

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Water Control
and Improvement District No. 132
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. 132 (the "District"), as of and for the year ended December 31, 2018, 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 December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 15, 2019

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management’s discussion and analysis of Harris County Water Control and Improvement District No. 132’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all of the District’s assets, liabilities and, if necessary, 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 related 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. 132
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 and deferred inflows of resources by \$4,648,744 as of December 31, 2018. A portion of the District’s net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire these 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. 132
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 5,854,304	\$ 5,860,192	\$ (5,888)
Capital Assets (Net of Accumulated Depreciation)	3,253,368	3,216,870	36,498
Total Assets	\$ 9,107,672	\$ 9,077,062	\$ 30,610
Bonds Payable	\$ 3,480,000	\$ 3,640,000	\$ 160,000
Other Liabilities	386,270	346,880	(39,390)
Total Liabilities	\$ 3,866,270	\$ 3,986,880	\$ 120,610
Deferred Inflows of Resources	\$ 592,658	\$ 621,495	\$ 28,837
Net Position:			
Net Investment in Capital Assets	\$ 1,648,800	\$ 1,585,715	\$ 63,085
Restricted	60,528	69,106	(8,578)
Unrestricted	2,939,416	2,813,866	125,550
Total Net Position	\$ 4,648,744	\$ 4,468,687	\$ 180,057

*

The following table provides a summary of the District's operations for the years ended December 31, 2018, and December 31, 2017. The District's net position increased by \$180,057.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 618,766	\$ 592,583	\$ 26,183
Charges for Services	906,128	846,155	59,973
Other Revenues	179,746	50,710	129,036
Total Revenues	\$ 1,704,640	\$ 1,489,448	\$ 215,192
Expenses for Services	1,524,583	1,353,805	(170,778)
Change in Net Position	\$ 180,057	\$ 135,643	\$ 44,414
Net Position, Beginning of Year	4,468,687	4,333,044	135,643
Net Position, End of Year	\$ 4,648,744	\$ 4,468,687	\$ 180,057

*

* As adjusted, see Note 13.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2018, were \$4,618,776, a decrease of \$12,752 from the prior year.

The General Fund fund balance increased by \$130,956, primarily due to property tax and service revenues exceeding operating and capital costs.

The Debt Service Fund fund balance decreased by \$10,295, primarily due to the structure of the District's outstanding long-term debt.

The Capital Projects Fund fund balance decreased by \$133,413, primarily due to the use of bond proceeds received in a prior fiscal year on current year capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$209,199 more than budgeted revenues primarily due to higher than anticipated service revenues as well as unbudgeted insurance and FEMA reimbursements. Actual expenditures were \$100,192 less than budgeted expenditures primarily due to lower than anticipated capital outlay, purchased water costs and purchased wastewater service costs offset by higher than anticipated repairs and maintenance costs.

CAPITAL ASSETS

Capital assets as of December 31, 2018, total \$3,253,368 (net of accumulated depreciation) and include land and equipment as well as the water and wastewater systems. Capital asset activity completed during the current fiscal year included the water plant emergency generator, sanitary sewer system rehabilitation and lift station automatic transfer switch.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 9,911	\$ 9,911	\$
Construction in Progress	134,914	287,712	(152,798)
Capital Assets, Net of Accumulated Depreciation:			
Equipment/Building Improvements	23,419	25,974	(2,555)
Water System	1,583,009	1,491,029	91,980
Wastewater System	1,502,115	1,402,244	99,871
Total Net Capital Assets	\$ 3,253,368	\$ 3,216,870	\$ 36,498

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

LONG-TERM DEBT ACTIVITY

As of December 31, 2018, the District had total bond debt of \$3,480,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are as follows:

Bond Debt Payable, January 1, 2018	\$ 3,640,000
Less: Bond Principal Paid	<u>160,000</u>
Bond Debt Payable, December 31, 2018	<u>\$ 3,480,000</u>

The District’s Series 2016 Bonds carry an underlying rating of “Baa1” and have an insured rating “AA” from Standard and Poor’s by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

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. 132, c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP, 1980 Post Oak, Suite 1300, Houston, TX 77056.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 100,648	\$ 315,124
Investments	2,639,414	80,000
Receivables:		
Property Taxes	156,569	144,434
Penalty and Interest on Delinquent Taxes		
Service Accounts	83,200	
Accrued Interest	15,604	321
Due from Other Funds	239,331	
Due from Other Governmental Units	103,830	
Due from the City of Houston	3,121	
Chloramination Credit Receivable		
Joint Wastewater Treatment Plant Operating Advance	9,519	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,351,236	\$ 539,879

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>
\$ 1,937,342	\$ 2,353,114	\$	\$ 2,353,114
	2,719,414		2,719,414
	301,003		301,003
		7,490	7,490
	83,200		83,200
	15,925		15,925
	239,331	(239,331)	
11,044	114,874		114,874
	3,121		3,121
		246,644	246,644
	9,519		9,519
		9,911	9,911
		134,914	134,914
		3,108,543	3,108,543
<u>\$ 1,948,386</u>	<u>\$ 5,839,501</u>	<u>\$ 3,268,171</u>	<u>\$ 9,107,672</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 213,148	\$
Accrued Interest Payable		
Due to Other Funds		171,076
Due to Taxpayers		3,219
Security Deposits	148,987	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 362,135	\$ 174,295
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 311,738	\$ 299,603
FUND BALANCES		
Nonspendable:		
Operating Advance	\$ 9,519	\$
Restricted for Authorized Construction		
Restricted for Debt Service		65,981
Committed	16,720	
Unassigned	2,651,124	
TOTAL FUND BALANCES	\$ 2,677,363	\$ 65,981
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,351,236	\$ 539,879
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 4,699	\$ 217,847	\$	\$ 217,847
		16,217	16,217
68,255	239,331	(239,331)	
	3,219		3,219
	148,987		148,987
		160,000	160,000
		3,320,000	3,320,000
<u>\$ 72,954</u>	<u>\$ 609,384</u>	<u>\$ 3,256,886</u>	<u>\$ 3,866,270</u>
<u>\$ -0-</u>	<u>\$ 611,341</u>	<u>\$ (18,683)</u>	<u>\$ 592,658</u>
\$ 1,875,432	\$ 9,519	\$ (9,519)	\$
	1,875,432	(1,875,432)	
	65,981	(65,981)	
	16,720	(16,720)	
	2,651,124	(2,651,124)	
<u>\$ 1,875,432</u>	<u>\$ 4,618,776</u>	<u>\$ (4,618,776)</u>	<u>\$ - 0 -</u>
<u>\$ 1,948,386</u>	<u>\$ 5,839,501</u>		
		\$ 1,648,800	\$ 1,648,800
		60,528	60,528
		2,939,416	2,939,416
		<u>\$ 4,648,744</u>	<u>\$ 4,648,744</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total Fund Balances - Governmental Funds	\$	4,618,776
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Credits due from the North Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.		246,644
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		3,253,368
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		26,173
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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	\$ (16,217)	
Bonds Payable	<u>(3,480,000)</u>	<u>(3,496,217)</u>

Total Net Position - Governmental Activities	\$	<u>4,648,744</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. 132
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 344,600	\$ 273,430
Water Service	196,778	
Wastewater Service	205,124	
Joint Maintenance Billing	54,286	
Water Authority Fees	407,813	
Penalty and Interest	9,248	7,349
Sales Tax Revenues	22,762	
Tap Connection and Inspection Fees	2,663	
Capital Contribution Credits	20,447	
Insurance/FEMA Reimbursement	100,823	
Miscellaneous Revenues	49,415	3,299
TOTAL REVENUES	<u>\$ 1,413,959</u>	<u>\$ 284,078</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 125,384	\$ 2,787
Contracted Services	93,575	24,718
Purchased Water Service	309,757	
Purchased Wastewater Service	143,033	
Utilities	34,914	
Water Authority Assessments	72,908	
Repairs and Maintenance	235,510	
Depreciation		
Other	143,456	4,768
Capital Outlay	124,466	
Debt Service:		
Bond Principal		160,000
Bond Interest		102,100
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,283,003</u>	<u>\$ 294,373</u>
NET CHANGE IN FUND BALANCES	\$ 130,956	\$ (10,295)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2018, AS ADJUSTED	<u>2,546,407</u>	<u>76,276</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2018	<u>\$ 2,677,363</u>	<u>\$ 65,981</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 Activities</u>
\$	\$ 618,030	\$ 736	\$ 618,766
	196,778		196,778
	205,124		205,124
	54,286		54,286
	407,813		407,813
	16,597	105	16,702
	22,762		22,762
	2,663		2,663
	20,447	(5,330)	15,117
	100,823		100,823
11,092	63,806		63,806
<u>\$ 11,092</u>	<u>\$ 1,709,129</u>	<u>\$ (4,489)</u>	<u>\$ 1,704,640</u>
\$ 7,024	\$ 135,195	\$	\$ 135,195
	118,293		118,293
	309,757		309,757
	143,033		143,033
	34,914		34,914
	72,908		72,908
	235,510		235,510
		225,149	225,149
300	148,524		148,524
137,181	261,647	(261,647)	
	160,000	(160,000)	
	102,100	(800)	101,300
<u>\$ 144,505</u>	<u>\$ 1,721,881</u>	<u>\$ (197,298)</u>	<u>\$ 1,524,583</u>
\$ (133,413)	\$ (12,752)	\$ 12,752	\$
		180,057	180,057
2,008,845	4,631,528	(162,841)	4,468,687
<u>\$ 1,875,432</u>	<u>\$ 4,618,776</u>	<u>\$ 29,968</u>	<u>\$ 4,648,744</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ (12,752)

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. 736

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. 105

Governmental funds report chloramine conversion credits as revenue in the period received. However, in the Statement of Net Position, the principal portion of chloramine conversion credits reduce long-term receivables. (5,330)

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. (225,149)

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. 261,647

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. 160,000

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. 800

Change in Net Position - Governmental Activities \$ 180,057

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1. CREATION OF DISTRICT

Harris County Water Control and Improvement District No. 132 (the “District”) was created by Acts of the 61st Legislature of the State of Texas, Regular Session, 1969. The District operates under the supervision of the Texas Commission on Environmental Quality (the “Commission”), and is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on April 15, 1971. The Commission approved the conversion of the District to a Municipal Utility District, operating under Chapters 49 and 54 of the Texas Water Code, on March 7, 1977.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units. The District has entered into a joint venture with Ponderosa Joint Powers Agency for sewage treatment. Oversight responsibility of the regional sewage treatment plant is by the Ponderosa Joint Powers Agency.

Financial Statement Presentation

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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 statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

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

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 service 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 the 2017 tax levy collections during the period October 1, 2017, to December 31, 2018, and taxes collected from January 1, 2018, to December 31, 2018, for the 2016 and prior tax levies. The 2018 tax levy has been fully deferred to meet the operating expenditures of the 2019 fiscal year.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 December 31, 2018, the Debt Service Fund owed the General Fund \$171,076 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$68,255 for the elevated storage tank rehabilitation project.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance costs are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
All Other Equipment	3-20

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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be “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:

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 has committed \$16,720 of the General Fund fund balance for construction costs to complete path upgrades.

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

Unassigned: all other spendable amounts in the General Fund.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding the changes in bonds payable for the year ended December 31, 2018:

	<u>January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2018</u>
Bonds Payable	\$ 3,640,000	\$ -0-	\$ 160,000	\$ 3,480,000
		Amount Due Within One Year		\$ 160,000
		Amount Due After One Year		3,320,000
		Bonds Payable		<u>\$ 3,480,000</u>

	<u>Series 2016</u>
Amount Outstanding - December 31, 2018	\$ 3,480,000
Interest Rates	2.00% - 3.375%
Maturity Dates – Serially Beginning/Ending	November 1, 2019/2040
Interest Payment Dates	May 1/ November 1
Callable Dates	November 1, 2023*

* At the option of the District as a whole or in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2016 term bonds due November 1, 2027, November 1, 2029, and November 1, 2032 are subject to mandatory redemption beginning November 1, 2026, November 1, 2028, and November 1, 2030, respectively.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3. LONG-TERM DEBT (Continued)

As of December 31, 2018, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 160,000	\$ 97,300	\$ 257,300
2020	160,000	92,500	252,500
2021	160,000	87,700	247,700
2022	160,000	82,900	242,900
2023	160,000	78,100	238,100
2024-2028	800,000	340,700	1,140,700
2029-2033	800,000	240,700	1,040,700
2034-2038	780,000	121,613	901,613
2039-2040	300,000	15,001	315,001
	<u>\$ 3,480,000</u>	<u>\$ 1,156,514</u>	<u>\$ 4,636,514</u>

As of December 31, 2018, the District had authorized but unissued tax bonds in the amount of \$3,200,000. 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.

During the year ended December 31, 2018, the District levied an ad valorem debt service tax rate of \$0.195 per \$100 of assessed valuation, which resulted in a tax levy of \$296,329 on the adjusted taxable valuation of \$151,964,411 for the 2018 tax year. The bond resolution requires 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 RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. 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. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS
(Continued)

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

In accordance with the Series 2016 bond resolution, \$213,800 was deposited into the Debt Service Fund and restricted for the payment of bond interest. Interest expense of \$177,573 was paid in the prior two fiscal years and \$36,227 was paid in the current fiscal year, which exhausted the balance.

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 \$4,264,610 and the bank balance was \$4,097,465. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2018, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 100,648	\$ 1,831,496	\$ 1,932,144
DEBT SERVICE FUND	315,124	80,000	395,124
CAPITAL PROJECTS FUND	<u>1,937,342</u>	<u> </u>	<u>1,937,342</u>
TOTAL DEPOSITS	<u>\$ 2,353,114</u>	<u>\$ 1,911,496</u>	<u>\$ 4,264,610</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District records its investments in certificates of deposit at acquisition cost. The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. The District also invests in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"). Texas CLASS is a public funds investment pool which has operated since 1996. The pool seeks to provide safety, liquidity, convenience and competitive rates of return for Texas public sector investors such as municipal utility districts. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. TexPool and Texas CLASS measure all portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool and Texas CLASS at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool and Texas CLASS.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 651,055	\$ 651,055
Texas CLASS	156,863	156,863
Certificates of Deposit	1,831,496	1,831,496
<u>DEBT SERVICE FUND</u>		
Certificate of Deposit	80,000	80,000
TOTAL INVESTMENTS	\$ 2,719,414	\$ 2,719,414

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District's investment in TexPool and Texas CLASS were rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS 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 have been significant changes in values. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	January 1, 2018	Increases	Decreases	December 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 9,911	\$	\$	\$ 9,911
Construction in Progress	<u>287,712</u>	<u>261,647</u>	<u>414,445</u>	<u>134,914</u>
Total Capital Assets Not Being Depreciated	<u>\$ 297,623</u>	<u>\$ 261,647</u>	<u>\$ 414,445</u>	<u>\$ 144,825</u>
Capital Assets Subject to Depreciation				
Equipment/Building Improvements	\$ 44,425	\$	\$	\$ 44,425
Water System	3,707,432	261,478		3,968,910
Wastewater System	<u>3,159,954</u>	<u>152,967</u>		<u>3,312,921</u>
Total Capital Assets Subject to Depreciation	<u>\$ 6,911,811</u>	<u>\$ 414,445</u>	<u>\$ - 0 -</u>	<u>\$ 7,326,256</u>
Less Accumulated Depreciation				
Equipment/Building Improvements	\$ 18,451	\$ 2,555	\$	\$ 21,006
Water System	2,216,403	169,498		2,385,901
Wastewater System	<u>1,757,710</u>	<u>53,096</u>		<u>1,810,806</u>
Total Accumulated Depreciation	<u>\$ 3,992,564</u>	<u>\$ 225,149</u>	<u>\$ - 0 -</u>	<u>\$ 4,217,713</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,919,247</u>	<u>\$ 189,296</u>	<u>\$ - 0 -</u>	<u>\$ 3,108,543</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,216,870</u>	<u>\$ 450,943</u>	<u>\$ 414,445</u>	<u>\$ 3,253,368</u>

NOTE 7. MAINTENANCE TAX

At an election held on August 14, 1982, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation of taxable property within the District. On August 12, 2000 the voters within the District approved a maintenance tax rate not to exceed \$1.00 per \$100 of assessed valuation. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system and for any other lawful purpose.

During the year ended December 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.195 per \$100 of assessed valuation, which resulted in a tax levy of \$296,329 on the adjusted taxable valuation of \$151,964,411 for the 2018 tax year. Consistent with the District's accounting policy, the recognition of maintenance tax revenue has been deferred for the entire 2018 tax levy to meet the operating expenditures of the 2019 fiscal year.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8. AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES

Lift Station and Force Main Modification

In 1979, the District executed an agreement with Klein Public Utility District (“Klein”) and Cypresswood Utility District (“Cypresswood”) for construction and ownership of Lift Station and Force Main Modifications. In 1985, the agreement was amended to include Harris County Municipal Utility District No. 275 (“District No. 275”).

On October 31, 1994, the participants executed a Deed and First Amendment to Joint Facilities Contract. This amendment grants each District individual interest in the lift station based upon the following capacities. In addition, all costs to operate the facility, excluding electricity, will be billed upon these capacities. Electricity is billed based upon gallons of water billed for the quarter.

	<u>Percentage</u>	<u>Owned Capacity In Gallons Per Day</u>
Cypresswood Utility District	34.9%	800,000
Klein Public Utility District	14.0	320,000
Harris County Municipal Utility District No. 275	17.5	400,000
Harris County Water Control and Improvement District No. 132	<u>33.6</u>	<u>770,000</u>
TOTAL	<u>100.0%</u>	<u>2,290,000</u>

Joint Facilities Contract

On May 17, 1985, the District entered into a contract with Cypresswood, Klein and District No. 275, whereby, the four districts will jointly provide for maintenance of certain water facilities, sanitary sewer facilities and drainage facilities which are jointly used by the districts. This contract supersedes the joint maintenance contract between the District and Cypresswood dated May 11, 1976. This contract also supersedes the joint facilities contract with the District, Cypresswood and Klein dated May 14, 1979. In addition, the districts agreed to provide each other with emergency water. Under the terms of the contract, the districts will share the maintenance duties and will reimburse each other for the costs involved. As of the year ended December 31, 2018, the District recorded a net receivable from Klein, District No. 275, and Cypresswood of \$103,830.

Water Production Facilities

The District entered into an agreement on June 18, 1981, with Cypresswood to jointly drill a 1,500 gallon per minute water well and associated appurtenance. Under the terms of the agreement, the District managed the construction of the facility and each District paid a pro rata share of the cost of the facility.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8. AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES
(Continued)

Water Production Facilities (Continued)

The District also entered into an agreement with Cypresswood to construct modifications to some of the joint facilities. Phase I included the elevated storage tank modification. The districts shared the costs equally. Phase II provided for control modules at each well and Phase III was to provide six remote locations to monitor water pressure in both districts. The District's pro rata share of Phase II and Phase III is 38.4%. Phase I and part of Phase II were completed. Bids were taken for the balance of Phase II and all of Phase III. Bids were rejected and postponed indefinitely.

On April 28, 2014, the districts executed a Water System Cost Sharing Agreement. This agreement provides for the construction and engineering costs for new facilities and the exterior painting of the elevated storage tank to be shared on a 50/50 basis. Repairs, maintenance, upgrades, electricity, and rehabilitation of existing facilities will be shared based on the water usage of both districts. Each district's percentage will be determined for a project at the time the project is undertaken and will be calculated based upon the average water usage of each district for the prior four quarters.

Operation and Maintenance of Regional Sewage Treatment Plant

On July 20, 1977, Cypresswood, Ponderosa Forest Utility District, Westador Municipal Utility District and the District entered into an agreement to create the Ponderosa Joint Powers Agency (the "Agency"). At a later date, Klein was incorporated into the Agency. On February 5, 1985, the agreement was amended to include District No. 275. The term of the agreement is for 40 years. The Agency is responsible for the operation and maintenance of a regional sewage treatment plant. Each participant is required to pay its pro rata share of current operations and maintenance costs based on sewage flow and its share of electrical power based on capacity reserved in the system.

On September 6, 1994, a Third Amendment to the Interlocal Agreement provided for a contract for Sale and Lease of Wastewater Treatment Capacity allowing for a change in owned capacity with certain of the districts selling capacity to Harris County Water Control and Improvement District No. 91 ("District No. 91").

On April 25, 1995, a Deed and Fourth Amendment to the Interlocal Agreement was executed providing for the sale of additional capacity to District No. 91. With the sale, District No. 91's total capacity is 400,000 gallons per day.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8. AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES
(Continued)

Operation and Maintenance of Regional Sewage Treatment Plant (Continued)

The participating districts and their respective pro rata shares of capacity in the regional sewage treatment plant are as follows:

	<u>Owned Capacity In Gallons Per Day</u>	<u>Percentage</u>
Westador Municipal Utility District	909,504	18.676%
Ponderosa Forest Utility District	1,318,780	27.080
Cypresswood Utility District	727,600	14.940
Harris County Water Control and Improvement District No. 132	700,316	14.380
Klein Public Utility District	450,000	9.240
Harris County Municipal Utility District No. 275	363,800	7.470
Harris County Water Control and Improvement District No. 91	<u>400,000</u>	<u>8.214</u>
TOTAL	<u><u>4,870,000</u></u>	<u><u>100.000%</u></u>

The following summary financial data of Ponderosa Joint Powers Agency is presented for the fiscal year ended December 31, 2018:

	<u>Joint Venture</u>
Total Assets	\$ 331,465
Total Liabilities	<u>231,465</u>
Total Net Position	<u>\$ 100,000</u>
Revenues from Operations	\$ 1,200,651
Other Income	<u>415</u>
Total Revenues	\$ 1,201,066
Total Expenses	<u>1,201,066</u>
Change in Net Position	\$ -0-
Beginning Net Position	<u>100,000</u>
Ending Net Position	<u>\$ 100,000</u>

During the fiscal year, the District recorded expenditures of \$143,033 for its share of operations of the plant and an operating advance for sewage treatment plant operations of \$9,519. Financial Statements for the Agency can be obtained by contacting the Agency's attorney, Allen Boone Humphries Robinson LLP, Houston, Texas.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. As of December 31, 2018, the fee was \$3.40 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$72,908 for pumpage fees.

The District also buys surface water from the Authority. As of December 31, 2018, the rate was \$3.85 per 1,000 gallons of water delivered. The District recorded expenditures of \$309,757 for purchased water.

The District and Cypresswood funded the construction costs for the conversion to surface water. The total costs of the project approved by the Authority for reimbursement were \$562,892, which will be credited to each district over 30 years at a rate of 6%. Principal repayments began in February 2011. Each district’s share of the reimbursement is 50%.

The District’s share of future repayments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,649	\$ 14,799	\$ 20,448
2020	5,988	14,460	20,448
2021	6,348	14,100	20,448
2022	6,728	13,720	20,448
2023	7,132	13,316	20,448
2024-2028	42,617	59,623	102,240
2029-2033	57,031	45,209	102,240
2034-2038	76,320	25,920	102,240
2039-2041	<u>38,831</u>	<u>3,664</u>	<u>42,495</u>
	<u>\$ 246,644</u>	<u>\$ 204,811</u>	<u>\$ 451,455</u>

NOTE 10. RISK MANAGEMENT

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 13, 2010, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of the Chapter 43 of the Local Government Code and the Act, the City shall annex a tract of land defined as the “Tract” for limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District.

The City imposes a Sales and Use Tax within the boundaries of the Tract on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract within 30 days of the City receiving the funds from the State Comptroller’s office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement. During the current fiscal year, the District recorded sales tax revenue of \$22,762, of which \$3,121 was recorded as receivable at year end.

NOTE 12. ESCROW REQUIREMENTS AND DIRECTIVE NOT TO SPEND

The Commission directed the District to place Series 2016 bond proceeds in escrow as follows: \$96,424 for booster pump rehabilitation, phase 2; \$245,035 for ground storage tank replacement; \$336,000 for emergency generator for the water treatment plant; \$191,356 for motor control center replacement for water treatment plant; \$125,748 for recoating interior of elevated storage tank; \$150,000 for recoating exterior of elevated stage tank; \$146,821 for joint wastewater line rehabilitation; \$105,538 for lift station pump replacement and rehabilitation; \$133,807 for lift station emergency generator and automatic transfer switch; \$111,991 for emergency generator for regional wastewater treatment plant; and \$190,679 for motor control replacement for regional wastewater treatment plant. The Commission directed the District not to expend \$298,800 of Series 2016 bond proceeds for Area “D” wastewater system rehabilitation pending receipt of plans and specifications.

During a prior fiscal year, the Commission approved the release of \$302,670 from escrow consisting of \$111,991 for the regional wastewater treatment plant emergency generator and \$190,679 for the regional wastewater treatment plant motor control replacement. On April 18, 2017, the Commission approved the release of \$336,000 from escrow for the emergency generator for the water treatment plant. On August 21, 2018, the Commission released from escrow \$146,821 for joint wastewater line rehabilitation. On August 23, 2018, the Commission released from escrow \$133,807 for lift station emergency generator and automatic transfer switch. The escrowed balance at year-end was \$914,101.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 13. PRIOR PERIOD ADJUSTMENT

The District is making adjustments to correct accounting entries pertaining to activities with Cypresswood Utility District in previous years. The effect of these adjustments are as follows:

Net Position, January 1, 2018	\$ 4,439,206
Effect of Adjustments	<u>29,481</u>
Net Position, January 1, 2018, As Adjusted	<u>\$ 4,468,687</u>
Fund Balance, General Fund, January 1, 2018	\$ 2,516,926
Effect of Adjustments	<u>29,481</u>
Adjusted Fund Balance, General Fund January 1, 2018	<u>\$ 2,546,407</u>

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132**

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 315,000	\$ 344,600	\$ 29,600
Water Service	192,000	196,778	4,778
Wastewater Service	201,000	205,124	4,124
Joint Maintenance Billing	30,000	54,286	24,286
Water Authority Fees	384,000	407,813	23,813
Penalty and Interest	8,100	9,248	1,148
Sales Tax Revenues	33,000	22,762	(10,238)
Capital Contribution Credits	20,460	20,447	(13)
Insurance/FEMA Reimbursement		100,823	100,823
Miscellaneous Revenues	21,200	52,078	30,878
TOTAL REVENUES	\$ 1,204,760	\$ 1,413,959	\$ 209,199
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 98,000	\$ 125,384	\$ (27,384)
Contracted Services	92,400	93,575	(1,175)
Purchased Water Service	340,000	309,757	30,243
Purchased Wastewater Service	160,000	143,033	16,967
Utilities	33,600	34,914	(1,314)
Water Authority Assessments	36,000	72,908	(36,908)
Repairs and Maintenance	116,000	235,510	(119,510)
Other	189,960	143,456	46,504
Capital Outlay	317,235	124,466	192,769
TOTAL EXPENDITURES	\$ 1,383,195	\$ 1,283,003	\$ 100,192
NET CHANGE IN FUND BALANCE	\$ (178,435)	\$ 130,956	\$ 309,391
FUND BALANCE - JANUARY 1, 2018	2,546,407	2,546,407	
FUND BALANCE - DECEMBER 31, 2018	\$ 2,367,972	\$ 2,677,363	\$ 309,391

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132**

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

DECEMBER 31, 2018

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved May 15, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 7.00	5,000	N	\$ 1.00	5,001 to 10,000
				\$ 1.50	10,001 to 20,000
				\$ 2.00	20,001 to 30,000
				\$ 2.50	30,001 to 40,000
				\$ 3.00	40,001 to 50,000
				\$ 3.50	50,001 and up
WASTEWATER:	\$ 10.00	5,000	N	\$ 0.50	5,001 and up
SURCHARGE:					
Water Authority Fees		0,001	N	\$ 4.04	0,001 and up

District employs winter averaging for wastewater usage? X
Yes No

Total charges per 10,000 gallons usage: Water: \$12.00 Wastewater: \$12.50 Surcharge: \$40.40

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	633	629	x 1.0	629
1"	8	8	x 2.5	20
1½"	9	7	x 5.0	35
2"	16	16	x 8.0	128
3"			x 15.0	
4"	1	1	x 25.0	25
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>668</u>	<u>662</u>		<u>887</u>
Total Wastewater Connections	<u>654</u>	<u>649</u>	x 1.0	<u>649</u>

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

Gallons pumped into system:	60,691,000	Water Accountability Ratio: 98.2% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	282,761,000	
Gallons purchased:	227,318,000	From: <u>North Harris County Regional Water Authority</u>

The District is on an integrated water system with Cypresswood Utility District. Totals for gallons pumped, purchased and billed include the District's and Cypresswood's share. Gallons billed include 104,090,000 to District customers and 178,671,000 to Cypresswood customers.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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. 132
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 15,900
Engineering	61,123
Legal	48,361
TOTAL PROFESSIONAL FEES	<u>\$ 125,384</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 309,757
Purchased Wastewater Service	143,033
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 452,790</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 20,183
Operations and Billing	69,542
TOTAL CONTRACTED SERVICES	<u>\$ 89,725</u>
UTILITIES:	
Electricity	\$ 30,260
Telephone	4,654
TOTAL UTILITIES	<u>\$ 34,914</u>
REPAIRS AND MAINTENANCE	<u>\$ 235,510</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 26,550
Dues	5,080
Election Costs	1,294
Insurance	16,305
Office Supplies and Postage	204
Payroll Taxes	2,031
Travel and Meetings	7,279
Other	5,048
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 63,791</u>
CAPITAL OUTLAY	<u>\$ 124,466</u>
TAP CONNECTIONS	<u>\$ 2,500</u>
SECURITY	<u>\$ 3,850</u>
OTHER EXPENDITURES:	
Chemicals	\$ 480
Garden Center	66,612
Laboratory Fees	1,745
Permit Fees	3,273
Reconnection Fees	2,875
Inspection Fees	247
Water Authority Assessments	72,908
Regulatory Assessment	1,933
TOTAL OTHER EXPENDITURES	<u>\$ 150,073</u>
TOTAL EXPENDITURES	<u>\$ 1,283,003</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
INVESTMENTS
DECEMBER 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 651,055	\$
Texas CLASS	XXXX0001	Varies	Daily	156,863	
Certificate of Deposit	XXXX5787	1.31%	01/16/19	300,000	3,758
Certificate of Deposit	XXXX6023	2.38%	07/24/19	506,496	5,482
Certificate of Deposit	XXXX1587	2.00%	03/21/19	245,000	1,772
Certificate of Deposit	XXXX9823	2.00%	02/21/19	245,000	1,785
Certificate of Deposit	XXXX0201	2.15%	04/19/19	245,000	1,472
Certificate of Deposit	XXXX5387	2.27%	07/17/19	290,000	1,335
TOTAL GENERAL FUND				<u>\$ 2,639,414</u>	<u>\$ 15,604</u>
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX0686	2.22%	04/25/19	<u>\$ 80,000</u>	<u>\$ 321</u>
TOTAL - ALL FUNDS				<u>\$ 2,719,414</u>	<u>\$ 15,925</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2018	\$	179,052		\$ 132,648
Adjustments to Beginning				
Balance		<u>(1,536)</u>	\$ 177,516	<u>(1,194)</u> \$ 131,454
Original 2018 Tax Levy	\$	265,699		\$ 265,699
Adjustment to 2018 Tax Levy		<u>30,630</u>	<u>296,329</u>	<u>30,630</u> <u>296,329</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 473,845		\$ 427,783
TAX COLLECTIONS:				
Prior Years	\$	162,107		\$ 128,180
Current Year		<u>155,169</u>	<u>317,276</u>	<u>155,169</u> <u>283,349</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2018		<u>\$ 156,569</u>		<u>\$ 144,434</u>
TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 141,160		\$ 141,160
2017		2,730		2,173
2016		1,517		1,101
2015		2,259		
2014		1,861		
2013		1,575		
2012		1,435		
2011		1,011		
2010 and prior		<u>3,021</u>		
TOTAL		<u>\$ 156,569</u>		<u>\$ 144,434</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 33,923,561	\$ 32,838,078	\$ 30,123,412	\$ 30,109,612
Improvements	139,679,497	129,589,896	127,234,628	117,571,055
Personal Property	4,834,762	4,795,371	6,185,209	5,147,153
Exemptions	<u>(26,473,409)</u>	<u>(25,973,715)</u>	<u>(23,567,006)</u>	<u>(23,521,331)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 151,964,411</u>	<u>\$ 141,249,630</u>	<u>\$ 139,976,243</u>	<u>\$ 129,306,489</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.195	\$ 0.195	\$ 0.185	\$ 0.00
Maintenance	<u>0.195</u>	<u>0.245</u>	<u>0.255</u>	<u>0.47</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.390</u>	<u>\$ 0.440</u>	<u>\$ 0.440</u>	<u>\$ 0.47</u>
ADJUSTED TAX LEVY*	<u>\$ 592,658</u>	<u>\$ 621,495</u>	<u>\$ 615,893</u>	<u>\$ 607,737</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>52.36 %</u>	<u>99.21 %</u>	<u>99.57 %</u>	<u>99.63 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on August 12, 2000.

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018**

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending December 31	Principal Due November 1	Interest Due May 1/ November 1	Total	
2019	\$ 160,000	\$ 97,300	\$	257,300
2020	160,000	92,500		252,500
2021	160,000	87,700		247,700
2022	160,000	82,900		242,900
2023	160,000	78,100		238,100
2024	160,000	74,900		234,900
2025	160,000	71,700		231,700
2026	160,000	68,300		228,300
2027	160,000	64,700		224,700
2028	160,000	61,100		221,100
2029	160,000	57,100		217,100
2030	160,000	53,100		213,100
2031	160,000	48,300		208,300
2032	160,000	43,500		203,500
2033	160,000	38,700		198,700
2034	160,000	33,900		193,900
2035	160,000	29,100		189,100
2036	160,000	24,300		184,300
2037	150,000	19,500		169,500
2038	150,000	14,813		164,813
2039	150,000	9,938		159,938
2040	150,000	5,063		155,063
	\$ 3,480,000	\$ 1,156,514	\$	4,636,514

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Harris County Water Control and Improvement District No. 132 - Unlimited Tax Bonds - Series 2016	<u>\$ 3,800,000</u>	<u>\$ 3,640,000</u>
Bond Authority:	<u>Tax Bonds</u>	
Amount Authorized by Voters	\$ 10,500,000	
Amount Issued	<u>7,300,000</u>	
Remaining to be Issued	<u>\$ 3,200,000</u>	
Debt Service Fund cash and investments balances as of December 31, 2018:		<u>\$ 395,124</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 210,751</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 December 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ -0-</u>	<u>\$ 160,000</u>	<u>\$ 102,100</u>	<u>\$ 3,480,000</u>	Regions Bank Houston, TX

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 344,600	\$ 344,528	\$ 608,475
Water Service	196,778	186,182	188,791
Wastewater Service	205,124	191,079	188,554
Joint Maintenance Billing	54,286	67,523	74,191
Water Authority Fees	407,813	346,208	290,263
Penalty and Interest	9,248	7,651	8,775
Sales Tax Revenues	22,762	23,450	30,605
Tap Connection and Inspection Fees	2,663	16,060	104,180
Capital Contribution Credits	20,447	20,447	20,447
Insurance/FEMA Reimbursement	100,823		
Miscellaneous Revenues	49,415	27,978	11,588
TOTAL REVENUES	\$ 1,413,959	\$ 1,231,106	\$ 1,525,869
EXPENDITURES			
Professional Fees	\$ 125,384	\$ 124,167	\$ 97,233
Contracted Services	93,575	92,722	91,720
Purchased Water Service	309,757	289,252	263,404
Purchased Wastewater Service	143,033	132,543	122,815
Utilities	34,914	32,084	31,386
Water Authority Assessments	72,908	43,332	47,370
Repairs and Maintenance	235,510	139,489	116,408
Other	143,456	145,599	156,750
Capital Outlay	124,466	17,030	70,996
TOTAL EXPENDITURES	\$ 1,283,003	\$ 1,016,218	\$ 998,082
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 130,956	\$ 214,888	\$ 527,787
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -0-	\$ -0-	\$ 524,089
NET CHANGE IN FUND BALANCE	\$ 130,956	\$ 214,888	\$ 1,051,876
BEGINNING FUND BALANCE	2,546,407	2,302,038	1,250,162
ENDING FUND BALANCE	\$ 2,677,363	\$ 2,516,926	\$ 2,302,038

*

* As adjusted, see Note 13.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 575,718	\$ 471,329	24.5 %	28.0 %	39.9 %	42.8 %	38.0 %
188,741	185,632	13.9	15.1	12.4	14.1	15.0
191,657	196,038	14.5	15.5	12.4	14.3	15.9
51,515	53,767	3.8	5.5	4.9	3.8	4.4
261,317	244,683	28.8	28.1	19.0	19.5	19.8
12,780	10,563	0.7	0.6	0.6	1.0	0.9
31,202	26,048	1.6	1.9	2.0	2.3	2.1
		0.2	1.3	6.8		
20,447	20,447	1.4	1.7	1.3	1.5	1.7
		7.1				
<u>9,265</u>	<u>27,076</u>	<u>3.5</u>	<u>2.3</u>	<u>0.7</u>	<u>0.7</u>	<u>2.2</u>
<u>\$ 1,342,642</u>	<u>\$ 1,235,583</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 153,437	\$ 87,927	8.9 %	10.1 %	6.4 %	11.4 %	7.1 %
122,027	112,566	6.6	7.5	6.0	9.1	9.1
193,144	240,522	21.9	23.5	17.3	14.4	19.5
121,614	94,983	10.1	10.8	8.0	9.1	7.7
33,669	29,963	2.5	2.6	2.1	2.5	2.4
46,149	18,331	5.2	3.5	3.1	3.4	1.5
84,306	91,766	16.7	11.3	7.6	6.3	7.4
193,788	290,871	10.1	11.8	10.3	14.4	23.5
<u>452,864</u>	<u>262,373</u>	<u>8.8</u>	<u>1.4</u>	<u>4.7</u>	<u>33.7</u>	<u>21.2</u>
<u>\$ 1,400,998</u>	<u>\$ 1,229,302</u>	<u>90.8 %</u>	<u>82.5 %</u>	<u>65.5 %</u>	<u>104.3 %</u>	<u>99.4 %</u>
<u>\$ (58,356)</u>	<u>\$ 6,281</u>	<u>9.2 %</u>	<u>17.5 %</u>	<u>34.5 %</u>	<u>(4.3) %</u>	<u>0.6 %</u>
<u>\$ -0-</u>	<u>\$ -0-</u>					
\$ (58,356)	\$ 6,281					
<u>1,308,518</u>	<u>1,302,237</u>					
<u>\$ 1,250,162</u>	<u>\$ 1,308,518</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 273,430	\$ 248,004	\$
Penalty and Interest	7,349	7,251	7,286
Miscellaneous Revenues	<u>3,299</u>	<u>1,361</u>	<u>397</u>
TOTAL REVENUES	<u>\$ 284,078</u>	<u>\$ 256,616</u>	<u>\$ 7,683</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 31,523	\$ 31,796	\$ 31,704
Debt Service Principal	160,000	160,000	
Debt Service Interest and Fees	<u>102,850</u>	<u>107,650</u>	<u>70,673</u>
TOTAL EXPENDITURES	<u>\$ 294,373</u>	<u>\$ 299,446</u>	<u>\$ 102,377</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (10,295)</u>	<u>\$ (42,830)</u>	<u>\$ (94,694)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 213,800</u>
NET CHANGE IN FUND BALANCE	\$ (10,295)	\$ (42,830)	\$ 119,106
BEGINNING FUND BALANCE	<u>76,276</u>	<u>119,106</u>	<u></u>
ENDING FUND BALANCE	<u>\$ 65,981</u>	<u>\$ 76,276</u>	<u>\$ 119,106</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>662</u>	<u>659</u>	<u>658</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>649</u>	<u>650</u>	<u>647</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$	\$	96.2 %	96.6 %			
		2.6	2.9	94.8		
		<u>1.2</u>	<u>0.5</u>	<u>5.2</u>		
\$	\$	100.0 %	100.0 %	100.0 %		
\$	\$	11.1 %	12.4 %	412.7 %		
		56.3	62.3	0		
		<u>36.2</u>	<u>41.9</u>	<u>919.9</u>		
\$	\$	103.6 %	116.6 %	1,332.6 %		
\$	\$	<u>(3.6) %</u>	<u>(16.6) %</u>	<u>(1,232.6) %</u>	<u>N/A %</u>	<u>N/A %</u>
\$	\$					
\$	\$					
\$	\$					
\$	\$					
\$	\$					
<u>N/A</u>	<u>N/A</u>					
<u>653</u>	<u>651</u>					
<u>642</u>	<u>640</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018**

District Mailing Address - Harris County Water Control and
Improvement District No. 132
4107 Evening Trail
Spring, TX 77388

District Telephone Number - (281) 288-0808

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2018	Expense Reimbursements for the year ended December 31, 2018	Title
Mary Bonetati	05/18 – 05/22 (Elected)	\$ 6,750	\$ 888	President
Peggy Batson	05/18 – 05/22 (Elected)	\$ 3,900	\$ 989	Vice President
Terry Williams	05/16 – 05/20 (Elected)	\$ 4,350	\$ 2,991	Secretary
Pre Moss	05/16 – 05/20 (Elected)	\$ 6,000	\$ 2,517	Assistant Secretary
William R. Papp	05/18 – 05/22 (Elected)	\$ 5,850	\$ 1,858	Assistant Secretary

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 (TWC Sections 36.054 and 49.054):
March 25, 2016.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 21, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 132
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2018</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn, LLP	2010	\$ 49,654	General Counsel
McCall Gibson Swedlund Barfoot PLLC	10/19/87	\$ 15,900	Auditor
L & S District Services, LLC	05/28/02	\$ 20,183	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/19/96	\$ 2,787	Delinquent Tax Attorney
AEI Engineering, Inc.	03/18/91	\$ 205,992	Engineer
Masterson Advisors LLC		\$ -0-	Financial Advisor
Environmental Development Partners	09/25/02	\$ 298,641	Operator
Wheeler & Associates, Inc.	08/01/90	\$ 23,147	Tax Assessor/ Collector

See accompanying independent auditor's report.

