

HARRIS COUNTY  
FRESH WATER SUPPLY DISTRICT NO. 51  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
JUNE 30, 2023

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November 8, 2023

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Fresh Water  
Supply District No. 51  
Harris County, Texas

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Fresh Water Supply District No. 51 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Harris County Fresh Water Supply District No. 51's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Fresh Water Supply District No. 51, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Fresh Water Supply District No. 51, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Fresh Water Supply District No. 51's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harris County Fresh Water Supply District No. 51's internal control. Accordingly, no such opinion is expressed. I evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Fresh Water Supply District No. 51's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Fresh Water Supply District No. 51's basic financial statements. The supplementary information on Pages 27 to 44 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is centered on the page.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Harris County Fresh Water Supply District No. 51 (the "District") annual report, the District's General Manager provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

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

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

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

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

#### *Fund Financial Statements*

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

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

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

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

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

Financial analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. The financial objective for the Special Revenue Funds is to insure that the expenditures in the funds are billed to the participants in accordance with the contracts. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt is capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 9,994,463	\$ 10,726,556	\$ (732,093)
Capital assets	14,033,695	13,116,182	917,513
Total assets	<u>24,028,158</u>	<u>23,842,738</u>	<u>185,420</u>
Long-term liabilities	10,690,234	11,794,884	(1,104,650)
Other liabilities	1,597,324	1,526,907	70,417
Total liabilities	<u>12,287,558</u>	<u>13,321,791</u>	<u>(1,034,233)</u>
Net position:			
Invested in capital assets, net of related debt	3,730,646	3,044,198	686,448
Restricted	4,480,824	4,226,218	254,606
Unrestricted	3,529,130	3,250,531	278,599
Total net position	<u>\$ 11,740,600</u>	<u>\$ 10,520,947</u>	<u>\$ 1,219,653</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,646,788	\$ 1,648,814	\$ (2,026)
Charges for services	7,656,828	6,613,558	1,043,270
Other revenues	499,455	254,422	245,033
Total revenues	<u>9,803,071</u>	<u>8,516,794</u>	<u>1,286,277</u>
Expenses:			
Service operations	8,337,604	7,704,397	633,207
Debt service	245,814	278,515	(32,701)
Total expenses	<u>8,583,418</u>	<u>7,982,912</u>	<u>600,506</u>
Change in net position	1,219,653	533,882	685,771
Net position, beginning of year	<u>10,520,947</u>	<u>9,987,065</u>	<u>533,882</u>
Net position, end of year	<u>\$ 11,740,600</u>	<u>\$ 10,520,947</u>	<u>\$ 1,219,653</u>

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

The District's combined fund balances as of the end of the fiscal year ended June 30, 2023, were \$8,643,224, a decrease of \$834,202 from the prior year.

The General Fund balance increased by \$278,599, in accordance with the District's financial plan.

The Special Revenue Funds' balances did not change.

The Debt Service Fund balance increased by \$254,975, in accordance with the District's financial plan.



The Capital Projects Fund balance decreased by \$1,367,776, as authorized expenditures exceeded interest on deposits and investments.

#### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 24 of this report. The budgetary fund balance as of June 30, 2023, was expected to be \$3,314,810 and the actual end of year fund balance was \$3,529,130.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 457,235	\$ 457,235	\$ 0
Construction in progress	2,025,082	580,877	1,444,205
Buildings and improvements	236,026	248,106	(12,080)
Automobiles and trucks	1	6,029	(6,028)
Water facilities	2,675,140	2,767,317	(92,177)
Sewer facilities	8,640,211	9,056,618	(416,407)
Totals	<u>\$ 14,033,695</u>	<u>\$ 13,116,182</u>	<u>\$ 917,513</u>

Changes to capital assets during the fiscal year ended June 30, 2023, are summarized as follows:

Additions:		
Water system improvements		\$ 637,013
Sewer system improvements		852,619
Total additions to capital assets		<u>1,489,632</u>
Decreases:		
Depreciation		<u>(572,119)</u>
Net change to capital assets		<u>\$ 917,513</u>

#### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended June 30, 2023, are summarized as follows:

Bonded debt payable, beginning of year	\$ 11,615,000
Bonds paid	<u>(1,065,000)</u>
Bonded debt payable, end of year	<u>\$ 10,550,000</u>

At June 30, 2023, the District had \$5,310,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of A+ by Standard & Poor's. The Series 2014 bonds are not insured. The Series 2010A bonds are insured by Assured Guaranty Municipal Corp. The Series 2019 and 2020 bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2010A, 2019 and 2020 bonds is AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended June 30, 2023.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base increased approximately \$101,830,000 for the 2022 tax year (approximately 14%), primarily due to the increase in the average assessed valuations on existing property.

### *Relationship to the City of Houston*

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of April 11, 2003. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purpose of imposition of the City's Sales and Use tax. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. The SPA was amended on December 30, 2003, to include additional commercial property within the area of limited purpose annexation. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The City pays the District an amount equal to 50 percent of all Sales and Use Tax revenues generated from the properties subject to the SPA and collected by the City. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

### *Water Supply Issues*

The District is within the Harris-Galveston Subsidence District (the "Subsidence District"). The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its wells is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered the District to convert to 80% surface water pursuant to a groundwater reduction plan approved by the Subsidence District. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District. As further described in Note 9, the District has entered into a contract with the North Channel Water Authority (the "Authority") to provide surface water to the District. The Authority has submitted a groundwater reduction plan which was approved by the Subsidence District. The District's participation in the Authority satisfies the District's current requirements with respect to the Subsidence District.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2023

	<u>General</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>								
Cash, including interest-bearing accounts, Note 7	\$ 649,495	\$ 66,597	\$ 125,061	\$ 180,341	\$ 3,978	\$ 1,025,472	\$	\$ 1,025,472
Temporary investments, at cost, Note 7	2,908,624			2,570,651	2,272,673	7,751,948		7,751,948
Receivables:								
Property taxes				182,951		182,951		182,951
Accrued penalty and interest on property taxes						0	35,225	35,225
Service accounts	280,974					280,974		280,974
Prepaid expenditures	74,617					74,617		74,617
Due from City of Houston, Note 10	61,147					61,147		61,147
Due from other funds	58,711	57,539	209,078		56,142	381,470	(381,470)	0
Due from participants, Note 9		135,031	239,311			374,342		374,342
Current amounts due from								
other governmental entities, Note 9	65,438					65,438		65,438
Operating reserve at Water								
Authority and Joint Water Facilities, Note 9	349,760					349,760	(207,411)	142,349
Capital assets, net of accumulated depreciation, Note 4:								
Capital assets not being depreciated						0	2,482,317	2,482,317
Depreciable capital assets						0	11,551,378	11,551,378
<b>Total assets</b>	<u>\$ 4,448,766</u>	<u>\$ 259,167</u>	<u>\$ 573,450</u>	<u>\$ 2,933,943</u>	<u>\$ 2,332,793</u>	<u>\$ 10,548,119</u>	<u>13,480,039</u>	<u>24,028,158</u>

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

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET, (Continued)

JUNE 30, 2023

	<u>General</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 59,637	\$ 113,818	\$ 345,300	\$ 3,858	\$ 3,343	\$ 525,956		\$ 525,956
Construction contracts payable					284,218	284,218		284,218
Accrued interest payable						0	116,233	116,233
Customer deposits	530,300					530,300		530,300
Due to other funds	329,699	25,471			26,300	381,470	(381,470)	0
Other district equity in Joint Water Facilities						0	20,739	20,739
Participants' equity in Regional Wastewater Treatment Plant (RWTP)						0	119,878	119,878
Long-term liabilities, Note 5:								
Due within one year						0	1,149,820	1,149,820
Due in more than one year						0	9,540,414	9,540,414
<b>Total liabilities</b>	<u>919,636</u>	<u>139,289</u>	<u>345,300</u>	<u>3,858</u>	<u>313,861</u>	<u>1,721,944</u>	<u>10,565,614</u>	<u>12,287,558</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Property tax revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>182,951</u>	<u>0</u>	<u>182,951</u>	<u>(182,951)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>								
Fund balances:								
Nonspendable:								
Operating reserve at Water Authority and Joint Water Facilities	349,760					349,760	(349,760)	0
Joint Water Facilities and RWTP operating reserve		119,878	228,150			348,028	(348,028)	0
Committed to construction contracts in progress					387,185	387,185	(387,185)	0
Assigned to:								
Debt service				2,747,134		2,747,134	(2,747,134)	0
Capital projects					1,631,747	1,631,747	(1,631,747)	0
Unassigned	<u>3,179,370</u>					<u>3,179,370</u>	<u>(3,179,370)</u>	<u>0</u>
<b>Total fund balances</b>	<u>3,529,130</u>	<u>119,878</u>	<u>228,150</u>	<u>2,747,134</u>	<u>2,018,932</u>	<u>8,643,224</u>	<u>(8,643,224)</u>	<u>0</u>
<b>Total liabilities, deferred inflows, and fund balances</b>	<u>\$ 4,448,766</u>	<u>\$ 259,167</u>	<u>\$ 573,450</u>	<u>\$ 2,933,943</u>	<u>\$ 2,332,793</u>	<u>\$ 10,548,119</u>		
Net position:								
Invested in capital assets, net of related debt							3,730,646	3,730,646
Restricted for debt service							2,849,077	2,849,077
Restricted for capital projects							1,631,747	1,631,747
Unrestricted							<u>3,529,130</u>	<u>3,529,130</u>
<b>Total net position</b>							<u>\$ 11,740,600</u>	<u>\$ 11,740,600</u>

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

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
<b>REVENUES</b>								
Property taxes	\$			\$ 1,595,778		\$ 1,595,778	\$ 15,662	\$ 1,611,440
Water service	2,406,825					2,406,825		2,406,825
Sewer service	1,341,919					1,341,919		1,341,919
Sales and Use Taxes, Note 10	237,780					237,780		237,780
From participants, Note 9		1,490,195	3,325,834			4,816,029	(2,473,371)	2,342,658
Services to other governmental entities, Note 9	1,474,885					1,474,885		1,474,885
Interest on deposits and investments	90,555			73,705	97,415	261,675		261,675
Other revenues	90,541			35,348		125,889		125,889
<b>Total revenues</b>	<b>5,642,505</b>	<b>1,490,195</b>	<b>3,325,834</b>	<b>1,704,831</b>	<b>97,415</b>	<b>12,260,780</b>	<b>(2,457,709)</b>	<b>9,803,071</b>
<b>EXPENDITURES / EXPENSES</b>								
Service operations:								
Purchased services, Note 9	2,473,371		3,115,224			5,588,595	(2,473,371)	3,115,224
Professional fees	22,502	3,575	1,735	12,652	2,009	42,473		42,473
Contracted services	42,400	36,123	16,368	59,853		154,744		154,744
Personnel	1,657,088					1,657,088		1,657,088
Repairs, maintenance and operating expenditures	839,124	1,016,617	124,489			1,980,230		1,980,230
Utilities	26,218	361,460	57,228			444,906		444,906
Administrative expenditures	276,753	72,420	10,790	10,857		370,820		370,820
Depreciation						0	572,119	572,119
Capital outlay / non-capital outlay	26,450				1,463,182	1,489,632	(1,489,632)	0
Debt service:								
Principal retirement				1,065,000		1,065,000	(1,065,000)	0
Interest and fees				301,494		301,494	(55,680)	245,814
<b>Total expenditures / expenses</b>	<b>5,363,906</b>	<b>1,490,195</b>	<b>3,325,834</b>	<b>1,449,856</b>	<b>1,465,191</b>	<b>13,094,982</b>	<b>(4,511,564)</b>	<b>8,583,418</b>
Excess (deficiency) of revenues over expenditures	278,599	0	0	254,975	(1,367,776)	(834,202)	2,053,855	1,219,653

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

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES, (Continued)

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Excess (deficiency) of revenues over expenditures	\$ 278,599	\$ 0	\$ 0	\$ 254,975	\$ (1,367,776)	\$ (834,202)	\$ 2,053,855	\$ 1,219,653
Net change in fund balances / net position	278,599	0	0	254,975	(1,367,776)	(834,202)	2,053,855	1,219,653
Beginning of year	<u>3,250,531</u>	<u>119,878</u>	<u>228,150</u>	<u>2,492,159</u>	<u>3,386,708</u>	<u>9,477,426</u>	<u>1,043,521</u>	<u>10,520,947</u>
End of year	<u>\$ 3,529,130</u>	<u>\$ 119,878</u>	<u>\$ 228,150</u>	<u>\$ 2,747,134</u>	<u>\$ 2,018,932</u>	<u>\$ 8,643,224</u>	<u>\$ 3,097,376</u>	<u>\$ 11,740,600</u>

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

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2023

## NOTE 1: REPORTING ENTITY

Harris County Fresh Water Supply District No. 51 (the "District") was created in 1960 by order of the Harris County Commissioners Court at a meeting held November 21, 1960. On April 25, 1979 the Texas Water Commission authorized the conversion to a municipal utility district. The District operates in accordance with Texas Water Code Chapters 49 and 54. The first bonds were issued on February 15, 1961. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District is the legal owner and manager of the Harris County Fresh Water Supply District No. 51 Regional Wastewater Treatment Plant (the "Plant"). Oversight of the Plant is exercised by the Board of Directors of the District and financial activity of the Plant has been included as a component unit in the financial statements of the District. The Plant's General Fund has been reported as a Special Revenue Fund of the District. Transactions with this joint venture are described in Note 9.

The District is the legal owner and manager of the Harris County Fresh Water Supply District No. 51 Joint Water Facilities (the "Facilities"). Oversight of the Facilities is exercised by the Board of Directors of the District and financial activity of the Facilities has been included as a component unit in the financial statements of the District. The Facilities' General Fund has been reported as a Special Revenue Fund of the District. Transactions with this joint venture are described in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Special Revenue Funds -- To account for all revenues and expenditures of the general operations of the Harris County Fresh Water Supply District No. 51 Regional Wastewater Treatment Plant and the Joint Water Facilities.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

### Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and vehicles	5-15 years
Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

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

**NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Reconciliation of year end fund balances to net position:

Total fund balances, end of year	\$ 8,643,224	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets net		14,033,695
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (10,550,000)	
Deferred charge on refunding (to be amortized as interest expense)	10,810	
Issuance premium (to be amortized as interest expense)	<u>(151,044)</u>	(10,690,234)
The assets in the Special Revenue Fund are owned by the District and other participants in the joint venture:		
The District's equity in Joint Water Facilities	(207,411)	
Other participants' equity Joint Water Facilities	(20,739)	
Participants' equity in Regional Wastewater Treatment Plant	<u>(119,878)</u>	(348,028)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	35,225	
Uncollected property taxes	<u>182,951</u>	218,176
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(116,233)</u>
Net position, end of year		<u>\$ 11,740,600</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ (834,202)
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 1,489,632	
Depreciation	<u>(572,119)</u>	917,513
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		1,065,000
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	462	
Issuance discounts, net of premiums	<u>39,188</u>	39,650
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Uncollected property taxes		15,662
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>16,030</u>
Change in net position		<u>\$ 1,219,653</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 457,235	\$	\$	\$ 457,235
Construction in progress	<u>580,877</u>	<u>1,483,915</u>	<u>39,710</u>	<u>2,025,082</u>
Total capital assets not being depreciated	<u>1,038,112</u>	<u>1,483,915</u>	<u>39,710</u>	<u>2,482,317</u>
Depreciable capital assets:				
Buildings and improvements	459,666			459,666
Machinery and equipment	126,235			126,235
Automobiles and trucks	352,061			352,061
Water system	8,033,167			8,033,167
Sewer system	<u>22,279,662</u>	<u>45,427</u>		<u>22,325,089</u>
Total depreciable capital assets	<u>31,250,791</u>	<u>45,427</u>	<u>0</u>	<u>31,296,218</u>
Less accumulated depreciation for:				
Buildings and improvements	(211,560)	(12,080)		(223,640)
Machinery and equipment	(126,235)			(126,235)
Automobiles and trucks	(346,032)	(6,028)		(352,060)
Water system	(5,265,850)	(92,177)		(5,358,027)
Sewer system	<u>(13,223,044)</u>	<u>(461,834)</u>		<u>(13,684,878)</u>
Total accumulated depreciation	<u>(19,172,721)</u>	<u>(572,119)</u>	<u>0</u>	<u>(19,744,840)</u>
Total depreciable capital assets, net	<u>12,078,070</u>	<u>(526,692)</u>	<u>0</u>	<u>11,551,378</u>
Total capital assets, net	<u>\$ 13,116,182</u>	<u>\$ 957,223</u>	<u>\$ 39,710</u>	<u>\$ 14,033,695</u>
Changes to capital assets:				
Capital outlay		\$ 1,489,632	\$	
Assets transferred to depreciable assets		39,710	39,710	
Less depreciation expense for the fiscal year		<u>(572,119)</u>		
Net increases / decreases to capital assets		<u>\$ 957,223</u>	<u>\$ 39,710</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 11,615,000	\$	\$ 1,065,000	\$ 10,550,000	\$ 1,095,000
Deferred amounts:					
Refunding charges	(10,348)		462	(10,810)	(2,792)
Issuance premiums (discounts)	<u>190,232</u>		<u>39,188</u>	<u>151,044</u>	<u>57,612</u>
Total bonds payable	<u>11,794,884</u>	<u>0</u>	<u>1,104,650</u>	<u>10,690,234</u>	<u>1,149,820</u>
Total long-term liabilities	<u>\$ 11,794,884</u>	<u>\$ 0</u>	<u>\$ 1,104,650</u>	<u>\$ 10,690,234</u>	<u>\$ 1,149,820</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

As of June 30, 2023, the debt service requirements on the bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,095,000	\$ 259,084	\$ 1,354,084
2025	1,135,000	218,498	1,353,498
2026	1,160,000	178,995	1,338,995
2027	1,190,000	145,540	1,335,540
2028	1,220,000	115,833	1,335,833
2029 - 2033	2,110,000	373,189	2,483,189
2034 - 2038	1,810,000	191,536	2,001,536
2039 - 2040	830,000	18,899	848,899
	<u>\$ 10,550,000</u>	<u>\$ 1,501,574</u>	<u>\$ 12,051,574</u>

The bond issues payable at June 30, 2023, were as follows:

	<u>Series 2010A</u>	<u>Refunding Series 2014</u>	<u>Refunding Series 2019</u>
Amounts outstanding, June 30, 2023	\$25,000	\$2,400,000	\$3,325,000
Interest rates	4.00%	2.511%	2.00% to 4.00%
Maturity dates, serially beginning/ending	August 15, 2023	August 15, 2023/2027	August 15, 2023/2029
Interest payment dates	August 15/February 15	August 15/February 15	August 15/February 15
Callable dates	August 15, 2019*	August 15, 2022*	August 15, 2025*
	<u>Series 2020</u>		
Amounts outstanding, June 30, 2023	\$4,800,000		
Interest rates	2.00% to 3.00%		
Maturity dates, serially beginning/ending	August 15, 2023/2039		
Interest payment dates	August 15/February 15		
Callable dates	August 15, 2027*		

\*Or any date thereafter, in whole or in part, at a price equal to the par value thereof plus accrued interest to the date fixed for redemption.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bonds voted prior to December 19, 1999	\$ 8,700,000
Bonds approved for sale and sold prior to December 19, 1999	8,300,000
Unissued bond authorization cancelled, December 19, 1999	400,000
Bonds voted December 19, 1999	29,000,000
Bonds approved for sale and sold	23,690,000
Bonds voted and not issued	5,310,000

Developer Construction Commitments and Liabilities

At June 30, 2023, there were no developer construction commitments or liabilities.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

On October 12, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of \$809,952,673:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.2000	\$ 1,619,905

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2022 tax year total property tax levy	\$ 1,619,905
Appraisal district adjustments to prior year taxes	<u>(8,465)</u>
Statement of Activities property tax revenues	<u>\$ 1,611,440</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,025,472 and the bank balance was \$1,241,537. Of the bank balance, \$370,901 was covered by federal insurance and \$870,636 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$7,751,948.

Deposits and temporary investments restricted by state statutes and Bond Resolutions:

Debt Service Fund

For payment of debt principal and interest,  
paying agent fees and costs of assessing and  
collecting taxes:

Cash		\$	180,341
Temporary investments			<u>2,570,651</u>
			<u>\$ 2,750,992</u>

Capital Projects Fund

For construction of capital assets:

Cash		\$	3,978
Temporary investments			<u>2,272,673</u>
			<u>\$ 2,276,651</u>

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At June 30, 2023, the District had physical damage coverage, comprehensive general liability coverage, umbrella liability coverage, automobile liability coverage, worker's compensation coverage, consultant's crime coverage and a tax assessor-collector bond.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES

Regional Wastewater Treatment Plant

On June 10, 1974, the District, Harris County Municipal Utility District No. 53 ("No. 53") and Harris County Water Control and Improvement District No. 36 ("No. 36") entered into a 40 year contract for the purpose of sharing the cost of constructing and operating the Harris County Fresh Water Supply District No. 51 Regional Wastewater Treatment Plant (the "Plant"). This contract was amended September 21, 1978, January 11, 1979, October 8, 1981, October 10, 1983 and May 1, 2004. The contract provides that the District is the legal owner and manager of the Plant. At June 30, 2023, ownership of capacity in the Plant was as follows: Harris County Water Control and Improvement District No. 36 -- 23.81%; Harris County Fresh Water Supply District No. 51 -- 40.48%; Harris County Municipal Utility District No. 53 -- 35.71%. Oversight of the Plant is exercised by the Board of Directors of the District and financial activity of the Plant has been included in the financial statements of the District. The Plant's General Fund has been reported as a Special Revenue Fund of the District. Construction costs of the Plant are funded by the contribution of funds from each participating district. The Plant issues no debt.

Monthly operating costs of the Plant are shared by the participants based upon each participant's winter average (previous December, January and February average water intake) less amounts sold to customers who do not return any water to the participant's wastewater collection system. During the fiscal year ended June 30, 2023, the District's share of the Plant's operating expenditures were \$528,971. The Plant has not established an operating reserve and the participating districts' share of the unreserved and undesignated fund balance has not yet been determined and recorded.

Joint Water Supply Contract

On May 1, 1997 (as supplemented August 8, 2007 and December 16, 2013), the District and Harris County Municipal Utility District No. 285 ("No. 285") entered into a forty year joint water supply contract. The Joint Water Facilities Special Revenue Fund was established to account for the operations of the joint water facilities. At June 30, 2023, ownership of capacity in the Joint Water Facilities (the "Facilities") was as follows: Harris County Fresh Water Supply District No. 51 -- 54.86%; Harris County Municipal Utility District No. 285 -- 45.14%. The contract provides that the districts will share in the monthly operational costs of the Facilities in proportion to the adjusted gallons used by each district. During the fiscal year ended June 30, 2023, the District's share of the Facilities' operating expenditures was \$1,944,400. During the fiscal year ended June 30, 2023, the Facilities purchased water from the North Channel Water Authority at a cost of \$3,115,224 in accordance with the contract described in a following paragraph. At this date the District had contributed \$207,411 for its share of the Facilities' operating reserve.

North Channel Water Authority

On May 21, 1990 (restated effective March 1, 2001), the District entered into a contract with the North Channel Water Authority (the "Authority"), a conservation and reclamation district and political subdivision of the State of Texas. The restated contract continues until December 31, 2040 and year to year thereafter until payment in full of the principal, premium, if any, and interest on all bonds and all related fees to be paid under any bond resolution of the Authority is made. Oversight of the Authority is exercised by the Board of Directors of the Authority. The Authority has developed a plan whereby it will initially purchase treated surface water from the City of Houston and will construct distribution lines to convey such surface water to the District and others so that the participants in the Authority's regional water supply system can meet the requirements of the Harris-Galveston Subsidence District for conversion to 80% surface water consisting of a combination of surface water and ground water from existing wells.

The District is also contractually committed to pay for its share of the Authority's total operating costs. During the fiscal year ended June 30, 2023, the Facilities purchased water from the North Channel Water Authority at a cost of \$3,115,224. At this date, the District had contributed \$142,349 for its share of the Authority's operating reserve.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Operating Contracts

In September of 1998, the District entered into operating contracts with the Plant, the Authority and No. 53 whereby the District would furnish all operating services to the other governmental entities according to the terms established by the contracts. Revenues accrued under these contracts during the fiscal year ended June 30, 2023, were \$238,737, \$179,816 and \$986,619 from the Plant, the Authority and No. 53, respectively. The District also recorded revenues of \$69,713 for services furnished to the Joint Water Facilities. \$65,438 of these amounts was receivable at June 30, 2023.

**NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT**

On April 11, 2003 (amended December 30, 2003), the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for limited purposes within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$237,780 from the City for the fiscal year ended June 30, 2023. \$61,147 was receivable from the City for amounts accrued for the current and prior fiscal year at June 30, 2023.

**NOTE 11: RETIREMENT BENEFITS**

The District's employees do not participate in a retirement system other than the Social Security system.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Water service	\$ 1,630,000	\$ 1,630,000	\$ 2,406,825	\$ 776,825
Sewer service	1,265,000	1,265,000	1,341,919	76,919
Sales and Use Taxes	210,000	210,000	237,780	27,780
Services to other governmental entities	1,805,364	1,805,364	1,474,885	(330,479)
Interest on deposits and investments	1,800	1,800	90,555	88,755
Other revenues	<u>75,696</u>	<u>75,696</u>	<u>90,541</u>	<u>14,845</u>
<b>TOTAL REVENUES</b>	<u>4,987,860</u>	<u>4,987,860</u>	<u>5,642,505</u>	<u>654,645</u>
<b>EXPENDITURES</b>				
Service operations:				
Purchased services	2,200,000	2,200,000	2,473,371	273,371
Professional fees	36,750	36,750	22,502	(14,248)
Contracted services	32,350	32,350	42,400	10,050
Personnel	1,597,856	1,597,856	1,657,088	59,232
Repairs, maintenance and other operating expenditures	725,972	725,972	839,124	113,152
Utilities	28,000	28,000	26,218	(1,782)
Administrative expenditures	302,653	302,653	276,753	(25,900)
Capital outlay	<u>0</u>	<u>0</u>	<u>26,450</u>	<u>26,450</u>
<b>TOTAL EXPENDITURES</b>	<u>4,923,581</u>	<u>4,923,581</u>	<u>5,363,906</u>	<u>440,325</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	64,279	64,279	278,599	214,320
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>3,250,531</u>	<u>3,250,531</u>	<u>3,250,531</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,314,810</u>	<u>\$ 3,314,810</u>	<u>\$ 3,529,130</u>	<u>\$ 214,320</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL,  
REGIONAL WASTEWATER TREATMENT PLANT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From participants:				
Harris County Fresh Water Supply District No. 51	\$ 484,695	\$ 484,695	\$ 528,971	\$ 44,276
Harris County Municipal Utility District No. 53	542,826	542,826	578,705	35,879
Harris County Water Control and Improvement District No. 36	<u>330,557</u>	<u>330,557</u>	<u>382,519</u>	<u>51,962</u>
	<u>1,358,078</u>	<u>1,358,078</u>	<u>1,490,195</u>	<u>132,117</u>
<b>EXPENDITURES</b>				
Service operations:				
Professional fees	3,575	3,575	3,575	0
Contracted services	34,605	34,605	36,123	1,518
Repairs, maintenance and other operating expenditures	923,568	923,568	1,016,617	93,049
Utilities	330,000	330,000	361,460	31,460
Administrative expenditures	66,330	66,330	72,420	6,090
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<u>1,358,078</u>	<u>1,358,078</u>	<u>1,490,195</u>	<u>132,117</u>
<b>EXCESS REVENUES (EXPENSES)</b>	0	0	0	0
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>119,878</u>	<u>119,878</u>	<u>119,878</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 119,878</u>	<u>\$ 119,878</u>	<u>\$ 119,878</u>	<u>\$ 0</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL,  
JOINT WATER FACILITIES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From participants:				
Harris County Fresh Water Supply District No. 51	\$ 1,827,646	\$ 1,827,646	\$ 1,944,400	\$ 116,754
Harris County Municipal Utility District No. 285	<u>986,714</u>	<u>986,714</u>	<u>1,381,434</u>	<u>394,720</u>
	<u>2,814,360</u>	<u>2,814,360</u>	<u>3,325,834</u>	<u>511,474</u>
<b>EXPENDITURES</b>				
Service operations:				
Purchased water	2,628,500	2,628,500	3,115,224	486,724
Professional fees	1,735	1,735	1,735	0
Contracted services	15,400	15,400	16,368	968
Repairs, maintenance and other operating expenditures	97,845	97,845	124,489	26,644
Utilities	61,800	61,800	57,228	(4,572)
Administrative expenditures	9,080	9,080	10,790	1,710
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>2,814,360</u>	<u>2,814,360</u>	<u>3,325,834</u>	<u>511,474</u>
EXCESS REVENUES (EXPENSES)	0	0	0	0
FUND BALANCE, BEGINNING OF YEAR	<u>228,150</u>	<u>228,150</u>	<u>228,150</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 228,150</u>	<u>\$ 228,150</u>	<u>\$ 228,150</u>	<u>\$ 0</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

JUNE 30, 2023

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in General Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2023

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$16.36	4,000	N	\$4.09	4,001 to 10,000
				4.50	10,001 to 20,000
				4.95	Over 20,000
WASTEWATER:	\$15.40		Y		
SURCHARGE:	\$0.00				

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$29.16 Wastewater: \$15.40 Surcharge: \$0.00

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

SCHEDULE OF SERVICES AND RATES (Continued)

JUNE 30, 2023

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	0	0	1.0	0
< or = 3/4"	3,379	3,356	1.0	3,356
1"	99	90	2.5	225
1-1/2"	9	8	5.0	40
2"	50	47	8.0	376
3"	13	13	15.0	195
4"	7	7	25.0	175
6"	5	5	50.0	250
8"	2	2	80.0	160
10"	0	0	115.0	0
Total Water	<u>3,564</u>	<u>3,528</u>		<u>4,777</u>
Total Wastewater	<u>3,538</u>	<u>3,502</u>	1.0	<u>3,502</u>

\*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 991,205  
 Gallons billed to customers (unaudited): 920,659

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 93%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>						
Purchased services:						
Water from Water Authority	\$	\$	\$ 3,115,224	\$	\$	\$ 3,115,224
Water from joint facilities	1,944,400					1,944,400
Sewer from regional plant	528,971					528,971
	<u>2,473,371</u>	<u>0</u>	<u>3,115,224</u>	<u>0</u>	<u>0</u>	<u>5,588,595</u>
Professional fees:						
Auditing	11,550	3,575	1,735			16,860
Legal	10,952			12,652	2,009	25,613
	<u>22,502</u>	<u>3,575</u>	<u>1,735</u>	<u>12,652</u>	<u>2,009</u>	<u>42,473</u>
Contracted services:						
Bookkeeping	42,400	10,196	10,368			62,964
Contracted administration		25,927	6,000			31,927
Tax assessor-collector				48,098		48,098
Central appraisal district				11,755		11,755
	<u>42,400</u>	<u>36,123</u>	<u>16,368</u>	<u>59,853</u>	<u>0</u>	<u>154,744</u>
Personnel:						
Salaries and wages	1,101,960					1,101,960
Payroll taxes	80,570					80,570
Employee benefits	474,558					474,558
	<u>1,657,088</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,657,088</u>
Repairs, maintenance and other operating expenditures:						
Repairs and maintenance	771,292	287,678	111,083			1,170,053
Sludge hauling		536,962				536,962
Chemicals	3,796	154,396	11,263			169,455
Laboratory costs	21,896	31,131				53,027
TCEQ assessment	18,619					18,619
Other operating expenditures	23,521	6,450	2,143			32,114
	<u>839,124</u>	<u>1,016,617</u>	<u>124,489</u>	<u>0</u>	<u>0</u>	<u>1,980,230</u>
Utilities	<u>26,218</u>	<u>361,460</u>	<u>57,228</u>	<u>0</u>	<u>0</u>	<u>444,906</u>
Administrative expenditures:						
Director's fees	9,000					9,000
Office supplies and postage	78,605	1,242	1,163			81,010
Insurance	28,112	30,081	9,627	250		68,070
Computer billing	73,594					73,594
Telephone	32,602					32,602
Permit fees		41,097				41,097
Other	54,840			10,607		65,447
	<u>276,753</u>	<u>72,420</u>	<u>10,790</u>	<u>10,857</u>	<u>0</u>	<u>370,820</u>

See accompanying independent auditor's report.



HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51EXPENDITURES (Continued)FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY						
Authorized expenditures	\$ 26,450	\$ 0	\$ 0	\$ 0	\$ 1,463,182	\$ 1,489,632
DEBT SERVICE						
Principal retirement	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,065,000</u>	<u>0</u>	<u>1,065,000</u>
Interest and fees:						
Interest				298,194		298,194
Paying agent fees				3,300		3,300
	<u>0</u>	<u>0</u>	<u>0</u>	<u>301,494</u>	<u>0</u>	<u>301,494</u>
TOTAL EXPENDITURES	<u>\$ 5,363,906</u>	<u>\$ 1,490,195</u>	<u>\$ 3,325,834</u>	<u>\$ 1,449,856</u>	<u>\$ 1,465,191</u>	<u>\$13,094,982</u>

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Regional Wastewater Treatment Plant Special Revenue Fund</u>	<u>Joint Water Facilities Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>						
Cash receipts from revenues	\$ 4,728,465	\$ 1,478,318	\$ 3,333,879	\$ 1,704,831	\$ 97,415	\$ 11,342,908
Increase in customer deposits	1,960					1,960
Overpayments by taxpayers				22,310		22,310
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>4,730,425</u>	<u>1,478,318</u>	<u>3,333,879</u>	<u>1,727,141</u>	<u>97,415</u>	<u>11,367,178</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>						
Cash disbursements for:						
Current expenditures	4,209,846	1,569,827	3,331,939	82,541	2,009	9,196,162
Capital outlay	26,450				1,302,738	1,329,188
Debt service				1,366,494		1,366,494
Other fund	56,142				56,142	112,284
Expenditures from other districts' deposit					28,733	28,733
Repayment of taxpayer overpayments				21,540		21,540
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>4,292,438</u>	<u>1,569,827</u>	<u>3,331,939</u>	<u>1,470,575</u>	<u>1,389,622</u>	<u>12,054,401</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	437,987	(91,509)	1,940	256,566	(1,292,207)	(687,223)
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>3,120,132</u>	<u>158,106</u>	<u>123,121</u>	<u>2,494,426</u>	<u>3,568,858</u>	<u>9,464,643</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$ 3,558,119</u>	<u>\$ 66,597</u>	<u>\$ 125,061</u>	<u>\$ 2,750,992</u>	<u>\$ 2,276,651</u>	<u>\$ 8,777,420</u>

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

JUNE 30, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2575500002	Market	On demand	\$ <u>2,908,624</u>	\$ <u>0</u>
DEBT SERVICE FUND				
TexPool				
No. 2575500001	Market	On demand	\$ <u>2,570,651</u>	\$ <u>0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2575500003	Market	On demand	\$ <u>2,272,673</u>	\$ <u>0</u>
Total – All Funds			\$ <u>7,751,948</u>	\$ <u>0</u>

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 167,289
Additions and corrections to prior year taxes	<u>(8,465)</u>
Adjusted receivable, beginning of year	158,824
2022 ADJUSTED TAX ROLL	<u>1,619,905</u>
Total to be accounted for	1,778,729
Tax collections: Current tax year	(1,557,301)
Prior tax years	<u>(38,477)</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 182,951</u></u>
RECEIVABLE, BY TAX YEAR	
2012 and prior	\$ 30,920
2013	4,252
2014	4,622
2015	5,461
2016	5,707
2017	6,988
2018	8,739
2019	11,545
2020	15,583
2021	26,530
2022	<u>62,604</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 182,951</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED JUNE 30, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 224,095,137	\$ 178,197,713	\$ 173,642,980	\$ 157,973,392
Improvements	787,597,435	672,063,244	583,882,008	555,935,285
Personal property	28,594,066	23,663,588	23,832,477	22,337,649
Less exemptions	<u>(230,333,965)</u>	<u>(165,805,519)</u>	<u>(137,909,149)</u>	<u>(132,827,155)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 809,952,673</u>	 <u>\$ 708,119,026</u>	 <u>\$ 643,448,316</u>	 <u>\$ 603,419,171</u>
 TAX RATES PER \$100 VALUATION	 <u>\$ 0.20000</u>	 <u>\$ 0.23000</u>	 <u>\$ 0.25000</u>	 <u>\$ 0.25000</u>
 TAX ROLLS	 <u>\$ 1,619,905</u>	 <u>\$ 1,628,674</u>	 <u>\$ 1,608,628</u>	 <u>\$ 1,508,555</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>96.1 %</u>	 <u>98.4 %</u>	 <u>99.0 %</u>	 <u>99.2 %</u>

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

JUNE 30, 2023

<u>Series 2010A</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due August 15</u>	<u>Interest Due August 15, February 15</u>	<u>Total</u>
2024	\$ 25,000	\$ 500	\$ 25,500

<u>Series 2014</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due August 15</u>	<u>Interest Due August 15, February 15</u>	<u>Total</u>
2024	\$ 205,000	\$ 57,690	\$ 262,690
2025	200,000	52,605	252,605
2026	525,000	43,502	568,502
2027	740,000	27,621	767,621
2028	730,000	9,165	739,165
TOTALS	\$ 2,400,000	\$ 190,583	\$ 2,590,583

<u>Series 2019</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due August 15</u>	<u>Interest Due August 15, February 15</u>	<u>Total</u>
2024	\$ 765,000	\$ 96,213	\$ 861,213
2025	835,000	64,212	899,212
2026	535,000	36,812	571,812
2027	275,000	23,363	298,363
2028	295,000	17,662	312,662
2029	315,000	11,169	326,169
2030	305,000	3,813	308,813
TOTALS	\$ 3,325,000	\$ 253,244	\$ 3,578,244

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2023

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2020</u>		
	<u>Principal Due August 15</u>	<u>Interest Due August 15, February 15</u>	<u>Total</u>
2024	100,000	104,681	204,681
2025	100,000	101,681	201,681
2026	100,000	98,681	198,681
2027	175,000	94,556	269,556
2028	195,000	89,006	284,006
2029	275,000	83,331	358,331
2030	285,000	77,731	362,731
2031	300,000	71,881	371,881
2032	310,000	65,782	375,782
2033	320,000	59,482	379,482
2034	335,000	52,932	387,932
2035	350,000	46,082	396,082
2036	360,000	38,757	398,757
2037	375,000	30,947	405,947
2038	390,000	22,818	412,818
2039	405,000	14,118	419,118
2040	425,000	4,781	429,781
TOTALS	<u>\$ 4,800,000</u>	<u>\$ 1,057,247</u>	<u>\$ 5,857,247</u>

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2023

<u>Due During Fiscal Years Ending June 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2024	\$ 1,095,000	\$ 259,084	\$ 1,354,084
2025	1,135,000	218,498	1,353,498
2026	1,160,000	178,995	1,338,995
2027	1,190,000	145,540	1,335,540
2028	1,220,000	115,833	1,335,833
2029	590,000	94,500	684,500
2030	590,000	81,544	671,544
2031	300,000	71,881	371,881
2032	310,000	65,782	375,782
2033	320,000	59,482	379,482
2034	335,000	52,932	387,932
2035	350,000	46,082	396,082
2036	360,000	38,757	398,757
2037	375,000	30,947	405,947
2038	390,000	22,818	412,818
2039	405,000	14,118	419,118
2040	425,000	4,781	429,781
TOTALS	<u>\$ 10,550,000</u>	<u>\$ 1,501,574</u>	<u>\$ 12,051,574</u>

See accompanying independent auditor's report.



HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED JUNE 30, 2023

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2010	2010A	2012
Interest Rate:	Not Applicable	4.00%	Not Applicable
Dates Interest Payable:	Not Applicable	August 15/ February 15	Not Applicable
Maturity Dates:	Not Applicable	August 15, 2023	Not Applicable
Bonds Outstanding at Beginning of Current Year	\$ 390,000	\$ 50,000	\$ 340,000
Less Retirements	<u>(390,000)</u>	<u>(25,000)</u>	<u>(340,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 0</u>	<u>\$ 25,000</u>	<u>\$ 0</u>
Current Year Interest Paid:	<u>\$ 7,800</u>	<u>\$ 1,500</u>	<u>\$ 6,800</u>

Bond Descriptions and Original Amount of Issue

(1) Harris County Fresh Water Supply District No. 51 Unlimited Tax Refunding Bonds, Series 2010 (\$4,365,000)

(2) Harris County Fresh Water Supply District No. 51 Unlimited Tax Bonds, Series 2010A (\$1,690,000)

(3) Harris County Fresh Water Supply District No. 51 Unlimited Tax Refunding Bonds, Series 2012 (\$3,655,000)

Paying Agent/Registrar

(1) (2) (3) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 29,000,000	\$ 0	\$ 0
Amount Issued:	23,690,000		
Remaining to be Issued:	5,310,000		

Net Debt Service Fund deposits and investments balances as of June 30, 2023: \$2,747,134  
Average annual debt service payment for remaining term of all debt: 708,916

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT(Continued)  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>Totals</u>
Bond Series:	2014	2019	2020	
Interest Rate:	2.511%	2.00% to 4.00%	2.00% to 3.00%	
Dates Interest Payable:	August 15/ February 15	August 15/ February 15	August 15/ February 15	
Maturity Dates:	August 15, 2023/2027	August 15, 2023/2029	August 15, 2023/2039	
Bonds Outstanding at Beginning of Current Year	\$ 2,610,000	\$ 3,325,000	\$ 4,900,000	\$ 11,615,000
Less Retirements	<u>(210,000)</u>	<u>0</u>	<u>(100,000)</u>	<u>(1,065,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,400,000</u>	<u>\$ 3,325,000</u>	<u>\$ 4,800,000</u>	<u>\$ 10,550,000</u>
Current Year Interest Paid:	<u>\$ 62,901</u>	<u>\$ 111,512</u>	<u>\$ 107,681</u>	<u>\$ 298,194</u>

Bond Descriptions and Original Amount of Issue

- (4) Harris County Fresh Water Supply District No. 51 Unlimited Tax Refunding Bonds, Series 2014 (\$4,025,000)  
(5) Harris County Fresh Water Supply District No. 51 Unlimited Tax Refunding Bonds, Series 2019 (\$3,325,000)  
(6) Harris County Fresh Water Supply District No. 51 Unlimited Tax Bonds, Series 2020 (\$5,000,000)

Paying Agent/Registrar

- (4) (5) (6) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND

FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
<b>REVENUES</b>										
Water service	\$ 2,406,825	\$ 1,848,961	\$ 1,731,040	\$ 1,656,722	\$ 1,457,145	42.7 %	38.9 %	34.7 %	31.6 %	31.6 %
Sewer service	1,341,919	1,301,832	1,294,923	1,282,733	1,225,348	23.8	27.3	26.0	24.5	26.6
Sales and Use Taxes	237,780	238,334	226,661	225,214	207,054	4.2	5.0	4.5	4.3	4.5
Services to other governmental entities	1,474,885	1,292,314	1,657,029	1,966,385	1,560,470	26.1	27.1	33.2	37.6	33.9
Interest on deposits and investments	90,555	5,279	1,849	29,400	45,085	1.6	0.1	0.0	0.6	1.0
Other revenues	90,541	74,744	77,821	74,810	112,215	1.6	1.6	1.6	1.4	2.4
<b>TOTAL REVENUES</b>	<b>5,642,505</b>	<b>4,761,464</b>	<b>4,989,323</b>	<b>5,235,264</b>	<b>4,607,317</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EXPENDITURES</b>										
Service operations:										
Purchased services	2,473,371	2,316,336	2,108,052	1,940,088	1,882,066	43.7	48.7	42.2	37.0	40.7
Professional fees and contracted services	64,902	64,419	57,725	66,135	56,266	1.2	1.4	1.2	1.2	1.2
Personnel	1,657,088	1,544,656	1,537,146	1,482,142	1,418,522	29.4	32.5	30.8	28.3	30.8
Repairs, maintenance and other operating expenditures	839,124	728,030	625,064	1,058,054	886,606	14.9	15.2	12.6	20.3	19.3
Utilities	26,218	45,066	39,817	37,591	44,391	0.5	0.9	0.8	0.7	1.0
Administrative expenditures	276,753	303,437	279,582	297,337	237,768	4.9	6.4	5.6	5.7	5.2
Capital outlay	26,450	0	469,911	26,246	74,141	0.5	0.0	9.4	0.5	1.6
<b>TOTAL EXPENDITURES</b>	<b>5,363,906</b>	<b>5,001,944</b>	<b>5,117,297</b>	<b>4,907,593</b>	<b>4,599,760</b>	<b>95.1</b>	<b>105.1</b>	<b>102.6</b>	<b>93.7</b>	<b>99.8</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ 278,599</b>	<b>\$ (240,480)</b>	<b>\$ (127,974)</b>	<b>\$ 327,671</b>	<b>\$ 7,557</b>	<b>4.9 %</b>	<b>(5.1) %</b>	<b>(2.6) %</b>	<b>6.3 %</b>	<b>0.2 %</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>3,528</b>	<b>3,530</b>	<b>3,529</b>	<b>3,524</b>	<b>3,516</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>3,502</b>	<b>3,504</b>	<b>3,503</b>	<b>3,498</b>	<b>3,489</b>					

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED JUNE 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES										
Property taxes	\$ 1,595,778	\$ 1,596,422	\$ 1,595,083	\$ 1,505,356	\$ 1,369,958	93.6 %	98.2 %	97.5 %	97.2 %	96.4 %
Penalty and interest	35,348	23,842	38,611	22,438	26,415	2.1	1.5	2.4	1.4	1.9
Interest on deposits and investments	<u>73,705</u>	<u>4,463</u>	<u>1,148</u>	<u>21,405</u>	<u>24,810</u>	<u>4.3</u>	<u>0.3</u>	<u>0.1</u>	<u>1.4</u>	<u>1.7</u>
TOTAL REVENUES	<u>1,704,831</u>	<u>1,624,727</u>	<u>1,634,842</u>	<u>1,549,199</u>	<u>1,421,183</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Contracted services and professional fees	72,505	67,212	66,745	61,440	63,873	4.2	4.1	4.1	4.0	4.5
Administrative expenditures	10,857	11,684	10,192	9,009	8,900	0.6	0.7	0.6	0.6	0.6
Debt service:										
Principal retirement	1,065,000	1,035,000	905,000	875,000	850,000	62.5	63.8	55.4	56.4	59.9
Refunding contribution	0	0	0	0	38,000	0.0	0.0	0.0	0.0	2.7
Interest and fees	<u>301,494</u>	<u>340,317</u>	<u>346,958</u>	<u>258,044</u>	<u>348,813</u>	<u>17.7</u>	<u>20.9</u>	<u>21.2</u>	<u>16.7</u>	<u>24.5</u>
TOTAL EXPENDITURES	<u>1,449,856</u>	<u>1,454,213</u>	<u>1,328,895</u>	<u>1,203,493</u>	<u>1,309,586</u>	<u>85.0</u>	<u>89.5</u>	<u>81.3</u>	<u>77.7</u>	<u>92.2</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 254,975</u>	<u>\$ 170,514</u>	<u>\$ 305,947</u>	<u>\$ 345,706</u>	<u>\$ 111,597</u>	<u>15.0 %</u>	<u>10.5 %</u>	<u>18.7 %</u>	<u>22.3 %</u>	<u>7.8 %</u>

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJUNE 30, 2023

Complete District Mailing Address: Harris County Fresh Water Supply District No. 51  
P.O. Box 24338  
Houston, Texas 77229

District Business Telephone No.: 713-637-8835

Submission date of the most recent District Registration Form: May 11, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$6,000

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Jerry Dominy 14 P.O. Box 24338 Houston, Texas 77229	Elected 5/02/20- 5/04/24	\$ 1,800	\$ 0	President
Mike Bilnoski P.O. Box 24338 Houston, Texas 77229	Elected 5/02/20- 5/04/24	1,800	0	Vice President
Cary Stephens P.O. Box 24338 Houston, Texas 77229	Elected 5/07/22- 5/02/26	1,800	0	Assistant Vice President
David Gray P.O. Box 24338 Houston, Texas 77229	Appointed 2/10/21- 5/04/24	1,800	0	Assistant Secretary
Les LeBleu P.O. Box 24338 Houston, Texas 77229	Elected 5/07/22- 5/02/26	1,800	0	Secretary

See accompanying independent auditor's report.

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 51BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)JUNE 30, 2023CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Billy C. Allen, Jr. P.O. Box 24338 Houston, Texas 77229	1981	\$ 226,529	General Manager/ Inv. Officer
Allen Boone Humphries Robinson L.L.P. 3200 Southwest Freeway Suite 2600 Houston, Texas 77002	8/13/03	12,961	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	3/15/99	12,652	Delinquent Tax Attorney
McLennan & Associates, L.P. 1717 St. James Place, Suite 500 Houston, Texas 77056	9/08/04	69,192	Bookkeeper
IDS Engineering Group 13430 Northwest Freeway, Suite 700 Houston, Texas 77040	6/21/99	0	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77043	Prior to 1997	60,819	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	11,755	Central Appraisal District
Post Oak Municipal Advisors, LLC 820 Gessner, Suite 1350 Houston, Texas 77024	5/9/18	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	8/17/98	16,860	Independent Auditor

See accompanying independent auditor's report.