receivable, end of year	<u>\$ 554,288</u>	<u>\$ 330,897</u>

Harris County Municipal Utility District No. 81
Analysis of Taxes Levied and Receivable (Continued)
Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Valuations				
Land	\$ 181,513,114	\$ 167,502,208	\$ 153,250,251	\$ 146,556,963
Improvements	544,300,391	543,989,463	514,125,560	501,208,365
Personal property	22,315,033	20,299,224	16,257,328	21,250,844
Exemptions	<u>(95,270,605)</u>	<u>(94,047,422)</u>	<u>(90,585,731)</u>	<u>(90,756,025)</u>
Total property valuations	<u>\$ 652,857,933</u>	<u>\$ 637,743,473</u>	<u>\$ 593,047,408</u>	<u>\$ 578,260,147</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.1100	\$ 0.1400	\$ 0.1200	\$ 0.1300
Maintenance tax rates*	<u>0.1900</u>	<u>0.1600</u>	<u>0.1900</u>	<u>0.2000</u>
Total tax rates per \$100 valuation	<u>\$ 0.3000</u>	<u>\$ 0.3000</u>	<u>\$ 0.3100</u>	<u>\$ 0.3300</u>
Tax Levy	<u>\$ 1,958,560</u>	<u>\$ 1,913,217</u>	<u>\$ 1,838,432</u>	<u>\$ 1,908,243</u>
Percent of Taxes Collected to Taxes Levied**	<u>59% ***</u>	<u>98%</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, 2021. Taxes were over 95 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, 2020

Due During Fiscal Years Ending December 31	Series 2014		
	Principal Due September 1	Interest Due March 1, September 1	Total
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	\$ 1,250,000	\$ 440,513	\$ 1,690,513

Harris County Municipal Utility District No. 81
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Due During Fiscal Years Ending December 31	Refunding Series 2015		
	Principal Due September 1	Interest Due March 1, September 1	Total
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	\$ 1,320,000	\$ 74,706	\$ 1,394,706

Harris County Municipal Utility District No. 81
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Due During Fiscal Years Ending December 31	Refunding Series 2019		
	Principal Due September 1	Interest Due March 1, September 1	Total
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	\$ 5,370,000	\$ 1,724,550	\$ 7,094,550

Harris County Municipal Utility District No. 81
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Due During Fiscal Years Ending December 31	Series 2020		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ -	\$ 97,847	\$ 97,847
2022	-	83,869	83,869
2023	-	83,869	83,869
2024	-	83,868	83,868
2025	-	83,869	83,869
2026	-	83,869	83,869
2027	-	83,868	83,868
2028	-	83,869	83,869
2029	-	83,869	83,869
2030	-	83,868	83,868
2031	-	83,869	83,869
2032	-	83,869	83,869
2033	-	83,868	83,868
2034	-	83,869	83,869
2035	-	83,869	83,869
2036	-	83,869	83,869
2037	445,000	83,869	528,869
2038	460,000	74,969	534,969
2039	475,000	65,769	540,769
2040	490,000	55,675	545,675
2041	505,000	45,262	550,262
2042	525,000	34,531	559,531
2043	540,000	23,375	563,375
2044	560,000	11,900	571,900
Totals	\$ 4,000,000	\$ 1,751,228	\$ 5,751,228

Harris County Municipal Utility District No. 81
Schedule of Long-term Debt Service Requirements by Years (Continued)
December 31, 2020

Annual Requirements For All Series			
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 380,000	\$ 330,883	\$ 710,883
2022	395,000	308,106	703,106
2023	405,000	298,933	703,933
2024	415,000	289,537	704,537
2025	440,000	279,832	719,832
2026	450,000	266,819	716,819
2027	470,000	253,118	723,118
2028	480,000	238,806	718,806
2029	500,000	224,182	724,182
2030	520,000	208,943	728,943
2031	535,000	192,869	727,869
2032	555,000	176,344	731,344
2033	570,000	159,218	729,218
2034	590,000	141,369	731,369
2035	605,000	122,919	727,919
2036	630,000	103,769	733,769
2037	445,000	83,869	528,869
2038	460,000	74,969	534,969
2039	475,000	65,769	540,769
2040	490,000	55,675	545,675
2041	505,000	45,262	550,262
2042	525,000	34,531	559,531
2043	540,000	23,375	563,375
2044	560,000	11,900	571,900
Totals	\$ 11,940,000	\$ 3,990,997	\$ 15,930,997

Harris County Municipal Utility District No. 81
Changes in Long-term Bonded Debt
Year Ended December 31, 2020

	Bond Issues				Totals
	Series 2014	Refunding Series 2015	Refunding Series 2019	Series 2020	
Interest rates	2.00% to 4.00%	2.23%	3.00%	2.000% to 2.125%	
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2021/2036	September 1, 2021/2024	September 1, 2021/2036	September 1, 2037/2044	
Bonds outstanding, beginning of current year	\$ 1,285,000	\$ 1,625,000	\$ 5,400,000	\$ -	\$ 8,310,000
Bonds sold in current year	-	-	-	4,000,000	4,000,000
Retirements, principal	<u>35,000</u>	<u>305,000</u>	<u>30,000</u>	<u>-</u>	<u>370,000</u>
Bonds outstanding, end of current year	<u>\$ 1,250,000</u>	<u>\$ 1,320,000</u>	<u>\$ 5,370,000</u>	<u>\$ 4,000,000</u>	<u>\$ 11,940,000</u>
Interest paid during current year	<u>\$ 43,200</u>	<u>\$ 36,237</u>	<u>\$ 202,500</u>	<u>\$ 0</u>	<u>\$ 281,937</u>

Paying agent's name and address:

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

Series 2020 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	<u>\$ 38,950,000</u>	<u>0</u>	<u>0</u>
Amount issued	<u>\$ 30,715,000</u>	<u>0</u>	<u>0</u>
Remaining to be issued	<u>\$ 8,235,000</u>	<u>0</u>	<u>0</u>

Debt service fund cash and temporary investment balances as of December 31, 2020: \$ 1,517,207

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 663,792

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

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	\$ 1,011,942	\$ 1,116,890	\$ 1,160,563	\$ 1,052,174	\$ 1,024,683
Sales tax rebates	250,900	277,518	277,929	276,411	306,324
Water service	870,240	897,680	1,155,367	906,934	894,232
Sewer service	1,396,347	1,386,557	1,320,777	1,301,250	1,297,292
Surface water conversion	1,077,803	991,536	910,938	824,242	761,841
Penalty and interest	39,398	58,817	62,324	56,718	99,575
Tap connection and inspection fees	-	-	2,475	180	-
Investment income	37,890	160,408	131,520	45,466	16,948
Other income	26,224	32,239	33,767	37,258	62
Total revenues	<u>4,710,744</u>	<u>4,921,645</u>	<u>5,055,660</u>	<u>4,500,633</u>	<u>4,400,957</u>
Expenditures					
Service operations:					
Purchased services	641,411	390,205	600,662	498,723	521,561
Regional water fees	1,127,580	1,048,533	1,138,876	1,021,574	792,667
Professional fees	320,885	304,054	250,002	231,668	238,736
Contracted services	222,220	224,812	208,302	203,804	196,223
Solid waste	641,946	623,843	574,682	548,582	538,314
Utilities	143,838	141,882	170,056	176,136	169,886
Repairs and maintenance	880,385	947,012	827,899	553,103	793,995
Other expenditures	407,845	606,899	379,336	372,565	335,607
Capital outlay	78,493	446,673	390,958	248,720	487,422
Debt service, debt issuance costs	-	41,873	-	-	-
Total expenditures	<u>4,464,603</u>	<u>4,775,786</u>	<u>4,540,773</u>	<u>3,854,875</u>	<u>4,074,411</u>
Excess of Revenues Over Expenditures	<u>246,141</u>	<u>145,859</u>	<u>514,887</u>	<u>645,758</u>	<u>326,546</u>
Other Financing Sources (Uses)					
Interfund transfers in (out)	126,624	(173,808)	-	(60,000)	-
Recovery from governmental agency	16,717	-	-	-	-
Total other financing sources (uses)	<u>143,341</u>	<u>(173,808)</u>	<u>0</u>	<u>(60,000)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	389,482	(27,949)	514,887	585,758	326,546
Fund Balance, Beginning of Year	<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>
Fund Balance, End of Year	<u>\$ 7,742,738</u>	<u>\$ 7,353,256</u>	<u>\$ 7,381,205</u>	<u>\$ 6,866,318</u>	<u>\$ 6,280,560</u>
Total Active Retail Water Connections	<u>3,174</u>	<u>3,175</u>	<u>3,160</u>	<u>3,171</u>	<u>3,176</u>
Total Active Retail Wastewater Connections	<u>3,129</u>	<u>3,099</u>	<u>3,078</u>	<u>3,127</u>	<u>3,136</u>

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
21.5 %	22.7 %	23.0 %	23.4 %	23.3 %
5.3	5.6	5.5	6.1	6.9
18.5	18.2	22.8	20.2	20.3
29.6	28.1	26.1	28.9	29.5
22.9	20.2	18.0	18.3	17.3
0.8	1.2	1.2	1.3	2.3
-	-	0.1	0.0	-
0.8	3.3	2.6	1.0	0.4
0.6	0.7	0.7	0.8	0.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
13.6	7.9	11.9	11.1	11.9
23.9	21.3	22.5	22.7	18.0
6.8	6.2	4.9	5.2	5.4
4.7	4.6	4.1	4.5	4.5
13.6	12.7	11.4	12.2	12.2
3.1	2.9	3.4	3.9	3.9
18.7	19.2	16.4	12.3	18.0
8.7	12.3	7.5	8.3	7.6
1.7	9.1	7.7	5.5	11.1
-	0.8	-	-	-
<u>94.8</u>	<u>97.0</u>	<u>89.8</u>	<u>85.7</u>	<u>92.6</u>
<u><u>5.2 %</u></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>

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

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	\$ 882,917	\$ 705,706	\$ 755,110	\$ 776,285	\$ 667,425
Penalty and interest	36,967	25,276	44,362	20,747	34,691
Investment income	3,361	10,022	7,568	3,056	1,150
Other income	70	20	10	1,217	-
Total revenues	<u>923,315</u>	<u>741,024</u>	<u>807,050</u>	<u>801,305</u>	<u>703,266</u>
Expenditures					
Current:					
Professional fees	16,917	3,510	2,131	5,373	10,387
Contracted services	60,424	59,745	60,545	57,553	69,932
Other expenditures	28,950	37,036	37,901	26,908	15,055
Debt service:					
Principal retirement	370,000	335,000	325,000	320,000	305,000
Interest and fees	275,637	206,272	329,284	341,592	354,799
Debt defeasance	-	79,000	-	-	-
Debt issuance costs	-	203,769	-	-	-
Total expenditures	<u>751,928</u>	<u>924,332</u>	<u>754,861</u>	<u>751,426</u>	<u>755,173</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>171,387</u>	<u>(183,308)</u>	<u>52,189</u>	<u>49,879</u>	<u>(51,907)</u>
Other Financing Sources (Uses)					
Interfund transfers in	-	-	-	60,000	-
General obligation bonds issued	-	5,400,000	-	-	-
Premium on debt issued	-	58,868	-	-	-
Deposit with escrow agent	-	(5,253,299)	-	-	-
Total other financing sources	<u>0</u>	<u>205,569</u>	<u>0</u>	<u>60,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other					
Financing Sources Over Expenditures					
and Other Financing Uses	171,387	22,261	52,189	109,879	(51,907)
Fund Balance, Beginning of Year	<u>216,653</u>	<u>194,392</u>	<u>142,203</u>	<u>32,324</u>	<u>84,231</u>
Fund Balance, End of Year	<u>\$ 388,040</u>	<u>\$ 216,653</u>	<u>\$ 194,392</u>	<u>\$ 142,203</u>	<u>\$ 32,324</u>

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
95.6 %	95.2 %	93.6 %	96.9 %	94.9 %
4.0	3.4	5.5	2.6	4.9
0.4	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>
1.8	0.5	0.2	0.7	1.5
6.5	8.0	7.5	7.2	9.9
3.1	5.0	4.7	3.4	2.1
40.1	45.2	40.3	39.9	43.4
29.9	27.8	40.8	42.6	50.5
-	10.7	-	-	-
-	27.5	-	-	-
<u>81.4</u>	<u>124.7</u>	<u>93.5</u>	<u>93.8</u>	<u>107.4</u>
<u>18.6 %</u>	<u>(24.7) %</u>	<u>6.5 %</u>	<u>6.2 %</u>	<u>(7.4) %</u>

Harris County Municipal Utility District No. 81
Board Members, Key Personnel and Consultants
Year Ended December 31, 2020

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):	<u>November 12, 2020</u>
Limit on fees of office that a director may receive during a fiscal year:	<u>\$ 7,200</u>

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
George Goff	Elected 11/20- 05/24	\$ 5,550	\$ 0	President
Patrick W. Cathcart	Elected 05/18- 05/22	4,200	0	Vice President
Bruce Cox	Elected 05/18- 05/22	5,700	0	Secretary
Donna Brown	Elected 05/18- 05/22	3,900	0	Treasurer
Michael Olsen	Elected 11/20- 05/24	600	0	Assistant Secretary
John Savage	Elected 05/16- 11/20	5,100	0	Term Expired

*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, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/24/03	\$ 194,624 119,121	General Counsel Bond Counsel
BGE, Inc.	12/18/03	383,717	Engineer
BKD, LLP	10/18/84	30,800	Auditor
Harris County Appraisal District	Legislative Action	14,106	Appraiser
Starr Johnson		49,073	District Employee
McLennan & Associates, LP	03/08/04	52,500	Bookkeeper
Municipal District Services, LLC	04/01/12	981,012	District Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/28/96	16,317	Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated	03/26/15	81,736	Financial Advisor
Si Environmental, LLC	07/12/12	380,091	Cinco Regional Plant Operator
Doris Vogt		13,779	District Employee
Wheeler & Associates, Inc.	08/10/76	77,245	Tax Assessor/ Collector
Investment Officer			
George Goff	09/28/95	N/A	Director