

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**AUGUST 31, 2019**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**AUGUST 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Harris County Water Control  
and Improvement District No. 70  
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. 70 (the "District"), as of and for the year ended August 31, 2019, 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 August 31, 2019, 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*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

February 5, 2020

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019**

Management's discussion and analysis of Harris County Water Control and Improvement District No. 70's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2019. 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. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position presents information that includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**FUND FINANCIAL STATEMENTS (Continued)**

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental 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 exceeded liabilities by \$3,721,011 as of August 31, 2019. A portion of the District's net position reflects its net investment in capital assets (buildings as well as water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019**

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

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 2,141,165	\$ 2,109,372	\$ 31,793
Capital Assets (Net of Accumulated Depreciation)	3,807,238	3,851,359	(44,121)
Total Assets	\$ 5,948,403	\$ 5,960,731	\$ (12,328)
Bonds Payable	\$ 2,025,000	\$ 2,280,000	\$ 255,000
Other Liabilities	202,392	238,165	35,773
Total Liabilities	\$ 2,227,392	\$ 2,518,165	\$ 290,773
Net Position:			
Net Investment in Capital Assets	\$ 1,794,508	\$ 1,583,666	\$ 210,842
Restricted	257,825	305,131	(47,306)
Unrestricted	1,668,678	1,553,769	114,909
Total Net Position	\$ 3,721,011	\$ 3,442,566	\$ 278,445

The following table provides a summary of the District's operations for the years ended August 31, 2019, and August 31, 2018. The District's net position increased by \$278,445.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 690,198	\$ 662,831	\$ 27,367
Charges for Services	412,961	415,584	(2,623)
Other Revenues	72,574	51,577	20,997
Total Revenues	\$ 1,175,733	\$ 1,129,992	\$ 45,741
Expenses for Services	897,288	1,032,388	135,100
Change in Net Position	\$ 278,445	\$ 97,604	\$ 180,841
Net Position, Beginning of Year	3,442,566	3,344,962	97,604
Net Position, End of Year	\$ 3,721,011	\$ 3,442,566	\$ 278,445

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019**

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

The District's combined fund balances as of August 31, 2019, were \$1,934,570, an increase of \$64,854 from the prior year.

The General Fund fund balance increased by \$112,861, primarily due to operating and tax revenues exceeding operating, administrative and debt service payments made in the current fiscal year.

The Debt Service Fund fund balance decreased by \$47,970, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$37.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$56,463 more than budgeted revenues primarily due to higher than anticipated tax revenues and investment revenues. Actual expenditures were \$366,268 less than budgeted expenditures primarily due to capital expenditures which did not occur in the current fiscal year.

**CAPITAL ASSETS**

Capital assets as of August 31, 2019, total \$3,807,238 (net of accumulated depreciation) and include land, buildings and the water and wastewater systems. Capital outlay in the current fiscal year included improvements to water plant no. 1 and the office building parking lot.

**Capital Assets At Year-End, Net of Accumulated Depreciation**

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Easements	\$ 187,171	\$ 187,171	\$
Construction in Progress	71,058		71,058
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,545,624	1,604,710	(59,086)
Wastewater System	1,846,680	1,918,425	(71,745)
Building	156,705	141,053	15,652
Total Net Capital Assets	<u>\$ 3,807,238</u>	<u>\$ 3,851,359</u>	<u>\$ (44,121)</u>



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**LONG-TERM DEBT ACTIVITY**

The District's bonds were not rated for the current nor prior years. As of August 31, 2019, the District had total bond debt payable of \$2,025,000. The changes in the debt position of the District during the fiscal year ended August 31, 2019, are summarized as follows:

Bond Debt Payable, September 1, 2018	\$ 2,280,000
Less: Bond Principal Paid	<u>255,000</u>
Bond Debt Payable, August 31, 2019	<u>\$ 2,025,000</u>

**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. 70, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
AUGUST 31, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash	\$ 39,335	\$ 67,045
Investments	1,681,716	192,911
Cash with Fiscal Agent	24,549	23,415
Receivables:		
Property Taxes	25,719	16,134
Penalty and Interest on Delinquent Taxes		
Service Accounts	44,878	
Accrued Interest	177	43
Other	1,932	
Due from Other Funds	2,799	
Prepaid Costs	4,531	875
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 1,825,636</u>	<u>\$ 300,423</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 7,591	\$ 113,971	\$	\$ 113,971
	1,874,627		1,874,627
	47,964		47,964
	41,853		41,853
		10,314	10,314
	44,878		44,878
	220		220
	1,932		1,932
4,679	7,478	(7,478)	
	5,406		5,406
		187,171	187,171
		71,058	71,058
		<u>3,549,009</u>	<u>3,549,009</u>
<u>\$ 12,270</u>	<u>\$ 2,138,329</u>	<u>\$ 3,810,074</u>	<u>\$ 5,948,403</u>

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

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
AUGUST 31, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 83,927	\$ 2,149
Accrued Interest Payable		
Due to Other Funds	4,679	2,799
Security Deposits	68,352	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 156,958</u>	<u>\$ 4,948</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	<u>\$ 25,719</u>	<u>\$ 16,134</u>
<b>FUND BALANCES</b>		
Nonspendable: Prepaid Costs	\$ 29,080	\$ 24,290
Restricted for Authorized Construction		
Restricted for Debt Service		255,051
Committed for Construction	356,200	
Assigned to 2020 Budget	386,310	
Unassigned	<u>871,369</u>	
<b>TOTAL FUND BALANCES</b>	<u>\$ 1,642,959</u>	<u>\$ 279,341</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,825,636</u>	<u>\$ 300,423</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 86,076	\$	\$ 86,076
		47,964	47,964
	7,478	(7,478)	
	68,352		68,352
		255,000	255,000
		1,770,000	1,770,000
<u>\$ -0-</u>	<u>\$ 161,906</u>	<u>\$ 2,065,486</u>	<u>\$ 2,227,392</u>
<u>\$ -0-</u>	<u>\$ 41,853</u>	<u>\$ (41,853)</u>	<u>\$ -0-</u>
\$	\$ 53,370	\$ (53,370)	\$
12,270	12,270	(12,270)	
	255,051	(255,051)	
	356,200	(356,200)	
	386,310	(386,310)	
	871,369	(871,369)	
<u>\$ 12,270</u>	<u>\$ 1,934,570</u>	<u>\$ (1,934,570)</u>	<u>\$ - 0 -</u>
<u>\$ 12,270</u>	<u>\$ 2,138,329</u>		
		\$ 1,794,508	\$ 1,794,508
		257,825	257,825
		1,668,678	1,668,678
		<u>\$ 3,721,011</u>	<u>\$ 3,721,011</u>

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



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2019**

Total Fund Balances - Governmental Funds	\$	1,934,570
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		3,807,238
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		52,167
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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	\$ (47,964)	
Bonds Payable	<u>(2,025,000)</u>	<u>(2,072,964)</u>

Total Net Position - Governmental Activities	\$	<u>3,721,011</u>
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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. 70**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 454,236	\$ 233,752
Water Service	136,274	
Wastewater Service	262,570	
Penalty and Interest	5,095	13,288
Investment and Miscellaneous Revenues	<u>67,288</u>	<u>5,283</u>
<b>TOTAL REVENUES</b>	<u>\$ 925,463</u>	<u>\$ 252,323</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 85,852	\$ 4,133
Contracted Services	206,220	18,570
Purchased Water Service	60,258	
Utilities	68,170	
Repairs and Maintenance	122,354	
Depreciation		
Other	81,482	12,906
Capital Outlay	92,485	
Debt Service:		
Bond Principal	45,000	210,000
Bond Interest	<u>50,781</u>	<u>54,684</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 812,602</u>	<u>\$ 300,293</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 112,861	\$ (47,970)
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - SEPTEMBER 1, 2018</b>	<u>1,530,098</u>	<u>327,311</u>
<b>FUND BALANCES/NET POSITION - AUGUST 31, 2019</b>	<u>\$ 1,642,959</u>	<u>\$ 279,341</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 687,988	\$ 2,210	\$ 690,198
	136,274		136,274
	262,570		262,570
	18,383	(4,266)	14,117
3	72,574		72,574
<u>\$ 3</u>	<u>\$ 1,177,789</u>	<u>\$ (2,056)</u>	<u>\$ 1,175,733</u>
\$	\$ 89,985	\$	\$ 89,985
	224,790		224,790
	60,258		60,258
	68,170		68,170
	122,354		122,354
		136,606	136,606
40	94,428		94,428
	92,485	(92,485)	
	255,000	(255,000)	
	105,465	(4,768)	100,697
<u>\$ 40</u>	<u>\$ 1,112,935</u>	<u>\$ (215,647)</u>	<u>\$ 897,288</u>
\$ (37)	\$ 64,854	\$ (64,854)	\$
		278,445	278,445
12,307	1,869,716	1,572,850	3,442,566
<u>\$ 12,270</u>	<u>\$ 1,934,570</u>	<u>\$ 1,786,441</u>	<u>\$ 3,721,011</u>

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

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$ 64,854
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	2,210
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.	(4,266)
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.	(136,606)
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.	92,485
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.	255,000
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.	4,768
Change in Net Position - Governmental Activities	<u>\$ 278,445</u>

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



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**NOTE 1. CREATION OF DISTRICT**

Harris County Water Control and Improvement District No. 70, Harris County, Texas was created by an order of the Texas Board of Water Engineers effective January 7, 1957, in accordance with statutes that were later codified as the Texas Water Code, Chapter 51. The Board of Directors held its first meeting on February 21, 1957, and the first bonds were sold on August 7, 1962. The District is empowered, among other things, to purchase, to construct, to operate, and to maintain all works, improvements and facilities necessary for the supply of water, for the collection and processing of wastewater, and for the control and diversion of storm water.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying the 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 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.

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").

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.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

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

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

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

Governmental Funds (Continued)

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 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 August 31, 2019, the Debt Service Fund owed the General Fund \$2,799 for maintenance tax collections and the General Fund owed the Capital Projects Fund \$4,679 for capital costs incurred in a prior year.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Building	40
Water and Sewer System	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

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

Measurement Focus

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

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



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

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

Measurement Focus (Continued)

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

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

*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 committed \$356,200 of its General Fund fund balance for water plant no. 1 improvements and wastewater treatment plant outfall projects expected to occur in the 2020 fiscal year.

*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. The District assigned \$386,310 of its General Fund fund balance to the 2020 budgeted deficit.

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2010A</u>	<u>Series 2010B</u>
Amount Outstanding – August 31, 2019	\$1,050,000	\$975,000
Interest Rates	4.14% - 4.69%	4.14% - 5.44%
Maturity Dates – Serially Beginning/Ending	March 1, 2020/2024	March 1, 2020/2034
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	N/A	N/A

  

	<u>September 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>August 31, 2019</u>
Bonds Payable	\$ 2,280,000	\$ -0-	\$ 255,000	\$ 2,025,000
		Amount Due Within One Year		\$ 255,000
		Amount Due After One Year		1,770,000
		Total Bonds Payable		<u>\$ 2,025,000</u>

As of August 31, 2019, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 255,000	\$ 95,928	\$ 350,928
2021	260,000	85,370	345,370
2022	260,000	74,086	334,086
2023	260,000	62,412	322,412
2024	265,000	50,348	315,348
2025-2029	315,000	159,901	474,901
2030-2034	410,000	68,186	478,186
	<u>\$ 2,025,000</u>	<u>\$ 596,231</u>	<u>\$ 2,621,231</u>

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**NOTE 3. LONG-TERM DEBT (Continued)**

The District voters authorized bonds to be issued up to \$6,375,000 and previously issued bonds totaling \$6,006,000. The remaining authorization of \$369,000 was rescinded in 1972. The 2010A 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 are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's water and sewer system. The Series 2010B bonds are direct placement bonds and are payable from and secured by a lien on and pledge of net revenues to be received from the operations of the District's water and sewer system.

During the year ended August 31, 2019, the District levied an ad valorem debt service tax rate of \$0.205 per \$100 of assessed valuation, which resulted in a tax levy of \$233,893 on the adjusted taxable valuation of \$114,094,782, for the 2018 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.

The District's tax calendar is as follows:

- |                 |  |
|-----------------|--|
| Levy Date       | - October 1, or as soon thereafter as practicable.                           |
| Lien Date       | - January 1.   |
| Due Date        | - Not later than January 31.   |
| Delinquent Date | - February 1, at which time the taxpayer is liable for penalty and interest. |

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond orders state that the District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

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 each issue.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**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.

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 \$432,428 and the bank balance was \$458,923. The District was not exposed to custodial credit risk at fiscal year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at August 31, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 39,335	\$ 248,703	\$ 288,038
DEBT SERVICE FUND	67,045	69,754	136,799
CAPITAL PROJECTS FUND	7,591		7,591
TOTAL DEPOSITS	<u>\$ 113,971</u>	<u>\$ 318,457</u>	<u>\$ 432,428</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.



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts 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. The District measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. The District records its investments in certificates of deposit at acquisition cost.

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,433,013	\$ 1,433,013
Certificate of Deposit	248,703	248,703
<u>DEBT SERVICE FUND</u>		
TexPool	123,157	123,157
Certificate of Deposit	69,754	69,754
<b>TOTAL INVESTMENTS</b>	<u><u>\$ 1,874,627</u></u>	<u><u>\$ 1,874,627</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2019, the District's investments in TexPool were rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC insurance coverage.

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 to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Restrictions

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2019 is as follows:

	September 1, 2018	Increases	Decreases	August 31, 2019
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 187,171	\$	\$	\$ 187,171
Construction in Progress		92,485	21,427	71,058
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 187,171</u>	<u>\$ 92,485</u>	<u>\$ 21,427</u>	<u>\$ 258,229</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 3,088,649	\$	\$	\$ 3,088,649
Wastewater System	3,211,785			3,211,785
Building	202,427	21,427		223,854
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 6,502,861</u>	<u>\$ 21,427</u>	<u>\$ - 0 -</u>	<u>\$ 6,524,288</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 1,483,939	\$ 59,086	\$	\$ 1,543,025
Wastewater System	1,293,360	71,745		1,365,105
Building	61,374	5,775		67,149
<b>Total Accumulated Depreciation</b>	<u>\$ 2,838,673</u>	<u>\$ 136,606</u>	<u>\$ - 0 -</u>	<u>\$ 2,975,279</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 3,664,188</u>	<u>\$ (115,179)</u>	<u>\$ - 0 -</u>	<u>\$ 3,549,009</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 3,851,359</u>	<u>\$ (22,694)</u>	<u>\$ 21,427</u>	<u>\$ 3,807,238</u>

**NOTE 7. MAINTENANCE TAX**

At an election held September 14, 2002, the voters within the District authorized a maintenance tax not to exceed \$0.40 per \$100 valuation on all property subject to taxation within the District. The District levied an ad valorem maintenance tax rate of \$0.40 per \$100 of assessed valuation, which resulted in a tax levy of \$456,376 on the adjusted taxable valuation of \$114,094,782 for the 2018 tax year. This maintenance tax will be used by the General Fund to pay allowable expenditures of the District.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**NOTE 8. RISK MANAGEMENT**

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

**NOTE 9. GROUNDWATER REDUCTION PLAN AGREEMENT**

The Harris-Galveston Coastal Subsidence District has adopted disincentive fees based on well pumpage to encourage water users in Harris County to convert from groundwater supplies to surface water supplies. Pursuant to a Groundwater Reduction Plan Agreement by and between the District and the City of Houston (the "City") dated April 1, 2003, the District will meet the Subsidence District's requirements by agreeing to purchase surface water, as necessary, from the City. Pursuant to the agreement the City will be responsible for such conversion but will assess a charge to the District for each 1,000 gallons of groundwater withdrawn from the District's wells. The District currently pays the City a per 1,000 gallons charge equal to 30% of \$3.15.



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**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70**

**REQUIRED SUPPLEMENTARY INFORMATION**

**AUGUST 31, 2019**

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 430,000	\$ 454,236	\$ 24,236
Water Service	155,000	136,274	(18,726)
Wastewater Service	245,000	262,570	17,570
Penalty and Interest	7,500	5,095	(2,405)
Investment and Miscellaneous Revenues	<u>31,500</u>	<u>67,288</u>	<u>35,788</u>
<b>TOTAL REVENUES</b>	<u>\$ 869,000</u>	<u>\$ 925,463</u>	<u>\$ 56,463</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 76,000	\$ 85,852	\$ (9,852)
Contracted Services	217,770	206,220	11,550
Purchased Water Service	60,000	60,258	(258)
Utilities	78,200	68,170	10,030
Repairs and Maintenance	145,300	122,354	22,946
Other	94,600	81,482	13,118
Capital Outlay	412,000	92,485	319,515
Debt Service	<u>95,000</u>	<u>95,781</u>	<u>(781)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,178,870</u>	<u>\$ 812,602</u>	<u>\$ 366,268</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (309,870)	\$ 112,861	\$ 422,731
<b>FUND BALANCE - SEPTEMBER 1, 2018</b>	<u>1,530,098</u>	<u>1,530,098</u>	<u></u>
<b>FUND BALANCE - AUGUST 31, 2019</b>	<u>\$ 1,220,228</u>	<u>\$ 1,642,959</u>	<u>\$ 422,731</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**AUGUST 31, 2019**





**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
SERVICES AND RATES  
FOR THE YEAR ENDED AUGUST 31, 2019**

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

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

<b>Meter Size</b>	<b>Total Connections</b>	<b>Active Connections</b>	<b>ESFC Factor</b>	<b>Active ESFCs</b>
Unmetered			x 1.0	
≤¾"	678	678	x 1.0	678
1"			x 2.5	
1½"			x 5.0	
2"	3	3	x 8.0	24
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	681	681		702
Total Wastewater Connections	663	663	x 1.0	663

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

Gallons pumped into system:	56,589,000	Water Accountability Ratio: 92% (Gallons billed/Gallons pumped)
Gallons billed to customers:	52,082,000	

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
SERVICES AND RATES  
FOR THE YEAR ENDED AUGUST 31, 2019**

**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. 70  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 11,000
Engineering	7,116
Legal	67,736
TOTAL PROFESSIONAL FEES	<u>\$ 85,852</u>
PURCHASED SERVICES FOR RESALE	<u>\$ 60,258</u>
CONTRACTED SERVICES:	
Bookkeeping/Administration	\$ 39,731
Operations and Billing	55,427
Solid Waste Disposal	111,062
TOTAL CONTRACTED SERVICES	<u>\$ 206,220</u>
UTILITIES:	
Electricity	\$ 63,778
Telephone	4,392
TOTAL UTILITIES	<u>\$ 68,170</u>
REPAIRS AND MAINTENANCE	<u>\$ 122,354</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 6,800
Insurance	14,572
Office Supplies and Postage	17,473
Payroll Taxes	3,090
Travel and Meetings	3,160
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 45,095</u>
CAPITAL OUTLAY	<u>\$ 92,485</u>
DEBT SERVICE	<u>\$ 95,781</u>
OTHER EXPENDITURES:	
Chemicals	\$ 9,901
Laboratory Fees	11,504
Permit Fees	3,104
Regulatory Assessment	1,686
Sludge Hauling	8,264
Other	1,928
TOTAL OTHER EXPENDITURES	<u>\$ 36,387</u>
TOTAL EXPENDITURES	<u><u>\$ 812,602</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
INVESTMENTS  
AUGUST 31, 2019**

<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>					
Certificate of Deposit	XXXX0950	0.50%	04/04/20	\$ 248,703	\$ 177
TexPool	XXXX0004	Varies	Daily	1,433,013	
TOTAL GENERAL FUND				<u>\$ 1,681,716</u>	<u>\$ 177</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX5409	0.30%	12/14/19	\$ 69,754	\$ 43
TexPool	XXXX0006	Varies	Daily	123,157	
TOTAL DEBT SERVICE FUND				<u>\$ 192,911</u>	<u>\$ 43</u>
TOTAL - ALL FUNDS				<u>\$ 1,874,627</u>	<u>\$ 220</u>

See accompanying independent auditor's report.



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2019**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
SEPTEMBER 1, 2018	\$	23,671	\$	15,972
Adjustments to Beginning				
Balance		<u>(92)</u>		<u>21</u>
	\$	23,579	\$	15,993
Original 2018 Tax Levy	\$	330,670	\$	169,469
Adjustment to 2018 Tax Levy		<u>125,706</u>		<u>64,424</u>
		456,376		233,893
TOTAL TO BE				
ACCOUNTED FOR	\$	479,955	\$	249,886
TAX COLLECTIONS:				
Prior Years	\$	7,963	\$	5,037
Current Year		<u>446,273</u>		<u>228,715</u>
		454,236		233,752
TAXES RECEIVABLE -				
AUGUST 31, 2019		<u>\$ 25,719</u>		<u>\$ 16,134</u>
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	10,103	\$	5,178
2017		4,796		2,458
2016		2,313		1,186
2015		1,526		839
2014		1,390		1,042
2013		1,374		1,134
2012		1,377		1,308
2011		888		866
2010		877		881
2009		536		619
2008		<u>539</u>		<u>623</u>
TOTAL	\$	<u>25,719</u>	\$	<u>16,134</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 31,027,969	\$ 29,433,954	\$ 29,330,666	\$ 29,200,962
Improvements	114,020,037	109,438,703	100,143,354	92,720,626
Personal Property	1,828,361	1,817,243	2,042,298	2,100,652
Exemptions	<u>(32,781,585)</u>	<u>(30,819,575)</u>	<u>(28,833,241)</u>	<u>(25,828,659)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 114,094,782</u>	<u>\$ 109,870,325</u>	<u>\$ 102,683,077</u>	<u>\$ 98,193,581</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.205	\$ 0.205	\$ 0.205	\$ 0.22
Maintenance	<u>0.400</u>	<u>0.400</u>	<u>0.400</u>	<u>0.40</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.605</u>	<u>\$ 0.605</u>	<u>\$ 0.605</u>	<u>\$ 0.62</u>
ADJUSTED TAX LEVY*	<u>\$ 690,269</u>	<u>\$ 664,711</u>	<u>\$ 621,229</u>	<u>\$ 608,797</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.79 %</u>	<u>98.91 %</u>	<u>99.44 %</u>	<u>99.61 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.40 per \$100 of assessed valuation approved by voters on September 14, 2002.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
LONG-TERM DEBT SERVICE REQUIREMENTS  
AUGUST 31, 2019**

S E R I E S - 2 0 1 0 A				
Due During Fiscal Years Ending August 31	Principal Due March 1	Interest Due September 1/ March 1	Total	
2020	\$ 210,000	\$ 46,830	\$	256,830
2021	210,000	38,136		248,136
2022	210,000	29,022		239,022
2023	210,000	19,593		229,593
2024	210,000	9,849		219,849
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
	<u>\$ 1,050,000</u>	<u>\$ 143,430</u>	<u>\$</u>	<u>1,193,430</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
LONG-TERM DEBT SERVICE REQUIREMENTS  
AUGUST 31, 2019**

S E R I E S - 2 0 1 0 B			
Due During Fiscal Years Ending August 31	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 45,000	\$ 49,098	\$ 94,098
2021	50,000	47,234	97,234
2022	50,000	45,064	95,064
2023	50,000	42,819	92,819
2024	55,000	40,499	95,499
2025	55,000	37,920	92,920
2026	60,000	35,230	95,230
2027	65,000	32,236	97,236
2028	65,000	28,928	93,928
2029	70,000	25,587	95,587
2030	75,000	21,954	96,954
2031	80,000	18,024	98,024
2032	80,000	13,792	93,792
2033	85,000	9,520	94,520
2034	90,000	4,896	94,896
	<u>\$ 975,000</u>	<u>\$ 452,801</u>	<u>\$ 1,427,801</u>

See accompanying independent auditor's report.



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**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
LONG-TERM DEBT SERVICE REQUIREMENTS  
AUGUST 31, 2019**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending August 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 255,000	\$ 95,928	\$ 350,928
2021	260,000	85,370	345,370
2022	260,000	74,086	334,086
2023	260,000	62,412	322,412
2024	265,000	50,348	315,348
2025	55,000	37,920	92,920
2026	60,000	35,230	95,230
2027	65,000	32,236	97,236
2028	65,000	28,928	93,928
2029	70,000	25,587	95,587
2030	75,000	21,954	96,954
2031	80,000	18,024	98,024
2032	80,000	13,792	93,792
2033	85,000	9,520	94,520
2034	90,000	4,896	94,896
	<u>\$ 2,025,000</u>	<u>\$ 596,231</u>	<u>\$ 2,621,231</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED AUGUST 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding September 1, 2018
Harris County Water Control and Improvement District No. 70 Waterworks and Sewer System Combination Unlimited Tax and Surplus Revenue Bonds - Series 2010A	\$ 1,435,000	\$ 1,260,000
Harris County Water Control and Improvement District No. 70 Waterworks and Sewer System Revenue Bonds - Series 2010B	<u>1,325,000</u>	<u>1,020,000</u>
TOTAL	<u>\$ 2,760,000</u>	<u>\$ 2,280,000</u>

Bond Authority:	<u>Tax Bond</u>
Amount Authorized by Voters	\$ 6,375,000
Amount Issued and Rescinded	<u>6,375,000</u>
Remaining to be Issued	<u>\$ - 0 -</u>

Debt Service Fund cash and investment balances as of August 31, 2019:	<u>\$ 283,371</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 174,749</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding August 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 210,000	\$ 54,685	\$ 1,050,000	Wells Fargo Bank N.A. Austin, TX
	45,000	50,780	975,000	Wells Fargo Bank N.A. Austin, TX
<u>\$ - 0 -</u>	<u>\$ 255,000</u>	<u>\$ 105,465</u>	<u>\$ 2,025,000</u>	

See accompanying independent auditor's report.



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND - FIVE YEARS**

	Amounts		
	2019	2018	2017
<b>REVENUES</b>			
Property Taxes	\$ 454,236	\$ 434,490	\$ 409,974
Water Service	136,274	154,616	143,761
Wastewater Service	262,570	242,736	240,763
Investment and Miscellaneous Revenues	72,383	57,993	58,460
<b>TOTAL REVENUES</b>	<u>\$ 925,463</u>	<u>\$ 889,835</u>	<u>\$ 852,958</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 85,852	\$ 155,504	\$ 77,331
Contracted Services	206,220	199,286	197,248
Purchased Water Service	60,258	57,655	61,519
Utilities	68,170	74,212	70,821
Repairs and Maintenance	122,354	162,101	117,312
Other	81,482	107,806	76,426
Debt Service	95,781	92,177	93,513
Capital Outlay	92,485		
<b>TOTAL EXPENDITURES</b>	<u>\$ 812,602</u>	<u>\$ 848,741</u>	<u>\$ 694,170</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 112,861	\$ 41,094	\$ 158,788
<b>BEGINNING FUND BALANCE</b>	<u>1,530,098</u>	<u>1,489,004</u>	<u>1,330,216</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,642,959</u>	<u>\$ 1,530,098</u>	<u>\$ 1,489,004</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues					
2016	2015	2019	2018	2017	2016	2015	
\$ 388,080	\$ 345,016	49.1 %	48.8 %	48.0 %	46.5 %	43.3 %	
144,998	143,170	14.7	17.4	16.9	17.3	18.0	
239,584	236,943	28.4	27.3	28.2	28.6	29.8	
63,960	70,758	7.8	6.5	6.9	7.6	8.9	
<u>\$ 836,622</u>	<u>\$ 795,887</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 52,912	\$ 61,195	9.3 %	17.5 %	9.1 %	6.3 %	7.7 %	
188,337	180,250	22.3	22.4	23.1	22.5	22.6	
73,198	61,978	6.5	6.5	7.2	8.7	7.8	
76,545	78,851	7.4	8.3	8.3	9.1	9.9	
146,810	119,548	13.2	18.2	13.8	17.5	15.0	
67,648	81,414	8.8	12.1	9.0	8.1	10.2	
94,749	270,885	10.3	10.4	11.0	11.3	34.0	
20,326		10.0			2.4		
<u>\$ 720,525</u>	<u>\$ 854,121</u>	<u>87.8 %</u>	<u>95.4 %</u>	<u>81.5 %</u>	<u>85.9 %</u>	<u>107.2 %</u>	
\$ 116,097	\$ (58,234)	<u>12.2 %</u>	<u>4.6 %</u>	<u>18.5 %</u>	<u>14.1 %</u>	<u>(7.2) %</u>	
<u>1,214,119</u>	<u>1,272,353</u>						
<u>\$ 1,330,216</u>	<u>\$ 1,214,119</u>						

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2019	2018	2017
<b>REVENUES</b>			
Property Taxes	\$ 233,752	\$ 223,311	\$ 210,598
Investment and Miscellaneous Revenues	<u>18,571</u>	<u>11,529</u>	<u>9,136</u>
<b>TOTAL REVENUES</b>	<u>\$ 252,323</u>	<u>\$ 234,840</u>	<u>\$ 219,734</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 35,109	\$ 32,157	\$ 32,450
Debt Service Principal, Interest and Fees	<u>265,184</u>	<u>106,929</u>	<u>109,099</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 300,293</u>	<u>\$ 139,086</u>	<u>\$ 141,549</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (47,970)	\$ 95,754	\$ 78,185
<b>BEGINNING FUND BALANCE</b>	<u>327,311</u>	<u>231,557</u>	<u>153,372</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 279,341</u>	<u>\$ 327,311</u>	<u>\$ 231,557</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>681</u>	<u>674</u>	<u>672</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>663</u>	<u>654</u>	<u>654</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 214,309	\$ 259,618	92.6 %	95.1 %	95.9 %	96.3 %	96.3 %
<u>8,335</u>	<u>10,122</u>	<u>7.4</u>	<u>4.9</u>	<u>4.1</u>	<u>3.7</u>	<u>3.7</u>
<u>\$ 222,644</u>	<u>\$ 269,740</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 31,301	\$ 33,447	13.9 %	13.7 %	14.8 %	14.1 %	12.4 %
<u>289,328</u>	<u>247,202</u>	<u>105.1</u>	<u>45.5</u>	<u>49.7</u>	<u>130.0</u>	<u>91.6</u>
<u>\$ 320,629</u>	<u>\$ 280,649</u>	<u>119.0 %</u>	<u>59.2 %</u>	<u>64.5 %</u>	<u>144.1 %</u>	<u>104.0 %</u>
\$ (97,985)	\$ (10,909)	<u>(19.0) %</u>	<u>40.8 %</u>	<u>35.5 %</u>	<u>(44.1) %</u>	<u>(4.0) %</u>
<u>251,357</u>	<u>262,266</u>					
<u>\$ 153,372</u>	<u>\$ 251,357</u>					
<u>673</u>	<u>659</u>					
658	648					

See accompanying independent auditor's report.



**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
AUGUST 31, 2019**

District Mailing Address - Harris County Water Control and Improvement District No. 70  
c/o Smith, Murdaugh, Little & Bonham, L.L.P.  
2727 Allen Parkway, Suite 1100  
Houston, TX 77019

District Telephone Number - (713) 951-0800

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended <u>August 31, 2019</u></b>	<b>Expense Reimbursements for the year ended <u>August 31, 2019</u></b>	<b><u>Title</u></b>
Bobby Crippens	05/18 05/22 (Elected)	\$ 2,100	\$ -0-	President
Terry Lutz	05/18 05/22 (Elected)	\$ 1,950	\$ -0-	Vice President
Randall Adams	05/16 05/20 (Elected)	\$ 650	\$ -0-	Secretary
Jim Raines	05/18 05/22 (Elected)	\$ 2,100	\$ -0-	Director/ Treasurer
Steve Kimes	11/19 05/20 (Appointed)	\$ -0-	\$ -0-	Director

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: November 19, 2019.

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

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 70  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
AUGUST 31, 2019**

	<u>Date Hired</u>	<u>Fees for the year ended August 31, 2019</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	04/30/57	\$ 67,736	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/06/14	\$ 11,000	Auditor
Municipal Business Services	06/30/78	\$ 11,742	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/07/96	\$ 4,133	Delinquent Tax Attorney
A&S Engineers, Inc.	07/05/17	\$ 67,173	Engineer
Masterson Advisors LLC	08/01/18	\$ -0-	Financial Advisor
TLS Utility Services	01/04/17	\$ 46,797	Operator
Wheeler & Associates, Inc.	06/25/78	\$ 25,164	Tax Assessor/ Collector
Pam Graham		\$ 23,428	Independent Contractor

See accompanying independent auditor's report.