

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

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2020

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

November 11, 2020

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2020**

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

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all of the District's assets, liabilities and, 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 two 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of 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 \$21,308,881 as of July 31, 2020. A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water, wastewater, and recreational 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, 2020 and July 31, 2019.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 13,418,475	\$ 12,544,399	\$ 874,076
Capital Assets (Net of Accumulated Depreciation)	24,965,102	25,035,618	(70,516)
Total Assets	\$ 38,383,577	\$ 37,580,017	\$ 803,560
Deferred Outflows of Resources	\$ 544,762	\$ 853,055	\$ (308,293)
Bonds Payable	\$ 16,138,492	\$ 16,922,488	\$ 783,996
Other Liabilities	1,480,966	1,405,705	(75,261)
Total Liabilities	\$ 17,619,458	\$ 18,328,193	\$ 708,735
Net Investment in Capital Assets	\$ 9,371,372	\$ 8,966,185	\$ 405,187
Restricted	3,296,271	2,452,573	843,698
Unrestricted	8,641,238	8,686,121	(44,883)
Total Net Position	\$ 21,308,881	\$ 20,104,879	\$ 1,204,002

The following table provides a summary of the District's operations for the years ended July 31, 2020, and July 31, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,386,469	\$ 3,400,078	\$ (13,609)
Charges for Services	5,285,844	5,402,755	(116,911)
Other Revenues	449,090	1,071,585	(622,495)
Total Revenues	\$ 9,121,403	\$ 9,874,418	\$ (753,015)
Expenses for Services	7,917,401	7,990,853	73,452
Change in Net Position	\$ 1,204,002	\$ 1,883,565	\$ (679,563)
Net Position, Beginning of Year	20,104,879	18,221,314	1,883,565
Net Position, End of Year	\$ 21,308,881	\$ 20,104,879	\$ 1,204,002

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2020, were \$8,416,166, an increase of \$996,670 from the prior year.

The General Fund fund balance increased by \$120,035, primarily due to service, sales tax and property tax revenues exceeding operating and capital expenditures

The Debt Service Fund fund balance increased by \$876,635, primarily due to the structure of the District's outstanding debt and the effect of the issuance of the Series 2020 refunding bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$352,027 less than budgeted revenues primarily due to the collection of insurance and Department of Public Safety claims related to storm damages offset by lower than anticipated services revenues and sales tax revenues. Actual expenditures were \$50,606 less than budgeted expenditures primarily due to less than anticipated capital outlay expenditures, water authority assessments and professional fees, which were offset by higher than anticipated park and recreation costs, contracted services, and repair and maintenance costs..

CAPITAL ASSETS

Capital assets as of July 31, 2020, total \$24,965,102 (net of accumulated depreciation) and include the park and recreational facilities, land, buildings and equipment, and the water and wastewater systems. Current year activity included Cypress Forest Reserve (Cypress Creek Town Offices), Lowe's detention pond improvements, Constable's Office, parking lot, various facility repairs and replacement of recreational assets.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 7,147,335	\$ 7,147,335	\$
Construction in Progress	3,874,418	3,479,318	395,100
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	2,275,245	2,379,822	(104,577)
Water System	3,505,490	3,783,987	(278,497)
Wastewater System	7,086,123	7,343,119	(256,996)
Recreational Facilities	1,076,491	902,037	174,454
Total Net Capital Assets	<u>\$ 24,965,102</u>	<u>\$ 25,035,618</u>	<u>\$ (70,516)</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2020**

LONG-TERM DEBT ACTIVITY

As of July 31, 2020, the District had total bond debt payable of \$15,835,000. The changes in the debt position of the District during the fiscal year ended July 31, 2020, are summarized as follows:

Bond Debt Payable, August 1, 2019	\$ 16,275,000
Add: Refunding Bond Sale	7,275,000
Less: Bond Principal Paid/Refunded	<u>7,715,000</u>
Bond Debt Payable, July 31, 2020	<u>\$ 15,835,000</u>

The District carries an underlying rating of "A/A1." The 2013 Refunding Bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2019 and Series 2020 Refunding Bonds carry an insured rating 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, 2020.

CONTACTING THE DISTRICT'S MANAGEMENT

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

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 599,940	\$ 130,530
Investments	5,006,529	3,203,339
Receivables:		
Property Taxes	40,773	76,712
Penalty and Interest on Delinquent Taxes		
Service Accounts	304,835	
Accrued Interest	13,366	514
Other		
Due from Other Funds	3,537	5,955
Prepaid Costs	125,610	
Due from City of Houston	359,710	
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>\$ 6,474,459</u>	<u>\$ 3,417,050</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>\$ 6,474,459</u></u>	<u><u>\$ 3,417,050</u></u>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 730,470	\$	\$ 730,470
8,209,868		8,209,868
117,485		117,485
	57,873	57,873
304,835		304,835
13,880		13,880
	580,655	580,655
9,492	(9,492)	
125,610		125,610
359,710		359,710
20,159		20,159
	2,538,270	2,538,270
	359,660	359,660
	7,147,335	7,147,335
	3,874,418	3,874,418
	13,943,349	13,943,349
<u>\$ 9,891,509</u>	<u>\$ 28,492,068</u>	<u>\$ 38,383,577</u>
<u>\$ - 0 -</u>	<u>\$ 544,762</u>	<u>\$ 544,762</u>
<u>\$ 9,891,509</u>	<u>\$ 29,036,830</u>	<u>\$ 38,928,339</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, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 582,875	\$ 35,086
Accrued Interest Payable		
Due to Other Funds	5,955	3,537
Security Deposits	722,976	
Accrued Interest at Time of Sale		7,429
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 1,311,806</u>	<u>\$ 46,052</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 40,773</u>	<u>\$ 76,712</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 125,610	\$
Operating Advance	20,159	
Restricted for Debt Service		3,294,286
Unassigned	4,976,111	
TOTAL FUND BALANCES	<u>\$ 5,121,880</u>	<u>\$ 3,294,286</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,474,459</u>	<u>\$ 3,417,050</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.

Total	Adjustments	Statement of Net Position
\$ 617,961	\$	\$ 617,961
	140,029	140,029
9,492	(9,492)	
722,976		722,976
7,429	(7,429)	
	1,375,000	1,375,000
	14,763,492	14,763,492
<u>\$ 1,357,858</u>	<u>\$ 16,261,600</u>	<u>\$ 17,619,458</u>
<u>\$ 117,485</u>	<u>\$ (117,485)</u>	<u>\$ - 0 -</u>
\$ 125,610	\$ (125,610)	\$
20,159	(20,159)	
3,294,286	(3,294,286)	
4,976,111	(4,976,111)	
<u>\$ 8,416,166</u>	<u>\$ (8,416,166)</u>	<u>\$ - 0 -</u>
<u>\$ 9,891,509</u>		
	\$ 9,371,372	\$ 9,371,372
	3,296,271	3,296,271
	8,641,238	8,641,238
	<u>\$ 21,308,881</u>	<u>\$ 21,308,881</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, 2020**

Total Fund Balances - Governmental Funds \$ 8,416,166

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. 3,478,585

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. 544,762

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 24,965,102

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District. 175,358

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	\$ (132,600)	
Bonds Payable	<u>(16,138,492)</u>	<u>(16,271,092)</u>
Total Net Position - Governmental Activities		<u><u>\$ 21,308,881</u></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, 2020**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,326,975	\$ 2,127,778
Water Service	820,198	
Wastewater Service	1,068,387	
Water Authority Fees	1,590,020	
Recreational Services	130,331	
Detention Pond Maintenance	102,661	
Sales Tax Revenues	1,352,857	
Penalty and Interest	34,463	91,885
Tap Connection and Inspection Fees	116,295	
Storm Related Revenues	100,379	
Investment and Miscellaneous Revenues	157,908	27,960
Water Authority Credits	251,455	
TOTAL REVENUES	<u>\$ 7,051,929</u>	<u>\$ 2,247,623</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 306,491	\$ 15,079
Contracted Services	1,447,498	66,532
Purchased Wastewater Service	86,783	
Parks and Recreation	1,020,746	
Utilities	261,890	
Water Authority Assessment	1,670,286	
Repairs and Maintenance	636,617	
Depreciation		
Other	644,418	9,363
Capital Outlay	857,165	
Debt Service:		
Payment to Refunding Bond Escrow Agent		95,000
Bond Issuance Costs		314,161
Bond Principal		685,000
Bond Interest		496,478
TOTAL EXPENDITURES/EXPENSES	<u>\$ 6,931,894</u>	<u>\$ 1,681,613</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 120,035</u>	<u>\$ 566,010</u>

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

Total	Adjustments	Statement of Activities
\$ 3,454,753	\$ (68,284)	\$ 3,386,469
820,198		820,198
1,068,387		1,068,387
1,590,020		1,590,020
130,331		130,331
102,661		102,661
1,352,857		1,352,857
126,348	(21,253)	105,095
116,295		116,295
100,379		100,379
185,868		185,868
251,455	(88,612)	162,843
<u>\$ 9,299,552</u>	<u>\$ (178,149)</u>	<u>\$ 9,121,403</u>
\$ 321,570	\$	\$ 321,570
1,514,030		1,514,030
86,783		86,783
1,020,746		1,020,746
261,890		261,890
1,670,286		1,670,286
636,617		636,617
	927,681	927,681
653,781		653,781
857,165	(857,165)	
95,000	(95,000)	
314,161		314,161
685,000	(685,000)	
496,478	13,378	509,856
<u>\$ 8,613,507</u>	<u>\$ (696,106)</u>	<u>\$ 7,917,401</u>
\$ 686,045	\$ 517,957	\$ 1,204,002

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, 2020**

	General Fund	Debt Service Fund
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$ 7,275,000
Bond Premiums		106,755
Payment to Refunding Bond Escrow Agent		(7,071,130)
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 310,625
NET CHANGE IN FUND BALANCES	\$ 120,035	\$ 876,635
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2019	5,001,845	2,417,651
FUND BALANCES/NET POSITION - JULY 31, 2020	<u>\$ 5,121,880</u>	<u>\$ 3,294,286</u>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 7,275,000	\$ (7,275,000)	\$
106,755	(106,755)	
<u>(7,071,130)</u>	<u>7,071,130</u>	<u></u>
\$ 310,625	\$ (310,625)	\$ -0-
\$ 996,670	\$ (996,670)	\$
	1,204,002	1,204,002
<u>7,419,496</u>	<u>12,685,383</u>	<u>20,104,879</u>
<u>\$ 8,416,166</u>	<u>\$ 12,892,715</u>	<u>\$ 21,308,881</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 STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$ 996,670
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.	(68,284)
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.	(21,253)
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.	(88,612)
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.	(927,681)
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.	857,165
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.	(106,755)
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.	685,000
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.	(13,378)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(7,275,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	7,166,130
Change in Net Position - Governmental Activities	<u>\$ 1,204,002</u>

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, 2020**

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, 2020**

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, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has two governmental funds and both 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.

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, 2020, the General Fund owed the Debt Service Fund \$5,955 for the over transfer of maintenance tax collections and the Debt Service Fund owed the General Fund \$3,537 for costs paid related to the issuance of the Series 2020 refunding bonds

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020**

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 System	20-50
Wastewater System	20-50

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts 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, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020**

NOTE 3. LONG-TERM DEBT

	Refunding Series 2010A	Refunding Series 2011	Refunding Series 2012
Amounts Outstanding – July 31, 2020	\$ 745,000_	\$ 765,000	\$ 340,000
Interest Rates	4.00%	3.49%	3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020	September 1, 2020/2022	September 1, 2020
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2018*	September 1, 2019*	September 1, 2019*
	Refunding Series 2013	Refunding Series 2019	Refunding Series 2019
Amounts Outstanding – July 31, 2020	\$ 345,000	\$ 6,365,000	\$ 7,275,000
Interest Rates	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2021	September 1, 2020/2028	September 1, 2021/2030
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2020*	September 1, 2025*	September 1, 2025*

- * 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 2013 Refunding term bonds due September 1, 2025, and September 1, 2029, are subject to mandatory redemption beginning September 1, 2021, and September 1, 2027, respectively. 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020**

NOTE 3. LONG-TERM DEBT (Continued)

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

	August 1, 2019	Additions	Retirements	July 31, 2020
Bonds Payable	\$ 16,275,000	\$ 7,275,000	\$ 7,715,000	\$ 15,835,000
Unamortized Premiums	647,488	106,755	450,751	303,492
Bonds Payable, Net	<u>\$ 16,922,488</u>	<u>\$ 7,381,755</u>	<u>\$ 8,165,751</u>	<u>\$ 16,138,492</u>
		Amount Due Within One Year		\$ 1,375,000
		Amount Due After One Year		<u>14,763,492</u>
		Bonds Payable, Net		<u>\$ 16,138,492</u>

As of July 31, 2020, the District had authorized but unissued bonds in the amount of \$16,585,000 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, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,375,000	\$ 337,848	\$ 1,712,848
2022	1,480,000	377,698	1,857,698
2023	1,550,000	329,349	1,879,349
2024	1,620,000	281,150	1,901,150
2025	755,000	245,775	1,000,775
2026-2030	7,105,000	724,550	7,829,550
2030	<u>1,950,000</u>	<u>19,500</u>	<u>1,969,500</u>
	<u>\$ 15,835,000</u>	<u>\$ 2,315,870</u>	<u>\$ 18,150,870</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020**

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended July 31, 2020, the District levied an ad valorem debt service tax rate of \$0.24 per \$100 of assessed valuation, which resulted in a tax levy of \$2,133,558 on the adjusted taxable valuation of \$888,982,415 for the 2019 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, 2020**

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 \$3,319,139 and the bank balance was \$3,369,644. 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, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 599,940	\$ 2,127,285	\$ 2,727,225
DEBT SERVICE FUND	130,530	461,384	591,914
TOTAL DEPOSITS	<u>\$ 730,470</u>	<u>\$ 2,588,669</u>	<u>\$ 3,319,139</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, 2020**

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 FirstSouthwest, a Division of 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, 2020, 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	\$ 2,616,128	\$ 2,616,128
TexSTAR	263,116	263,116
Certificates of Deposit	2,127,285	2,127,285
<u>DEBT SERVICE FUND</u>		
TexPool	2,739,009	2,739,009
TexSTAR	2,946	2,946
Certificates of Deposit	461,384	461,384
TOTAL INVESTMENTS	<u><u>\$ 8,209,868</u></u>	<u><u>\$ 8,209,868</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2020, 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, 2020**

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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2020 is as follows:

	August 1, 2019	Increases	Decreases	July 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 7,147,335	\$	\$	\$ 7,147,335
Construction in Progress	3,479,318	857,165	462,065	3,874,418
Total Capital Assets Not Being Depreciated	\$ 10,626,653	\$ 857,165	\$ 462,065	\$ 11,021,753
Capital Assets Subject to Depreciation				
Buildings and Equipment	\$ 2,877,203	\$ 36,270	\$	\$ 2,913,473
Water System	8,893,019			8,893,019
Wastewater System	13,420,098	145,860		13,565,958
Recreational Facilities	2,812,162	279,935		3,092,097
Total Capital Assets Subject to Depreciation	\$ 28,002,482	\$ 462,065	\$ - 0 -	\$ 28,464,547
Less Accumulated Depreciation				
Buildings and Equipment	\$ 497,381	\$ 140,847	\$	\$ 638,228
Water System	5,109,032	278,497		5,387,529
Wastewater System	6,076,979	402,856		6,479,835
Recreational Facilities	1,910,125	105,481		2,015,606
Total Accumulated Depreciation	\$ 13,593,517	\$ 927,681	\$ - 0 -	\$ 14,521,198
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 14,408,965	\$ (465,616)	\$ - 0 -	\$ 13,943,349
Total Capital Assets, Net of Accumulated Depreciation	\$ 25,035,618	\$ 391,549	\$ 462,065	\$ 24,965,102

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020**

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, 2020, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,333,474 on the adjusted taxable valuation of \$888,982,415 for the 2019 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, 2020**

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 \$4.25 per 1,000 gallons of water pumped from each well. The District also purchases surface water from the Authority at a rate of \$4.70 per 1,000 gallons. The District paid the Authority \$1,670,286 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 \$220,561, of which \$79,824 was principal.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 84,115	\$ 136,445	\$ 220,560
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
2026-2030	608,433	494,367	1,102,800
2031-2035	790,515	312,284	1,102,799
2036-2039	671,033	82,548	753,581
	<u>\$ 2,538,270</u>	<u>\$ 1,523,710</u>	<u>\$ 4,061,980</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020**

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 \$8,788 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
2021	\$ 9,315	\$ 21,580	\$ 30,895
2022	9,874	21,021	30,895
2023	10,466	20,428	30,894
2024	11,094	19,800	30,894
2025	11,760	19,135	30,895
2026-2030	70,270	84,203	154,473
2031-2035	94,037	60,436	154,473
2036-2040	125,842	28,631	154,473
2041	17,002	594	17,596
	\$ 359,660	\$ 275,828	\$ 635,488

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. Credits are 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%. The District did not receive any credits 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, 2020**

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, 2020, the District received sales tax revenues of \$1,352,857 and recorded a receivable of \$359,710 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. District No. 249 initially constructed a 160,000 gallons-per-day interim wastewater treatment plant and a 300,000 gallons-per-day permanent wastewater treatment plant. Construction of Phase II of the permanent plant increased the total capacity to 800,000 gallons-per-day, of which the District's share is 216,000 gallons-per-day. District No. 249 manages and operates the plants. During the year ended July 31, 2020, the District incurred costs of \$86,783 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, 2019, as reflected in District No. 249's financial statements, is as follows:

	<u>Wastewater Treatment Plant</u>
Total Assets	<u>\$ 120,816</u>
Total Liabilities	\$ 46,153
Total Fund Balance	<u>74,663</u>
Total Liabilities and Fund Balance	<u>\$ 120,816</u>
Total Revenues	\$ 329,608
Total Expenditures	<u>329,608</u>
Net Change in Fund Balance	\$ -0-
Other Financing Sources – Increase In Operating Reserve	7,171
Fund Balance, Beginning of Year	<u>67,492</u>
Fund Balance, End of Year	<u>\$ 74,663</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020**

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 \$10,791 and the District contributed \$10,791.

NOTE 14. REFUNDING BOND SALE

On June 16, 2020, the District closed on the sale of its \$7,275,000 Series 2020 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds. Proceeds of the bonds were used to refund \$1,160,000 of the Series 2011 Refunding Bonds with interest rates of 3.49%, maturity dates of 2023-2026, and a redemption date of September 1, 2020, and to refund \$5,870,000 of the Series 2013 Refunding Bonds with interest rates of 4.00%, maturity dates of 2022-2030, and a redemption date of September 1, 2020. The refunding resulted in gross savings of \$599,669 and net present value savings of \$517,823.

NOTE 15. UNCERTAINTIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2020

**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, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,350,000	\$ 1,326,975	\$ (23,025)
Water Service	1,000,000	820,198	(179,802)
Wastewater Service	1,100,000	1,068,387	(31,613)
Water Authority Fees	1,600,000	1,590,020	(9,980)
Recreational Services	182,000	130,331	(51,669)
Detention Pond Maintenance	97,500	102,661	5,161
Sales Tax Revenues	1,500,000	1,352,857	(147,143)
Penalty and Interest	55,000	34,463	(20,537)
Tap Connection and Inspection Fees	147,000	116,295	(30,705)
Storm Related Revenues		100,379	100,379
Investment and Miscellaneous Revenues	121,000	157,908	36,908
Water Authority Credits	251,456	251,455	(1)
TOTAL REVENUES	\$ 7,403,956	\$ 7,051,929	\$ (352,027)
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 310,000	\$ 306,491	\$ 3,509
Contracted Services	1,425,000	1,447,498	(22,498)
Purchased Wastewater Service	100,000	86,783	13,217
Parks and Recreation	1,003,000	1,020,746	(17,746)
Utilities	260,000	261,890	(1,890)
Water Authority Assessment	1,700,000	1,670,286	29,714
Repairs and Maintenance	580,000	636,617	(56,617)
Other	621,500	644,418	(22,918)
Capital Outlay	983,000	857,165	125,835
TOTAL EXPENDITURES	\$ 6,982,500	\$ 6,931,894	\$ 50,606
NET CHANGE IN FUND BALANCE	\$ 421,456	\$ 120,035	\$ (301,421)
FUND BALANCE - AUGUST 1, 2019	5,001,845	5,001,845	
FUND BALANCE - JULY 31, 2020	\$ 5,423,301	\$ 5,121,880	\$ (301,421)

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, 2020

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2020**

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 12, 2020.

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

WASTEWATER: \$ 25.00 Y

SURCHARGE:

Regional Water
Authority Fees \$4.92 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: \$25.00 Surcharge: \$49.20

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2020**

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"	<u>2,042</u>	<u>2,012</u>	x 1.0	<u>2,012</u>
1"	<u>252</u>	<u>252</u>	x 2.5	<u>630</u>
1½"	<u>25</u>	<u>23</u>	x 5.0	<u>115</u>
2"	<u>106</u>	<u>101</u>	x 8.0	<u>808</u>
3"	<u>2</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>5</u>	<u>5</u>	x 25.0	<u>125</u>
6"	<u>21</u>	<u>21</u>	x 50.0	<u>1,050</u>
8"	<u>6</u>	<u>6</u>	x 80.0	<u>480</u>
10"			x 115.0	
Total Water Connections	<u>2,459</u>	<u>2,421</u>		<u>5,235</u>
Total Wastewater Connections	<u>2,324</u>	<u>2,292</u>	x 1.0	<u>2,292</u>

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

Gallons pumped into system:	110,643,000	Water Accountability Ratio: 91.4% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	363,641,000	
Gallons purchased:	287,206,000	From: North Harris County Regional Water Authority

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2020**

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

Is the District located within a city's 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, 2020**

PROFESSIONAL FEES:

Auditing	\$ 25,500
Engineering	113,977
Legal	<u>167,014</u>

TOTAL PROFESSIONAL FEES	\$ <u>306,491</u>
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PURCHASED WASTEWATER SERVICE	\$ <u>86,783</u>
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CONTRACTED SERVICES:

Bookkeeping	\$ 41,390
Operations and Billing	182,304
Solid Waste Disposal	437,374
Security	<u>786,430</u>

TOTAL CONTRACTED SERVICES	\$ <u>1,447,498</u>
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UTILITIES	\$ <u>261,890</u>
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REPAIRS AND MAINTENANCE	\$ <u>636,617</u>
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ADMINISTRATIVE EXPENDITURES:

Director Fees	\$ 25,800
Election Costs	230
Insurance	159,584
Office Supplies and Postage	50,893
Other	<u>86,806</u>

TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>323,313</u>
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CAPITAL OUTLAY	\$ <u>857,165</u>
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TAP CONNECTIONS	\$ <u>44,250</u>
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PARKS AND RECREATION	\$ <u>1,020,746</u>
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OTHER EXPENDITURES:

Chemicals	\$ 48,132
Laboratory Fees	48,321
Permit Fees	14,882
Reconnection Fees	1,163
Inspection Fees	19,417
Water Authority Assessment	1,670,286
Regulatory Assessment	9,471
Sludge Hauling	<u>135,469</u>

TOTAL OTHER EXPENDITURES	\$ <u>1,947,141</u>
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TOTAL EXPENDITURES	\$ <u><u>6,931,894</u></u>
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Number of persons employed by the District	<u>10</u>	Full-Time	<u>-0-</u>	Part-Time
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See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
INVESTMENTS
JULY 31, 2020**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,616,128	\$
TexSTAR	XXXX2220	Varies	Daily	263,116	
Certificate of Deposit	XXXX5801	2.2000%	01/10/21	240,000	2,937
Certificate of Deposit	XXXX0972	1.7000%	01/10/21	240,000	2,269
Certificate of Deposit	XXXX2365	1.6500%	02/06/21	517,870	4,120
Certificate of Deposit	XXXX3824	1.8000%	03/01/21	148,921	1,116
Certificate of Deposit	XXXX5582	1.7362%	03/17/21	240,000	1,547
Certificate of Deposit	XXXX1691	1.1000%	04/09/21	246,706	840
Certificate of Deposit	XXXX3880	0.8500%	06/10/21	247,182	294
Certificate of Deposit	XXXX2164	0.7500%	06/13/21	246,606	243
TOTAL GENERAL FUND				<u>\$ 5,006,529</u>	<u>\$ 13,366</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,739,009	\$
TexSTAR	XXXX3000	Varies	Daily	2,946	
Certificate of Deposit	XXXX0406	1.2000%	06/14/21	214,331	331
Certificate of Deposit	XXXX3478	0.5510%	06/12/21	247,053	183
TOTAL DEBT SERVICE FUND				<u>\$ 3,203,339</u>	<u>\$ 514</u>
TOTAL				<u>\$ 8,209,868</u>	<u>\$ 13,880</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, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2019	\$	62,872	\$	122,897
Adjustments to Beginning Balance		<u>(28,598)</u>		<u>(51,965)</u>
	\$	34,274	\$	70,932
Original 2019 Tax Levy	\$	1,306,752	\$	2,090,803
Adjustment to 2019 Tax Levy		<u>26,722</u>	<u>42,755</u>	<u>2,133,558</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,367,748		\$ 2,204,490
TAX COLLECTIONS:				
Prior Years	\$	5,291	\$	13,085
Current Year		<u>1,321,684</u>	<u>2,114,693</u>	<u>2,127,778</u>
TAXES RECEIVABLE -				
JULY 31, 2020		<u>\$ 40,773</u>		<u>\$ 76,712</u>
TAXES RECEIVABLE BY YEAR:				
2019		\$ 11,790		\$ 18,865
2018		4,840		8,067
2017		13,588		25,364
2016		1,643		3,067
2015		1,324		2,560
2014		814		1,683
2013		708		1,793
2012		614		1,597
2011		614		1,638
2010		614		1,638
2009 and Prior		<u>4,224</u>		<u>10,440</u>
TOTAL	\$	40,773	\$	76,712

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, 2020**

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	\$ 242,005,093	\$ 238,107,936	\$ 238,229,416	\$ 208,652,169
Improvements	663,793,077	625,290,783	630,069,827	626,233,648
Personal Property	145,639,358	142,407,802	133,889,925	143,417,837
Exemptions	<u>(162,455,113)</u>	<u>(152,332,670)</u>	<u>(151,358,514)</u>	<u>(146,443,781)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 888,982,415</u>	<u>\$ 853,473,851</u>	<u>\$ 850,830,654</u>	<u>\$ 831,859,873</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.24	\$ 0.25	\$ 0.28	\$ 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>\$ 0.39</u>	<u>\$ 0.40</u>	<u>\$ 0.43</u>	<u>\$ 0.43</u>
ADJUSTED TAX LEVY*	<u>\$ 3,467,032</u>	<u>\$ 3,417,575</u>	<u>\$ 3,663,595</u>	<u>\$ 3,579,113</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.12 %</u>	<u>99.62 %</u>	<u>98.94 %</u>	<u>99.87 %</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, 2020**

REFUNDING SERIES - 2010A			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 745,000	\$ 14,900	\$ 759,900
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
	<u>\$ 745,000</u>	<u>\$ 14,900</u>	<u>\$ 759,900</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020**

REFUNDING SERIES - 2011			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 245,000	\$ 22,423	\$ 267,423
2022	255,000	13,698	268,698
2023	265,000	4,624	269,624
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
	<u>\$ 765,000</u>	<u>\$ 40,745</u>	<u>\$ 805,745</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020**

REFUNDING SERIES - 2012			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 340,000	\$ 5,100	\$ 345,100
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
	<u>\$ 340,000</u>	<u>\$ 5,100</u>	<u>\$ 345,100</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020**

REFUNDING SERIES - 2013			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 20,000	\$ 13,200	\$ 33,200
2022	325,000	6,500	331,500
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
	<u>\$ 345,000</u>	<u>\$ 19,700</u>	<u>\$ 364,700</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020**

REFUNDING SERIES - 2019			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 25,000	\$ 193,075	\$ 218,075
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			
	<u>\$ 6,365,000</u>	<u>\$ 1,076,675</u>	<u>\$ 7,441,675</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020**

REFUNDING SERIES - 2020			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$	\$ 89,150	\$ 89,150
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
	<u>\$ 7,275,000</u>	<u>\$ 1,158,750</u>	<u>\$ 8,433,750</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020**

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,375,000	\$ 337,848	\$ 1,712,848
2022	1,480,000	377,698	1,857,698
2023	1,550,000	329,349	1,879,349
2024	1,620,000	281,150	1,901,150
2025	755,000	245,775	1,000,775
2026	785,000	219,500	1,004,500
2027	815,000	196,150	1,011,150
2028	1,775,000	153,000	1,928,000
2029	1,810,000	97,700	1,907,700
2030	1,920,000	58,200	1,978,200
2031	1,950,000	19,500	1,969,500
	<u>\$ 15,835,000</u>	<u>\$ 2,315,870</u>	<u>\$ 18,150,870</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2020**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2019
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2010A	\$ 5,680,000	\$ 765,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax Refunding Bonds - Series 2011	3,300,000	2,160,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2012	6,755,000	665,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2013	6,910,000	6,235,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2019	6,450,000	6,450,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2020	7,275,000	
TOTAL	<u>\$ 36,370,000</u>	<u>\$ 16,275,000</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	39,225,000	1,790,000
Remaining to be Issued	<u>\$ 16,585,000</u>	<u>\$ 31,210,000</u>

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding July 31, 2020		
	Principal	Interest			
\$	\$ 20,000	\$ 30,150	\$ 745,000		Wells Fargo Bank N.A. Minneapolis, MN
	1,395,000	71,283	765,000		Branch Banking and Trust Company Wilson, NC
	325,000	15,075	340,000		Regions Bank Houston, TX
	5,890,000	248,400	345,000		Regions Bank Houston, TX
	85,000	131,570	6,365,000		Regions Bank Houston, TX
<u>7,275,000</u>			<u>7,275,000</u>		Regions Bank Houston, TX
<u>\$ 7,275,000</u>	<u>\$ 7,715,000</u>	<u>\$ 496,478</u>	<u>\$ 15,835,000</u>		

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

\$ 3,333,869

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

\$ 1,650,079

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		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,326,975	\$ 1,263,957	\$ 1,222,534
Water Service	820,198	851,030	927,676
Wastewater Service	1,068,387	1,140,369	1,147,583
Water Authority Fees	1,590,020	1,407,803	1,380,251
Recreational Services	130,331	193,354	150,639
Detention Pond Maintenance	102,661	101,372	101,325
Sales Tax Revenues	1,352,857	1,444,437	1,596,632
Penalty and Interest	34,463	51,071	62,763
Tap Connection and Inspection Fees	116,295	174,665	99,948
Storm Related Revenues	100,379	658,809	1,139,660
Investment and Miscellaneous Revenues	157,908	196,000	174,879
Water Authority Credits	251,455	251,455	251,455
TOTAL REVENUES	\$ 7,051,929	\$ 7,734,322	\$ 8,255,345
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 306,491	\$ 266,137	\$ 252,145
Contracted Services	1,447,498	1,411,643	1,349,625
Purchased Wastewater Service	86,783	92,124	75,222
Parks and Recreation	1,020,746	1,183,958	1,151,139
Utilities	261,890	253,447	260,129
Water Authority Assessment	1,670,286	1,500,703	1,476,967
Repairs and Maintenance	636,617	717,966	2,230,474
Other	644,418	594,249	532,732
Capital Outlay	857,165	2,408,545	3,561,804
Bond Issuance Costs		5,345	
Bond Principal		1,000,000	
TOTAL EXPENDITURES	\$ 6,931,894	\$ 9,434,117	\$ 10,890,237
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 120,035	\$ (1,699,795)	\$ (2,634,892)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 120,035	\$ (1,699,795)	\$ (2,634,892)
BEGINNING FUND BALANCE	5,001,845	6,701,640	9,336,532
ENDING FUND BALANCE	\$ 5,121,880	\$ 5,001,845	\$ 6,701,640

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 1,233,336	\$ 1,129,352	18.9 %	16.3 %	15.0 %	17.8 %	16.4 %
964,297	1,004,566	11.6	11.0	11.2	13.9	14.6
1,149,726	1,141,868	15.2	14.7	13.9	16.6	16.6
1,242,865	961,501	22.5	18.2	16.7	17.9	14.0
200,337	212,269	1.8	2.5	1.8	2.9	3.1
102,129	71,141	1.5	1.3	1.2	1.5	1.0
1,519,791	1,543,076	19.2	18.7	19.3	21.9	22.4
48,035	42,293	0.5	0.7	0.8	0.7	0.6
109,646	413,818	1.6	2.3	1.2	1.6	6.0
		1.4	8.5	13.8		
112,133	112,750	2.2	2.5	2.1	1.6	1.6
251,455	251,456	3.6	3.3	3.0	3.6	3.7
<u>\$ 6,933,750</u>	<u>\$ 6,884,090</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 360,016	\$ 212,803	4.3 %	3.4 %	3.1 %	5.2 %	3.1 %
1,210,452	1,072,424	20.5	18.3	16.3	17.5	15.6
62,030	73,558	1.2	1.2	0.9	0.9	1.1
1,081,811	1,221,266	14.5	15.3	13.9	15.6	17.7
272,200	239,046	3.7	3.3	3.2	3.9	3.5
1,257,313	1,055,849	23.7	19.4	17.9	18.1	15.3
587,058	573,388	9.0	9.3	27.0	8.5	8.3
477,319	687,665	9.1	7.7	6.5	6.9	10.0
1,229,974	658,294	12.2	31.1	43.1	17.7	9.6
			0.1			
			12.9			
<u>\$ 6,538,173</u>	<u>\$ 5,794,293</u>	<u>98.2 %</u>	<u>122.0 %</u>	<u>131.9 %</u>	<u>94.3 %</u>	<u>84.2 %</u>
<u>\$ 395,577</u>	<u>\$ 1,089,797</u>	<u>1.8 %</u>	<u>(22.0) %</u>	<u>(31.9) %</u>	<u>5.7 %</u>	<u>15.8 %</u>
<u>\$ - 0 -</u>	<u>\$ (75,000)</u>					
\$ 395,577	\$ 1,014,797					
<u>8,940,955</u>	<u>7,926,158</u>					
<u>\$ 9,336,532</u>	<u>\$ 8,940,955</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		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 2,127,778	\$ 2,107,389	\$ 2,277,837
Penalty and Interest	91,885	20,163	16,066
Investment and Miscellaneous Revenues	27,960	49,363	58,814
TOTAL REVENUES	<u>\$ 2,247,623</u>	<u>\$ 2,176,915</u>	<u>\$ 2,352,717</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 90,974	\$ 84,157	\$ 76,880
Debt Service Principal	685,000	2,845,000	1,165,000
Debt Service Interest and Fees	496,478	703,598	798,228
Bond Issuance Costs	314,161	258,790	
Payment to Refunding Bond Escrow Agent	95,000		
TOTAL EXPENDITURES	<u>\$ 1,681,613</u>	<u>\$ 3,891,545</u>	<u>\$ 2,040,108</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 566,010</u>	<u>\$ (1,714,630)</u>	<u>\$ 312,609</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$	\$
Long-Term Debt Issued - Refunding	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>\$ 310,625</u>	<u>\$ 257,791</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	<u>\$ 876,635</u>	<u>\$ (1,456,839)</u>	<u>\$ 312,609</u>
BEGINNING FUND BALANCE	<u>2,417,651</u>	<u>3,874,490</u>	<u>3,561,881</u>
ENDING FUND BALANCE	<u>\$ 3,294,286</u>	<u>\$ 2,417,651</u>	<u>\$ 3,874,490</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,421</u>	<u>2,414</u>	<u>2,402</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,292</u>	<u>2,288</u>	<u>2,277</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 2,303,230	\$ 2,187,685	94.7 %	96.8 %	96.8 %	96.2 %	94.9 %
38,826	34,458	4.1	0.9	0.7	1.6	1.5
53,153	82,635	1.2	2.3	2.5	2.2	3.6
<u>\$ 2,395,209</u>	<u>\$ 2,304,778</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 78,563	\$ 85,436	4.0 %	3.9 %	3.3 %	3.3 %	3.7 %
1,115,000	1,200,000	30.5	130.7	49.5	46.6	52.1
835,439	869,887	22.1	32.3	33.9	34.9	37.7
		14.0	11.9			
		4.2				
<u>\$ 2,029,002</u>	<u>\$ 2,155,323</u>	<u>74.8 %</u>	<u>178.8 %</u>	<u>86.7 %</u>	<u>84.8 %</u>	<u>93.5 %</u>
\$ 366,207	\$ 149,455	25.2 %	(78.8) %	13.3 %	15.2 %	6.5 %
\$	\$ 75,000					
\$ - 0 -	\$ 75,000					
\$ 366,207	\$ 224,455					
3,195,674	2,971,219					
<u>\$ 3,561,881</u>	<u>\$ 3,195,674</u>					
2,415	2,425					
<u>2,410</u>	<u>2,419</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2020**

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, 2020	Expense Reimbursements for the year ended July 31, 2020	Title
James N. Williams	05/19 - 05/23 (Elected)	\$ 5,250	\$ 27	President
Jeannie Perkins	05/17 - 05/21 (Elected)	\$ 5,100	\$ -0-	First Vice President/ Assistant Secretary
Jerry A. Strickland	05/19 05/23 (Elected)	\$ 4,350	\$ -0-	Second Vice President
Venessa Sommer	02/19 - 05/21 (Appointed)	\$ 5,400	\$ 145	Secretary
Tom Dowdy	05/19- 05/23 (Elected)	\$ 5,700	\$ -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: _____.

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, 2020**

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2020</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/21/10	\$ 188,638	General Counsel/ Delinquent
	07/01/10	\$ 15,079	Tax Attorney
		\$ 112,817	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/08/09	\$ 25,500	Auditor
		\$ 1,500	Other Services
Myrtle Cruz, Inc.	12/96	\$ 64,026	Bookkeeper
Langford Engineering, Inc.	07/76	\$ 225,601	Engineer
Robert W. Baird & Co.	01/15	\$ 74,544	Financial Advisor
Mary Jarmon	12/96	\$ -0-	Investment Officer
EDP	04/08	\$ 772,681	Operator
Equi-Tax, Inc.	01/80	\$ 46,087	Tax Assessor/ Collector

See accompanying independent auditor's report.