

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
HARRIS COUNTY, TEXAS
DECEMBER 8, 2021**

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

Ladies and Gentlemen:

This representation letter is provided in connection with your audit of the financial statements of Harris County Water Control and Improvement District No. 110, (the "District"), which comprise the respective financial position of the governmental activities and each major fund as of July 31, 2021, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of December 8, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 8, 2016, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, if any, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

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

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110**

Signatures of the Board of Directors

_____	_____
_____	_____

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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December 6, 2021

Board of Directors
Harris County Water Control and
Improvement District No. 110
Harris County, Texas

In planning and performing our audit of the financial statements of Harris County Water Control and Improvement District No. 110 (the "District") as of and for the year ended July 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. As such, our consideration of internal control would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

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

Material Weaknesses

Last year, and again this year, we observed the following matters that we consider to be material weaknesses.

The District's management consists of an elected Board of Directors (the "Directors"). The day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants. The Consultants can be part of the District's system of internal control; however, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

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

Material Weaknesses (Continued)

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

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

Management's Response

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

Conclusion

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

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

Sincerely,

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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December 8, 2021

Board of Directors
Harris County Water Control and
Improvement District No. 110

We have audited the financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 110 (the "District") for the year ended July 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our evergreen audit engagement letter to you dated June 8, 2016 and subsequent audit continuance letters. Professional standards also require that we communicate to you the following information related to our audit. For the purposes of this letter, the term "management" refers to the Board of Directors and/or District consultants.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2021.

Disagreements with Management

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

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

Restriction on Use

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

Sincerely,

McCall Gibson Swedlund Barfoot PLLC

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Water Control
and Improvement District No. 110
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 110 (the "District"), as of and for the year ended July 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.

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 District'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 July 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.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 8, 2021

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

Management's discussion and analysis of Harris County Water Control and Improvement District No. 110's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 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 Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and, 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 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 Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows or resources exceeded liabilities by \$23,153,608 as of July 31, 2021. A portion of the District's net position reflects its net investment in capital assets (land, buildings, equipment as well as water, wastewater, recreational and detention facilities, less any debt used to acquire those assets that is still outstanding).

The following summary of changes in the Statement of Net Position is presented as of July 31, 2021 and July 31, 2020.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 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	\$ 20,642,320	\$ 13,418,475	\$ 7,223,845
Capital Assets (Net of Accumulated Depreciation)	24,247,012	24,922,021	(675,009)
Total Assets	\$ 44,889,332	\$ 38,340,496	\$ 6,548,836
Deferred Outflows of Resources	\$ 483,289	\$ 544,762	\$ (61,473)
Bonds Payable	\$ 20,586,352	\$ 16,138,492	\$ (4,447,860)
Other Liabilities	1,632,661	1,480,966	(151,695)
Total Liabilities	\$ 22,219,013	\$ 17,619,458	\$ (4,599,555)
Net Investment in Capital Assets	\$ 9,578,024	\$ 9,328,291	\$ 249,733
Restricted	3,490,288	3,296,271	194,017
Unrestricted	10,085,296	8,641,238	1,444,058
Total Net Position	\$ 23,153,608	\$ 21,265,800	\$ 1,887,808

The following table provides a summary of the District's operations for the years ended July 31, 2021, and July 31, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,387,435	\$ 3,386,469	\$ 966
Sales Tax Revenues	1,555,008	1,352,857	202,151
Charges for Services	4,544,839	3,932,987	611,852
Other Revenues	500,571	449,090	51,481
Total Revenues	\$ 9,987,853	\$ 9,121,403	\$ 866,450
Expenses for Services	8,100,045	7,960,482	(139,563)
Change in Net Position	\$ 1,887,808	\$ 1,160,921	\$ 726,887
Net Position, Beginning of Year	21,265,800	20,104,879	1,160,921
Net Position, End of Year	\$ 23,153,608	\$ 21,265,800	\$ 1,887,808

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2021, were \$15,658,145, an increase of \$7,241,979 from the prior year.

The General Fund fund balance increased by \$1,587,745, primarily due to service, sales tax and property tax revenues exceeding operating and capital expenditures

The Debt Service Fund fund balance increased by \$220,159, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$5,434,075, primarily due to the sale of the Series 2021 Bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$1,240,541 more than budgeted revenues primarily due to higher than anticipated property tax, wastewater service, water authority fees, tap connection and inspection fees, and sales tax revenues. Actual expenditures were \$443,652 more than budgeted expenditures. See the budget to actual comparison for more detail.

CAPITAL ASSETS

Capital assets as of July 31, 2021, total \$24,247,012 (net of accumulated depreciation) and include the park and recreational facilities, land, buildings, equipment, water and wastewater facilities and detention pond. Current year activity included construction and acquisition of equipment as well as rehabilitation and additions to existing facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 7,147,335	\$ 7,147,335	\$
Construction in Progress	216,149	150,152	65,997
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	2,132,693	2,275,246	(142,553)
Water and Wastewater Facilities	10,163,661	10,591,614	(427,953)
Detention Facilities	3,598,421	3,681,182	(82,761)
Recreational Facilities	988,753	1,076,492	(87,739)
Total Net Capital Assets	<u>\$ 24,247,012</u>	<u>\$ 24,922,021</u>	<u>\$ (675,009)</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

LONG-TERM DEBT ACTIVITY

As of July 31, 2021, the District had total bond debt payable of \$20,275,000. The changes in the debt position of the District during the fiscal year ended July 31, 2021, are summarized as follows:

Bond Debt Payable, August 1, 2020	\$ 15,835,000
Add: Bond Sale	5,815,000
Less: Bond Principal Paid	<u>1,375,000</u>
Bond Debt Payable, July 31, 2021	<u>\$ 20,275,000</u>

The District carries underlying ratings of “A1”. The Series 2019, Series 2020 Refunding, and Series 2021 Bonds carry insured ratings of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings reflect all rating changes, if any, during the fiscal year ending July 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 Water Control and Improvement District No. 110, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2021**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 656,495	\$ 122,355
Investments	6,361,499	3,423,838
Receivables:		
Property Taxes	43,303	77,140
Penalty and Interest on Delinquent Taxes		
Service Accounts	370,072	
Accrued Interest	2,257	2,691
Other		
Due from Other Funds	31,702	
Prepaid Costs	267,469	
Due from City of Houston	421,958	
Joint Facilities Operating Advance	20,159	
Water Authority Capital Contribution		
Chloramine Conversion Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 8,174,914</u>	<u>\$ 3,626,024</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 8,174,914</u></u>	<u><u>\$ 3,626,024</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,426	\$ 780,276	\$	\$ 780,276
5,475,017	15,260,354		15,260,354
	120,443		120,443
		64,273	64,273
	370,072		370,072
	4,948		4,948
		527,868	527,868
	31,702	(31,702)	
	267,469		267,469
	421,958		421,958
	20,159		20,159
		2,454,155	2,454,155
		350,345	350,345
		7,147,335	7,147,335
		216,149	216,149
		16,883,528	16,883,528
<u>\$ 5,476,443</u>	<u>\$ 17,277,381</u>	<u>\$ 27,611,951</u>	<u>\$ 44,889,332</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 483,289</u>	<u>\$ 483,289</u>
<u>\$ 5,476,443</u>	<u>\$ 17,277,381</u>	<u>\$ 28,095,240</u>	<u>\$ 45,372,621</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 656,698	\$ 26,249
Accrued Interest Payable		
Due to Other Funds		4,065
Security Deposits	765,288	
Accrued Interest at Time of Sale		4,125
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 1,421,986</u>	<u>\$ 34,439</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 43,303</u>	<u>\$ 77,140</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 267,469	\$
Operating Advance	20,159	
Restricted for Authorized Construction		
Restricted for Debt Service		3,514,445
Unassigned	<u>6,421,997</u>	
TOTAL FUND BALANCES	<u>\$ 6,709,625</u>	<u>\$ 3,514,445</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,174,914</u>	<u>\$ 3,626,024</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 14,731	\$ 697,678	\$	\$ 697,678
		169,695	169,695
27,637	31,702	(31,702)	
	765,288		765,288
	4,125	(4,125)	
		1,480,000	1,480,000
		19,106,352	19,106,352
<u>\$ 42,368</u>	<u>\$ 1,498,793</u>	<u>\$ 20,720,220</u>	<u>\$ 22,219,013</u>
<u>\$ -0-</u>	<u>\$ 120,443</u>	<u>\$ (120,443)</u>	<u>\$ - 0 -</u>
\$	\$ 267,469	\$ (267,469)	\$
	20,159	(20,159)	
5,434,075	5,434,075	(5,434,075)	
	3,514,445	(3,514,445)	
	6,421,997	(6,421,997)	
<u>\$ 5,434,075</u>	<u>\$ 15,658,145</u>	<u>\$ (15,658,145)</u>	<u>\$ - 0 -</u>
<u>\$ 5,476,443</u>	<u>\$ 17,277,381</u>		
		\$ 9,578,024	\$ 9,578,024
		3,490,288	3,490,288
		10,085,296	10,085,296
		<u>\$ 23,153,608</u>	<u>\$ 23,153,608</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2021**

Total Fund Balances - Governmental Funds \$ 15,658,145

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables from the North Harris County Regional Water Authority are not current financial resources and, therefore, are not reported as assets in the governmental funds. 3,332,368

The difference between the net carrying amount of the refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 483,289

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 24,247,012

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. 184,716

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (165,570)	
Bonds Payable	<u>(20,586,352)</u>	<u>(20,751,922)</u>
Total Net Position - Governmental Activities		<u>\$ 23,153,608</u>

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

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2021**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,371,223	\$ 2,013,254
Water Service	887,799	
Wastewater Service	1,212,376	
Water Authority Fees	1,812,137	
Recreational Services	146,974	
Detention Pond Maintenance	135,568	
Sales Tax Revenues	1,555,008	
Penalty and Interest	54,009	24,658
Tap Connection and Inspection Fees	264,918	
Storm Related Revenues	228,077	
Investment and Miscellaneous Revenues	154,453	12,786
Water Authority Credits	251,455	
TOTAL REVENUES	<u>\$ 8,073,997</u>	<u>\$ 2,050,698</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 273,661	\$ 3,472
Contracted Services	1,494,980	67,532
Purchased Wastewater Service	92,060	
Parks and Recreation	873,178	
Utilities	263,334	
Water Authority Assessment	1,867,470	
Repairs and Maintenance	799,531	
Depreciation		
Other	547,624	9,541
Capital Outlay	273,364	
Debt Service:		
Bond Issuance Costs	1,050	
Bond Principal		1,375,000
Bond Interest		374,994
TOTAL EXPENDITURES/EXPENSES	<u>\$ 6,486,252</u>	<u>\$ 1,830,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 1,587,745</u>	<u>\$ 220,159</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,384,477	\$ 2,958	\$ 3,387,435
	887,799		887,799
	1,212,376		1,212,376
	1,812,137		1,812,137
	146,974		146,974
	135,568		135,568
	1,555,008		1,555,008
	78,667	6,400	85,067
	264,918		264,918
	228,077		228,077
17	167,256	(52,787)	114,469
	251,455	(93,430)	158,025
<u>\$ 17</u>	<u>\$ 10,124,712</u>	<u>\$ (136,859)</u>	<u>\$ 9,987,853</u>
\$	\$ 277,133	\$	\$ 277,133
	1,562,512		1,562,512
	92,060		92,060
	873,178		873,178
	263,334		263,334
	1,867,470		1,867,470
	799,531		799,531
		957,891	957,891
19	557,184		557,184
9,518	282,882	(282,882)	
415,117	416,167		416,167
	1,375,000	(1,375,000)	
	374,994	58,591	433,585
<u>\$ 424,654</u>	<u>\$ 8,741,445</u>	<u>\$ (641,400)</u>	<u>\$ 8,100,045</u>
<u>\$ (424,637)</u>	<u>\$ 1,383,267</u>	<u>\$ 504,541</u>	<u>\$ 1,887,808</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2021**

	General Fund	Debt Service Fund
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$	\$
Bond Discounts		
Bond Premiums		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 1,587,745	\$ 220,159
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2020	5,121,880	3,294,286
FUND BALANCES/NET POSITION - JULY 31, 2021	<u>\$ 6,709,625</u>	<u>\$ 3,514,445</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 5,815,000	\$ 5,815,000	\$ (5,815,000)	\$
(56,117)	(56,117)	56,117	
99,829	99,829	(99,829)	
\$ 5,858,712	\$ 5,858,712	\$ (5,858,712)	\$ -0-
\$ 5,434,075	\$ 7,241,979	\$ (7,241,979)	\$
		1,887,808	1,887,808
	8,416,166	12,849,634	21,265,800
\$ 5,434,075	\$ 15,658,145	\$ 7,495,463	\$ 23,153,608

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 7,241,979

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. 2,958

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. 6,400

Long-term receivables recorded in the Statement of Net Position are recorded as revenue in the Statement of Activities. (52,787)

The principal portion of payments received from the North Harris County Regional Water Authority for chloramine conversion costs and capital contribution credits reduce long-term receivables in the Statement of Net Position. (93,430)

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. (957,891)

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. 282,882

Governmental funds report bond premiums as other financing sources. However, in the Statement of Net Position, bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. (43,712)

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 1,375,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (58,591)

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (5,815,000)

Change in Net Position - Governmental Activities \$ 1,887,808

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 1. CREATION OF DISTRICT

The District was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the “Commission”), effective May 9, 1968, 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 is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board of Directors sets the policies of the District.

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 participates in a joint venture for the operation of a wastewater treatment plant (the “Plant”). Oversight responsibility of the Plant is with Harris County Municipal Utility District No. 249. Additional disclosure concerning this agreement is provided in Note 12.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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:

- 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and each are considered to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collected 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 taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2021, the General Fund owed the Debt Service Fund \$4,065 for the over transfer of maintenance tax collections and the Capital Projects Fund owed the General Fund \$27,637 for costs paid related to the issuance of the Series 2021 bonds

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings and Equipment	5-40
Water and Wastewater Facilities	20-50
Detention Facilities	45

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 budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has ten full-time employees. The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only. The District contributes to a 457(b) Plan for eligible employees.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 3. LONG-TERM DEBT

	Refunding Series 2011	Refunding Series 2013
Amounts Outstanding – July 31, 2021	\$ 520,000	\$ 325,000
Interest Rates	3.49%	4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2021/2022	September 1, 2021
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019*	September 1, 2020*

	Refunding Series 2019	Refunding Series 2020	Series 2021
Amounts Outstanding – July 31, 2021	\$ 6,340,000	\$ 7,275,000	\$ 5,815,000
Interest Rates	2.00% - 4.00%	2.00% - 4.00%	1.00% - 2.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2021/2028	September 1, 2021/2030	September 1, 2022/2031
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2025*	September 1, 2025*	September 1, 2026*

- * In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2019 Refunding term bonds due September 1, 2026 are subject to mandatory redemption beginning September 1, 2024. Series 2020 Refunding term bonds due September 1, 2028 are subject to mandatory redemption beginning September 1, 2027. Series 2021 term bonds due September 1, 2028 and September 1, 2031 are subject to mandatory redemption beginning September 1, 2027 and September 1, 2019, respectively.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2021:

	August 1, 2020	Additions	Retirements	July 31, 2021
Bonds Payable	\$ 15,835,000	\$ 5,815,000	\$ 1,375,000	\$ 20,275,000
Unamortized Discounts		(56,117)	(154)	(55,963)
Unamortized Premiums	<u>303,492</u>	<u>99,829</u>	<u>36,006</u>	<u>367,315</u>
Bonds Payable, Net	<u>\$ 16,138,492</u>	<u>\$ 5,858,712</u>	<u>\$ 1,410,852</u>	<u>\$ 20,586,352</u>
			Amount Due Within One Year	\$ 1,480,000
			Amount Due After One Year	<u>19,106,352</u>
			Bonds Payable, Net	<u>\$ 20,586,352</u>

As of July 31, 2021, the District had authorized but unissued bonds in the amount of \$10,770,000 for utility facilities and \$31,210,000 for refunding purposes. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount and certain bonds are further payable by the net revenues, if any, of the District's waterworks and sanitary sewer facilities.

As of July 31, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 1,480,000	\$ 423,073	\$ 1,903,073
2023	1,650,000	403,099	2,053,099
2024	1,710,000	353,950	2,063,950
2025	1,765,000	313,075	2,078,075
2026	1,805,000	276,650	2,081,650
2027-2031	9,775,000	680,812	10,455,812
2032	<u>2,090,000</u>	<u>13,063</u>	<u>2,103,063</u>
	<u>\$ 20,275,000</u>	<u>\$ 2,463,722</u>	<u>\$ 22,738,722</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended July 31, 2021, the District levied an ad valorem debt service tax rate of \$0.22 per \$100 of assessed valuation, which resulted in a tax levy of \$2,028,507 on the adjusted taxable valuation of \$922,028,243 for the 2020 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 5. 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 \$3,898,367 and the bank balance was \$4,026,455. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2021, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 656,495	\$ 2,149,676	\$ 2,806,171
DEBT SERVICE FUND	122,355	968,415	1,090,770
CAPITAL PROJECTS FUND	1,426		1,426
TOTAL DEPOSITS	<u>\$ 780,276</u>	<u>\$ 3,118,091</u>	<u>\$ 3,898,367</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

Certificates of deposit are recorded at acquisition cost. As of July 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	\$ 4,198,554	\$ 4,198,554
TexSTAR	13,269	13,269
Certificates of Deposit	2,149,676	2,149,676
<u>DEBT SERVICE FUND</u>		
TexPool	2,448,350	2,448,350
TexSTAR	7,073	7,073
Certificates of Deposit	968,415	968,415
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	5,475,017	5,475,017
TOTAL INVESTMENTS	<u><u>\$ 15,260,354</u></u>	<u><u>\$ 15,260,354</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2021, the District's investments in TexPool and TexSTAR were rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR to have maturities of less than one year since share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2021 is as follows:

	August 1, 2020	Increases	Decreases	July 31, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 7,147,335	\$	\$	\$ 7,147,335
Construction in Progress	150,152	282,882	216,885	216,149
Total Capital Assets Not Being Depreciated	\$ 7,297,487	\$ 282,882	\$ 216,885	\$ 7,363,484
Capital Assets Subject to Depreciation				
Buildings and Equipment	\$ 2,913,474	\$	\$	\$ 2,913,474
Water and Wastewater Facilities	22,458,979	194,563		22,653,542
Detention Facilities	3,724,263			3,724,263
Recreational Facilities	3,092,098	22,322		3,114,420
Total Capital Assets Subject to Depreciation	\$ 32,188,814	\$ 216,885	\$ - 0 -	\$ 32,405,699
Less Accumulated Depreciation				
Buildings and Equipment	\$ 638,228	\$ 142,553	\$	\$ 780,781
Water and Wastewater Facilities	11,867,365	622,516		12,489,881
Detention Facilities	43,081	82,761		125,842
Recreational Facilities	2,015,606	110,061		2,125,667
Total Accumulated Depreciation	\$ 14,564,280	\$ 957,891	\$ - 0 -	\$ 15,522,171
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 17,624,534	\$ (741,006)	\$ - 0 -	\$ 16,883,528
Total Capital Assets, Net of Accumulated Depreciation	\$ 24,922,021	\$ (458,124)	\$ 216,885	\$ 24,247,012

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 7. MAINTENANCE TAX

At an election held on May 1, 1993, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation of taxable property within the District. During the year ended July 31, 2021, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,383,073 on the adjusted taxable valuation of \$922,028,243 for the 2020 tax year. This maintenance tax is to be used by the General Fund to pay the costs of operating the District's water and wastewater systems.

NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS

On January 9, 1991, and as amended on September 13, 2000, and October 16, 2014, the District and Harris County Municipal Utility District No. 104 (District No. 104) entered into an agreement to provide for emergency water supply. The cost of the interconnect is the responsibility of each district. The charge for service to either district in effect per the most recent contract amendment is 200% of the supplying district's cost of producing water plus its pro-rata share of the well pumpage fee imposed by the North Harris County Regional Water Authority (the "Authority"). The term of the contract is 40 years.

On March 10, 1993, and as amended on August 9, 2000, the District and Harris County Water Control and Improvement District No. 99 ("District No. 99") entered into an agreement for emergency water supply. The cost of the interconnect was the responsibility of District No. 99. The charge for service to either district in effect per the most recent amendment to the contract is \$0.50 per 1,000 gallons of water plus its pro-rata share of the well pumpage fee imposed by the Authority. The term of the contract is 40 years.

On June 1, 1995, and as amended on April 10, 1996, October 22, 1997, and July 8, 1998, the District and Harris County Municipal Utility District No. 249 ("District No. 249") entered into an agreement to provide for emergency water supply. The cost of the interconnect is the responsibility of District No. 249. The charge for service to either district in effect per the most recent amendment to the contract is \$2.20 per 1,000 gallons of water. The term of the contract is 40 years.

NOTE 9. 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 from 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of 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 75th 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 is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements.

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. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$4.60 per 1,000 gallons of water pumped from each well. The District also purchases surface water from the Authority at a rate of \$5.05 per 1,000 gallons. The District paid the Authority \$1,867,470 during the current fiscal year.

Capital Contribution Contract

On July 9, 2008, the District executed a Capital Contribution Contract with the Authority. The District made a capital contribution for its share of the cost to complete Phase I of the 2010 Surface Water Distribution and Transmission System. During a prior fiscal year, the District contributed \$2,994,883 to the Authority in accordance with this agreement. The District began receiving capital contribution credits on its 3rd quarter 2009 Authority billing. Total credits received in the current fiscal year were \$220,560, of which \$84,115 was principal.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 88,637	\$ 131,923	\$ 220,560
2023	93,402	127,158	220,560
2024	98,422	122,138	220,560
2025	103,713	116,847	220,560
2026	109,288	111,272	220,560
2027-2031	641,139	461,661	1,102,800
2032-2036	833,010	269,790	1,102,800
2037-2039	486,544	46,476	533,020
	<u>\$ 2,454,155</u>	<u>\$ 1,387,265</u>	<u>\$ 3,841,420</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

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

Chloramine Conversion Reimbursement

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 reimbursable conversion costs totaled \$425,259. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the March 2011 Authority billing. Total credits received in the current fiscal year were \$30,895, of which \$9,315 was principal. 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	\$ 9,874	\$ 21,021	\$ 30,895
2023	10,466	20,429	30,895
2024	11,094	19,801	30,895
2025	11,760	19,135	30,895
2026	12,343	17,659	30,002
2027-2031	74,861	74,995	149,856
2032-2036	100,976	47,269	148,245
2037-2041	118,971	33,947	152,918
	<u>\$ 350,345</u>	<u>\$ 254,256</u>	<u>\$ 604,601</u>

On February 6, 2018, the District entered into an Alternative Water Use Incentive Agreement with the Authority. The District received approval from the Commission authorizing the reuse of Type 1 wastewater effluent from the District's 1,000,000 gallons-per-day wastewater treatment plant to be used for makeup water in amenity ponds. Upon completion of the reclaimed water system, credits will be given on a monthly basis equal to \$0.75 per 1,000 gallons of metered alternative water use during the preceding month. Total credits are not to exceed the capital cost of the system equal to \$527,868 plus 10% (total of \$580,655). The reclaimed water system was completed during the current fiscal year and the District received credits in the amount of \$52,787 in the current fiscal year.

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 8, 2003, 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 Local Government Code and Act, the City shall annex a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract. The District will continue to develop, to own, and to operate and maintain its water, wastewater, and drainage systems.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

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.

The City imposes a Sales and Use Tax within the boundaries of the Tract on the receipts from the sale and use at retail of taxable items at the rate of one percent (or the rate specified under future amendments to Chapter 321 of the Tax Code). The City pays the District one-half of all Sales and Use Tax revenues generated within 30 days of the City receiving the funds from the State Comptroller's office. During the fiscal year ended July 31, 2021, the District received sales tax revenues of \$1,555,008 and recorded a receivable of \$421,958 for uncollected sales tax revenues.

NOTE 12. WASTE DISPOSAL AGREEMENT

Effective February 17, 2000, the District entered into a waste disposal agreement with District No. 249. The agreement has since been amended. Current plant capacity is 800,000 gallons-per-day, of which the District's share is 216,000 gallons-per-day. District No. 249 manages and operates the joint facilities. The term of the agreement is 50 years. During the year ended July 31, 2021, the District incurred costs of \$92,060 for purchased sewer service. The District advanced \$20,159 for operations in a prior year.

The condensed audited financial information of the joint facilities as of and for the year ended December 31, 2020, as reflected in District No. 249's financial statements, is as follows:

	<u>Wastewater Treatment Plant</u>
Total Assets	\$ <u>103,345</u>
Total Liabilities	\$ 22,456
Total Fund Balance	<u>80,889</u>
Total Liabilities and Fund Balance	\$ <u>103,345</u>
Total Revenues	\$ 377,013
Total Expenditures	<u>377,013</u>
Net Change in Fund Balance	\$ -0-
Other Financing Sources – Increase In Operating Reserve	6,226
Fund Balance, Beginning of Year	<u>74,663</u>
Fund Balance, End of Year	\$ <u>80,889</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 13. RETIREMENT PLAN

Effective April 10, 2019, the District adopted a 457(b) Plan for the benefit of eligible employees. Eligible employees can contribute up to five percent of their compensation. The District agrees to match and contribute the amount of the employee's contribution per payroll period. During the current fiscal year, eligible employees contributed \$14,442 and the District contributed \$14,442.

NOTE 14. BOND SALE

On July 21, 2021, the District closed on the sale of its \$5,815,000 Series 2021 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds. Proceeds of the bonds were used to finance all or a portion of the construction and engineering improvements and related costs for the following: rehabilitation of aerobic digester and thickener, Louetta Road Lift Station (Lift Station No. 4), elevated welded steel storage tank, Hickory Twig Lift Station (Lift Station No. 1), east clarifier at wastewater treatment plant, glass coated-bolted steel ground storage tank at water plant no. 2, water well no. 1 at water plant no. 1, bolted steel ground storage tank at water plant no. 1, welded steel ground storage tank at water plant no. 1, hydropneumatic tanks at water plant no. 1 and water plant no. 2, water well no. 2 at water plant no. 1, sanitary sewer at Enchanted Oaks, Sections 2, 3, and 4, as well as construction of Haas detention pond expansion and Enchanted Stream detention pond. Additional proceeds were used to pay for issuance costs of the bonds .

NOTE 15. 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2021

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,250,000	\$ 1,371,223	\$ 121,223
Water Service	925,000	887,799	(37,201)
Wastewater Service	1,013,000	1,212,376	199,376
Water Authority Fees	1,600,000	1,812,137	212,137
Recreational Services	156,000	146,974	(9,026)
Detention Pond Maintenance	100,000	135,568	35,568
Sales Tax Revenues	1,300,000	1,555,008	255,008
Penalty and Interest	55,000	54,009	(991)
Tap Connection and Inspection Fees	117,000	264,918	147,918
Storm Related Revenues		228,077	228,077
Investment and Miscellaneous Revenues	66,000	154,453	88,453
Water Authority Credits	251,456	251,455	(1)
TOTAL REVENUES	\$ 6,833,456	\$ 8,073,997	\$ 1,240,541
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 246,000	\$ 273,661	\$ (27,661)
Contracted Services	1,499,000	1,494,980	4,020
Purchased Wastewater Service	88,000	92,060	(4,060)
Parks and Recreation	808,100	873,178	(65,078)
Utilities	275,000	263,334	11,666
Water Authority Assessment	1,750,000	1,867,470	(117,470)
Repairs and Maintenance	575,000	799,531	(224,531)
Other	601,500	547,624	53,876
Capital Outlay	200,000	273,364	(73,364)
Bond Issuance Costs		1,050	(1,050)
TOTAL EXPENDITURES	\$ 6,042,600	\$ 6,486,252	\$ (443,652)
NET CHANGE IN FUND BALANCE	\$ 790,856	\$ 1,587,745	\$ 796,889
FUND BALANCE - AUGUST 1, 2020	5,121,880	5,121,880	
FUND BALANCE - JULY 31, 2021	\$ 5,912,736	\$ 6,709,625	\$ 796,889

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110**

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

JULY 31, 2021

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2021**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved February 10, 2021.

	<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:	\$ 11.00	8,000	N	\$ 0.50 \$ 1.50 \$ 2.50 \$ 3.50	8,001 to 20,000 20,001 to 30,000 30,001 to 40,000 40,001 and up

WASTEWATER: \$ 31.00 Y

SURCHARGE:

Regional Water
Authority Fees \$5.41 per 1,000 gallons used

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$12.00 Wastewater: \$31.00 Surcharge: \$54.10

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
SERVICES AND RATES
FOR THE YEAR ENDED JULY 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"	2,043	2,016	x 1.0	2,016
1"	256	253	x 2.5	633
1½"	25	24	x 5.0	120
2"	109	105	x 8.0	840
3"	2	1	x 15.0	15
4"	5	5	x 25.0	125
6"	22	22	x 50.0	1,100
8"	6	6	x 80.0	480
10"			x 115.0	
Total Water Connections	2,468	2,432		5,329
Total Wastewater Connections	2,329	2,300	x 1.0	2,300

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

Gallons pumped into system:	118,160,000	Water Accountability Ratio: 96.7% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	372,394,000	
Gallons purchased:	285,781,000	From: North Harris County Regional Water Authority
Gallons sold:	18,385,000	To: Harris County Municipal Utility District No. 249

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
SERVICES AND RATES
FOR THE YEAR ENDED JULY 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 WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2021**

PROFESSIONAL FEES:

Auditing	\$ 26,000
Engineering	98,639
Legal	<u>149,022</u>

TOTAL PROFESSIONAL FEES \$ 273,661

PURCHASED WASTEWATER SERVICE \$ 92,060

CONTRACTED SERVICES:

Bookkeeping	\$ 40,691
Operations and Billing	188,164
Solid Waste Disposal	456,968
Security	<u>809,157</u>

TOTAL CONTRACTED SERVICES \$ 1,494,980

UTILITIES \$ 263,334

REPAIRS AND MAINTENANCE \$ 799,531

ADMINISTRATIVE EXPENDITURES:

Director Fees	\$ 23,700
Insurance	27,109
Office Supplies and Postage	46,802
Subsidence District, Consulting, Meetings, and Other	<u>51,225</u>

TOTAL ADMINISTRATIVE EXPENDITURES \$ 148,836

CAPITAL OUTLAY \$ 273,364

TAP CONNECTIONS \$ 107,708

PARKS AND RECREATION \$ 873,178

OTHER EXPENDITURES:

Chemicals	\$ 50,512
Laboratory Fees	51,201
Permit Fees	15,330
Inspection and Reconnection Fees	16,878
Water Authority Assessment	1,867,470
Regulatory Assessment	9,959
Sludge Hauling	<u>147,200</u>

TOTAL OTHER EXPENDITURES \$ 2,158,550

BOND ISSUANCE COSTS \$ 1,050

TOTAL EXPENDITURES \$ 6,486,252

Number of persons employed by the District 10 Full-Time -0- Part-Time

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
INVESTMENTS
JULY 31, 2021**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 4,198,554	\$
TexSTAR	XXXX2220	Varies	Daily	13,269	
Certificate of Deposit	XXXX5801	0.5000%	01/10/22	245,348	679
Certificate of Deposit	XXXX2365	0.3000%	02/06/22	526,491	757
Certificate of Deposit	XXXX3824	0.3500%	03/01/22	151,602	221
Certificate of Deposit	XXXX5582	0.2100%	03/17/22	244,201	191
Certificate of Deposit	XXXX1691	0.2500%	04/09/22	240,000	186
Certificate of Deposit	XXXX3880	0.2500%	06/10/22	249,291	87
Certificate of Deposit	XXXX2164	0.4000%	06/13/22	248,425	131
Certificate of Deposit	XXXX0972	0.0400%	01/09/22	244,318	5
TOTAL GENERAL FUND				\$ 6,361,499	\$ 2,257
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,448,350	\$
TexSTAR	XXXX3000	Varies	Daily	7,073	
Certificate of Deposit	XXXX6363	0.4500%	08/18/21	240,000	1,027
Certificate of Deposit	XXXX1018	0.3500%	08/18/21	240,000	798
Certificate of Deposit	XXXX7760	0.3500%	08/18/21	240,000	799
Certificate of Deposit	XXXX3478	0.2000%	06/12/22	248,415	67
TOTAL DEBT SERVICE FUND				\$ 3,423,838	\$ 2,691
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX4440	Varies	Daily	\$ 5,475,017	\$ -0-
TOTAL				\$ 15,260,354	\$ 4,948

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2021**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
AUGUST 1, 2020	\$ 40,773		\$ 76,712	
Adjustments to Beginning				
Balance	<u>(9,320)</u>	\$ 31,453	<u>(14,825)</u>	\$ 61,887
Original 2020 Tax Levy	\$ 1,325,914		\$ 1,944,673	
Adjustment to 2020 Tax Levy	<u>57,159</u>	<u>1,383,073</u>	<u>83,834</u>	<u>2,028,507</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,414,526		\$ 2,090,394
TAX COLLECTIONS:				
Prior Years	\$ 4,516		\$ 8,750	
Current Year	<u>1,366,707</u>	<u>1,371,223</u>	<u>2,004,504</u>	<u>2,013,254</u>
TAXES RECEIVABLE -				
JULY 31, 2021		<u>\$ 43,303</u>		<u>\$ 77,140</u>
TAXES RECEIVABLE BY YEAR:				
2020		\$ 16,366		\$ 24,003
2019		3,404		5,447
2018		2,113		3,522
2017		13,135		24,518
2016		1,498		2,796
2015		680		1,315
2014		698		1,442
2013		577		1,462
2012		490		1,275
2011		490		1,308
2010 and Prior		<u>3,852</u>		<u>10,052</u>
TOTAL		<u>\$ 43,303</u>		<u>\$ 77,140</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PROPERTY VALUATIONS:				
Land	\$ 246,618,255	\$ 242,005,093	\$ 238,107,936	\$ 238,229,416
Improvements	692,534,421	663,793,077	625,290,783	630,069,827
Personal Property	155,981,205	145,639,358	142,407,802	133,889,925
Exemptions	<u>(173,105,638)</u>	<u>(162,455,113)</u>	<u>(152,332,670)</u>	<u>(151,358,514)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 922,028,243</u>	<u>\$ 888,982,415</u>	<u>\$ 853,473,851</u>	<u>\$ 850,830,654</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.22	\$ 0.24	\$ 0.25	\$ 0.28
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.37</u>	<u>\$ 0.39</u>	<u>\$ 0.40</u>	<u>\$ 0.43</u>
ADJUSTED TAX LEVY*	<u>\$ 3,411,580</u>	<u>\$ 3,467,032</u>	<u>\$ 3,417,575</u>	<u>\$ 3,663,595</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.82 %</u>	<u>99.74 %</u>	<u>99.84 %</u>	<u>98.97 %</u>

* 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 \$0.15 per \$100 of assessed valuation approved by voters on May 1, 1993.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021**

REFUNDING SERIES - 2011			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 255,000	\$ 13,698	\$ 268,698
2023	265,000	4,624	269,624
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
	<u>\$ 520,000</u>	<u>\$ 18,322</u>	<u>\$ 538,322</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021**

REFUNDING SERIES - 2013			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 325,000	\$ 6,500	\$ 331,500
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
	<u>\$ 325,000</u>	<u>\$ 6,500</u>	<u>\$ 331,500</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021**

REFUNDING SERIES - 2019			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 855,000	\$ 179,875	\$ 1,034,875
2023	905,000	153,475	1,058,475
2024	940,000	125,800	1,065,800
2025	50,000	111,200	161,200
2026	50,000	110,200	160,200
2027	55,000	109,150	164,150
2028	1,725,000	74,100	1,799,100
2029	1,760,000	19,800	1,779,800
2030			
2031			
2032			
	<u>\$ 6,340,000</u>	<u>\$ 883,600</u>	<u>\$ 7,223,600</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021**

REFUNDING SERIES - 2020			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 45,000	\$ 177,625	\$ 222,625
2023	380,000	171,250	551,250
2024	680,000	155,350	835,350
2025	705,000	134,575	839,575
2026	735,000	109,300	844,300
2027	760,000	87,000	847,000
2028	50,000	78,900	128,900
2029	50,000	77,900	127,900
2030	1,920,000	58,200	1,978,200
2031	1,950,000	19,500	1,969,500
2032			
	<u>\$ 7,275,000</u>	<u>\$ 1,069,600</u>	<u>\$ 8,344,600</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021**

S E R I E S - 2 0 2 1			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$	\$ 45,375	\$ 45,375
2023	100,000	73,750	173,750
2024	90,000	72,800	162,800
2025	1,010,000	67,300	1,077,300
2026	1,020,000	57,150	1,077,150
2027	1,040,000	41,650	1,081,650
2028	120,000	30,650	150,650
2029	155,000	29,275	184,275
2030	90,000	27,937	117,937
2031	100,000	26,750	126,750
2032	2,090,000	13,063	2,103,063
	<u>\$ 5,815,000</u>	<u>\$ 485,700</u>	<u>\$ 6,300,700</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2021**

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 1,480,000	\$ 423,073	\$ 1,903,073
2023	1,650,000	403,099	2,053,099
2024	1,710,000	353,950	2,063,950
2025	1,765,000	313,075	2,078,075
2026	1,805,000	276,650	2,081,650
2027	1,855,000	237,800	2,092,800
2028	1,895,000	183,650	2,078,650
2029	1,965,000	126,975	2,091,975
2030	2,010,000	86,137	2,096,137
2031	2,050,000	46,250	2,096,250
2032	2,090,000	13,063	2,103,063
	<u>\$ 20,275,000</u>	<u>\$ 2,463,722</u>	<u>\$ 22,738,722</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2021**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2020
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2010A	\$ 5,680,000	\$ 745,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax Refunding Bonds - Series 2011	3,300,000	765,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2012	6,755,000	340,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2013	6,910,000	345,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2019	6,450,000	6,365,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2020	7,275,000	7,275,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Bonds - Series 2021	5,815,000	
TOTAL	<u>\$ 42,185,000</u>	<u>\$ 15,835,000</u>

See Note 3 for interest rates, interest payment dates and maturity dates.

Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 55,810,000	\$ 33,000,000
Amount Issued	45,040,000	1,790,000
Remaining to be Issued	<u>\$ 10,770,000</u>	<u>\$ 31,210,000</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding July 31, 2021	
	Principal	Interest		
\$	\$ 745,000	\$ 14,900	\$ - 0 -	Wells Fargo Bank N.A. Minneapolis, MN
	245,000	22,423	520,000	Branch Banking and Trust Company Wilson, NC
	340,000	5,100	- 0 -	Regions Bank Houston, TX
	20,000	13,200	325,000	Regions Bank Houston, TX
	25,000	193,075	6,340,000	Regions Bank Houston, TX
		126,296	7,275,000	Regions Bank Houston, TX
5,815,000			5,815,000	Regions Bank Houston, TX
\$ 5,815,000	\$ 1,375,000	\$ 374,994	\$ 20,275,000	

Debt Service Fund cash and investment
balances as of July 31, 2021:

\$ 3,546,193

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

\$ 2,067,157

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 1,371,223	\$ 1,326,975	\$ 1,263,957
Water Service	887,799	820,198	851,030
Wastewater Service	1,212,376	1,068,387	1,140,369
Water Authority Fees	1,812,137	1,590,020	1,407,803
Recreational Services	146,974	130,331	193,354
Detention Pond Maintenance	135,568	102,661	101,372
Sales Tax Revenues	1,555,008	1,352,857	1,444,437
Penalty and Interest	54,009	34,463	51,071
Tap Connection and Inspection Fees	264,918	116,295	174,665
Storm Related Revenues	228,077	100,379	658,809
Investment and Miscellaneous Revenues	154,453	157,908	196,000
Water Authority Credits	251,455	251,455	251,455
TOTAL REVENUES	<u>\$ 8,073,997</u>	<u>\$ 7,051,929</u>	<u>\$ 7,734,322</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 273,661	\$ 306,491	\$ 266,137
Contracted Services	1,494,980	1,447,498	1,411,643
Purchased Wastewater Service	92,060	86,783	92,124
Parks and Recreation	873,178	1,020,746	1,183,958
Utilities	263,334	261,890	253,447
Water Authority Assessment	1,867,470	1,670,286	1,500,703
Repairs and Maintenance	799,531	636,617	717,966
Other	547,624	644,418	594,249
Capital Outlay	273,364	857,165	2,408,545
Bond Issuance Costs	1,050		5,345
Bond Principal			1,000,000
TOTAL EXPENDITURES	<u>\$ 6,486,252</u>	<u>\$ 6,931,894</u>	<u>\$ 9,434,117</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,587,745</u>	<u>\$ 120,035</u>	<u>\$ (1,699,795)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,587,745</u>	<u>\$ 120,035</u>	<u>\$ (1,699,795)</u>
BEGINNING FUND BALANCE	<u>5,121,880</u>	<u>5,001,845</u>	<u>6,701,640</u>
ENDING FUND BALANCE	<u><u>\$ 6,709,625</u></u>	<u><u>\$ 5,121,880</u></u>	<u><u>\$ 5,001,845</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 1,222,534	\$ 1,233,336	17.0 %	18.9 %	16.3 %	15.0 %	17.8 %
927,676	964,297	11.0	11.6	11.0	11.2	13.9
1,147,583	1,149,726	15.0	15.2	14.7	13.9	16.6
1,380,251	1,242,865	22.4	22.5	18.2	16.7	17.9
150,639	200,337	1.8	1.8	2.5	1.8	2.9
101,325	102,129	1.7	1.5	1.3	1.2	1.5
1,596,632	1,519,791	19.3	19.2	18.7	19.3	21.9
62,763	48,035	0.7	0.5	0.7	0.8	0.7
99,948	109,646	3.3	1.6	2.3	1.2	1.6
1,139,660		2.8	1.4	8.5	13.8	
174,879	112,133	1.9	2.2	2.5	2.1	1.6
251,455	251,455	3.1	3.6	3.3	3.0	3.6
<u>\$ 8,255,345</u>	<u>\$ 6,933,750</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 252,145	\$ 360,016	3.4 %	4.3 %	3.4 %	3.1 %	5.2 %
1,349,625	1,210,452	18.5	20.5	18.3	16.3	17.5
75,222	62,030	1.1	1.2	1.2	0.9	0.9
1,151,139	1,081,811	10.8	14.5	15.3	13.9	15.6
260,129	272,200	3.3	3.7	3.3	3.2	3.9
1,476,967	1,257,313	23.1	23.7	19.4	17.9	18.1
2,230,474	587,058	9.9	9.0	9.3	27.0	8.5
532,732	477,319	6.8	9.1	7.7	6.5	6.9
3,561,804	1,229,974	3.4	12.2	31.1	43.1	17.7
				0.1		
				12.9		
<u>\$ 10,890,237</u>	<u>\$ 6,538,173</u>	<u>80.3 %</u>	<u>98.2 %</u>	<u>122.0 %</u>	<u>131.9 %</u>	<u>94.3 %</u>
\$ (2,634,892)	\$ 395,577	<u>19.7 %</u>	<u>1.8 %</u>	<u>(22.0) %</u>	<u>(31.9) %</u>	<u>5.7 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (2,634,892)	\$ 395,577					
<u>9,336,532</u>	<u>8,940,955</u>					
<u>\$ 6,701,640</u>	<u>\$ 9,336,532</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 2,013,254	\$ 2,127,778	\$ 2,107,389
Penalty and Interest	24,658	91,885	20,163
Investment and Miscellaneous Revenues	12,786	27,960	49,363
TOTAL REVENUES	<u>\$ 2,050,698</u>	<u>\$ 2,247,623</u>	<u>\$ 2,176,915</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 80,545	\$ 90,974	\$ 84,157
Debt Service Principal	1,375,000	685,000	2,845,000
Debt Service Interest	374,994	496,478	703,598
Bond Issuance Costs		314,161	258,790
Payment to Refunding Bond Escrow Agent		95,000	
TOTAL EXPENDITURES	<u>\$ 1,830,539</u>	<u>\$ 1,681,613</u>	<u>\$ 3,891,545</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 220,159</u>	<u>\$ 566,010</u>	<u>\$ (1,714,630)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$	\$
Proceeds from Issuance of Long-Term Debt Issued		7,275,000	6,450,000
Bond Premiums		106,755	225,513
Payment to Refunding Bond Escrow Agent		(7,071,130)	(6,417,722)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 310,625</u>	<u>\$ 257,791</u>
NET CHANGE IN FUND BALANCE	\$ 220,159	\$ 876,635	\$ (1,456,839)
BEGINNING FUND BALANCE	<u>3,294,286</u>	<u>2,417,651</u>	<u>3,874,490</u>
ENDING FUND BALANCE	<u>\$ 3,514,445</u>	<u>\$ 3,294,286</u>	<u>\$ 2,417,651</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,432</u>	<u>2,421</u>	<u>2,414</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,300</u>	<u>2,292</u>	<u>2,288</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 2,277,837	\$ 2,303,230	98.2 %	94.7 %	96.8 %	96.8 %	96.2 %
16,066	38,826	1.2	4.1	0.9	0.7	1.6
58,814	53,153	0.6	1.2	2.3	2.5	2.2
<u>\$ 2,352,717</u>	<u>\$ 2,395,209</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 76,880	\$ 78,563	3.9 %	4.0 %	3.9 %	3.3 %	3.3 %
1,165,000	1,115,000	67.1	30.5	130.7	49.5	46.6
798,228	835,439	18.3	22.1	32.3	33.9	34.9
			14.0	11.9		
			4.2			
<u>\$ 2,040,108</u>	<u>\$ 2,029,002</u>	<u>89.3 %</u>	<u>74.8 %</u>	<u>178.8 %</u>	<u>86.7 %</u>	<u>84.8 %</u>
\$ 312,609	\$ 366,207	<u>10.7 %</u>	<u>25.2 %</u>	<u>(78.8) %</u>	<u>13.3 %</u>	<u>15.2 %</u>
\$	\$					
\$ - 0 -	\$ - 0 -					
\$ 312,609	\$ 366,207					
<u>3,561,881</u>	<u>3,195,674</u>					
<u>\$ 3,874,490</u>	<u>\$ 3,561,881</u>					
<u>2,402</u>	<u>2,415</u>					
<u>2,277</u>	<u>2,410</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2021**

District Mailing Address - Harris County Water Control and
Improvement District No. 110
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd., Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended July 31, 2021	Expense Reimbursements for the year ended July 31, 2021	Title
James N. Williams	05/19 - 05/23 (Elected)	\$ 4,650	\$ -0-	President
Jeannie Perkins	05/21 - 05/25 (Elected)	\$ 4,350	\$ -0-	First Vice President/ Assistant Secretary
Jerry A. Strickland	05/19 05/23 (Elected)	\$ 4,350	\$ -0-	Second Vice President
Venessa Sommer	05/21 - 05/25 (Elected)	\$ 4,800	\$ -0-	Secretary
Tom Dowdy	05/19- 05/23 (Elected)	\$ 5,550	\$ -0-	Treasurer/ Investment Officer

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

Submission date of most recent District Registration Form: February 24, 2021

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 24, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2021**

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2021</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/21/10	\$ 172,211	General Counsel/ Delinquent
	07/01/10	\$ 3,472	Tax Attorney
		\$ 148,277	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/08/09	\$ 26,000	Auditor
		\$ 1,750	Bond Related
Myrtle Cruz, Inc.	12/96	\$ 64,601	Bookkeeper
Langford Engineering, Inc.	07/76	\$ 186,420	Engineer
Robert W. Baird & Co.	01/15	\$ 119,530	Financial Advisor
Mary Jarmon		\$ -0-	Investment Officer
EDP	04/08	\$ 879,302	Operator
Equi-Tax, Inc.	01/80	\$ 47,187	Tax Assessor/ Collector

See accompanying independent auditor's report.