

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 53
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 53 (the "District"), as of and for the year ended May 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 May 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
Certified Public Accountants
Houston, Texas

September 10, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

Management’s discussion and analysis of Harris County Municipal Utility District No. 53’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended May 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. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets, liabilities, and, if applicable, deferred inflows of resources and deferred 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 MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 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 and deferred outflows of resources exceeded liabilities by \$28,563,669 as of May 31, 2019. A portion of the District's net position reflects its net investment in capital assets (land, buildings and the District's capacity in the NCWA facilities as well as water, wastewater, drainage facilities, less any debt used to acquire those assets that is still outstanding).

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 14,655,607	\$ 14,480,924	\$ 174,683
Capital Assets (Net of Accumulated Depreciation)	<u>27,574,908</u>	<u>28,271,854</u>	<u>(696,946)</u>
Total Assets	<u>\$ 42,230,515</u>	<u>\$ 42,752,778</u>	<u>\$ (522,263)</u>
Deferred Outflows of Resources	<u>\$ 227,737</u>	<u>\$ 341,762</u>	<u>\$ (114,025)</u>
Due to Developer	\$ 101,333	\$ 140,000	\$ 38,667
Bonds Payable	12,319,301	15,318,970	2,999,669
Other Liabilities	<u>1,473,949</u>	<u>1,199,811</u>	<u>(274,138)</u>
Total Liabilities	<u>\$ 13,894,583</u>	<u>\$ 16,658,781</u>	<u>\$ 2,764,198</u>
Net Position:			
Net Investment in Capital Assets	\$ 15,496,341	\$ 13,307,059	\$ 2,189,282
Restricted	4,966,649	4,952,584	14,065
Unrestricted	<u>8,100,679</u>	<u>8,176,116</u>	<u>(75,437)</u>
Total Net Position	<u>\$ 28,563,669</u>	<u>\$ 26,435,759</u>	<u>\$ 2,127,910</u>

*

The following table provides a summary of the District's operations for the years ending May 31, 2019, and May 31, 2018.

	<u>Summary of Changes in the Statement of Activities</u>		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,957,733	\$ 4,696,313	\$ 261,420
Charges for Services	1,704,902	1,849,557	(144,655)
Other Revenues	<u>993,259</u>	<u>719,733</u>	<u>273,526</u>
Total Revenues	<u>\$ 7,655,894</u>	<u>\$ 7,265,603</u>	<u>\$ 390,291</u>
Expenses for Services	<u>5,527,984</u>	<u>5,197,491</u>	<u>(330,493)</u>
Change in Net Position	\$ 2,127,910	\$ 2,068,112	\$ 59,798
Net Position, Beginning of Year	<u>26,435,759</u>	<u>24,367,647</u>	<u>2,068,112</u>
Net Position, End of Year	<u>\$ 28,563,669</u>	<u>\$ 26,435,759</u>	<u>\$ 2,127,910</u>

*

* As adjusted, see Note 15.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2019, were \$12,897,382, a decrease of \$15,685 from the prior year.

The General Fund fund balance decreased by \$63,724, primarily due to operating and capital costs exceeding service and tax revenues.

The Debt Service Fund fund balance increased by \$45,955, primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance increased by \$2,084.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$231,583 higher than budgeted revenues primarily due to higher than anticipated property tax, investment and miscellaneous revenues, offset by lower than anticipated service and sales tax revenues. Actual expenditures were \$142,531 lower than budgeted expenditures primarily due to less than anticipated purchased water and wastewater services and capital costs, offset by higher than anticipated professional fees and repairs and maintenance costs.

LONG-TERM DEBT ACTIVITY

As of May 31, 2019, the District had total bond debt payable of \$12,165,000. The changes in the debt position of the District during the fiscal year ended May 31, 2019, are summarized as follows:

Bond Debt Payable, June 1, 2018	\$	15,075,000
Less: Bond Principal Paid		2,910,000
Bond Debt Payable, May 31, 2019	\$	12,165,000

The District maintains an underlying rating of A. The Series 2012 bonds carry an insured rating of AA by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013 Refunding bonds carry an insured rating of AA by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 Refunding bonds carry an insured rating of AA by virtue of bond insurance issued by Municipal Assurance Corp. The above ratings are as of May 31, 2019, and reflect all rating changes through the fiscal year-end.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

CAPITAL ASSETS

Capital assets as of May 31, 2019, total \$27,574,908 (net of accumulated depreciation) and include land, buildings, capacity in the NWCA facilities, and the water, wastewater and drainage systems. Significant capital asset activity completed during the current fiscal year included the Dell Dale Street at Trecastle Drive waterline and sanitary sewer extensions and Rancho Verde Subdivision, Section 9 Rancho Plata Drive utility improvements. Construction in progress at year end included the Wallisville Road waterline project, Wallisville Road water plant site improvements and electrical improvements at the regional wastewater treatment plant.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,274,746	\$ 2,274,746	\$
Construction in Progress	644,227	383,695	260,532
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	210,150	222,599	(12,449)
North Channel Water Authority Capacity	277,104	307,955	(30,851)
Water System	4,860,720	5,127,782	(267,062)
Wastewater System	18,119,899	18,761,264	(641,365)
Drainage System	1,188,062	1,193,813	(5,751)
Total Net Capital Assets	\$ 27,574,908	\$ 28,271,854	\$ (696,946)

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 Municipal Utility District No. 53, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 242,929	\$ 179,677
Investments	8,605,078	4,594,348
Receivables:		
Property Taxes	86,874	191,929
Penalty and Interest on Delinquent Taxes		
Service Accounts	181,383	
Accrued Interest	81,196	23,493
Due from Other Funds	5,762	
Due from the City of Houston	142,552	
Prepaid Costs		
Advance for Water Authority Operations	76,999	
Advance for Wastewater Treatment		
Plant Operations	42,808	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 9,465,581	\$ 4,989,447
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,465,581	\$ 4,989,447

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 100	\$ 422,706	\$	\$ 422,706
114,230	13,313,656		13,313,656
	278,803		278,803
	181,383	84,664	84,664
	104,689		181,383
	5,762	(5,762)	104,689
	142,552		142,552
	76,999	7,347	7,347
	42,808		76,999
		2,274,746	42,808
		644,227	2,274,746
		24,655,935	644,227
			24,655,935
<u>\$ 114,330</u>	<u>\$ 14,569,358</u>	<u>\$ 27,661,157</u>	<u>\$ 42,230,515</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 227,737</u>	<u>\$ 227,737</u>
<u>\$ 114,330</u>	<u>\$ 14,569,358</u>	<u>\$ 27,888,894</u>	<u>\$ 42,458,252</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 670,225	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		5,762
Due to Taxpayers		15,162
Security Deposits	702,024	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,372,249	\$ 20,924
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 86,874	\$ 191,929
FUND BALANCES		
Nonspendable:		
Water Authority Operating Advance	\$ 76,999	\$
Wastewater Treatment Plant Operating Advance	42,808	
Restricted for Authorized Construction		
Restricted for Debt Service		4,776,594
Committed	113,078	
Assigned to 2020 Budget Deficit	1,354,378	
Unassigned	6,419,195	
TOTAL FUND BALANCES	\$ 8,006,458	\$ 4,776,594
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,465,581	\$ 4,989,447
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.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 670,225	\$	\$ 670,225
		86,538	86,538
		101,333	101,333
	5,762	(5,762)	
	15,162		15,162
	702,024		702,024
		2,980,000	2,980,000
		9,339,301	9,339,301
<u>\$ -0-</u>	<u>\$ 1,393,173</u>	<u>\$ 12,501,410</u>	<u>\$ 13,894,583</u>
<u>\$ -0-</u>	<u>\$ 278,803</u>	<u>\$ (278,803)</u>	<u>\$ -0-</u>
\$	\$ 76,999	\$ (76,999)	\$
	42,808	(42,808)	
114,330	114,330	(114,330)	
	4,776,594	(4,776,594)	
	113,078	(113,078)	
	1,354,378	(1,354,378)	
	6,419,195	(6,419,195)	
<u>\$ 114,330</u>	<u>\$ 12,897,382</u>	<u>\$ (12,897,382)</u>	<u>\$ -0-</u>
<u>\$ 114,330</u>	<u>\$ 14,569,358</u>		
		\$ 15,496,341	\$ 15,496,341
		4,966,649	4,966,649
		8,100,679	8,100,679
		<u>\$ 28,563,669</u>	<u>\$ 28,563,669</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2019

Total Fund Balances - Governmental Funds \$ 12,897,382

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

Prepaid bond insurance costs are amortized over the term of the debt in governmental activities. 7,347

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. 227,737

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 27,574,908

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. 363,467

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:

Due to Developer	\$ (101,333)	
Accrued Interest Payable	(86,538)	
Bonds Payable	<u>(12,319,301)</u>	<u>(12,507,172)</u>

Total Net Position - Governmental Activities \$ 28,563,669

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,656,247	\$ 3,316,385
Water Service	1,017,647	
Wastewater Service	589,775	
Penalty and Interest	41,336	84,334
Tap Connection and Inspection Fees	7,100	
Sales Tax Revenues	556,952	
Investment Revenues	154,119	65,639
Miscellaneous Revenues	212,715	1,094
	<u>\$ 4,235,891</u>	<u>\$ 3,467,452</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 457,686	\$ 26,581
Contracted Services	481,081	99,379
Purchased Water Service	1,281,016	
Purchased Wastewater Service	479,906	
Utilities	311,717	
Repairs and Maintenance	720,030	
Depreciation		
Other	160,456	7,912
Capital Outlay	407,723	
Debt Service:		
Bond Principal		2,910,000
Bond Interest		377,625
	<u>\$ 4,299,615</u>	<u>\$ 3,421,497</u>
TOTAL EXPENDITURES/EXPENSES		
NET CHANGE IN FUND BALANCES	\$ (63,724)	\$ 45,955
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2018, AS ADJUSTED	<u>8,070,182</u>	<u>4,730,639</u>
FUND BALANCES/NET POSITION -		
MAY 31, 2019	<u>\$ 8,006,458</u>	<u>\$ 4,776,594</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>
\$	\$ 4,972,632	\$ (14,899)	\$ 4,957,733
	1,017,647		1,017,647
	589,775		589,775
	125,670	(35,290)	90,380
	7,100		7,100
	556,952		556,952
2,740	222,498		222,498
	213,809		213,809
\$ 2,740	\$ 7,706,083	\$ (50,189)	\$ 7,655,894
\$	\$ 484,267	\$	\$ 484,267
656	581,116		581,116
	1,281,016		1,281,016
	479,906		479,906
	311,717		311,717
	720,030		720,030
		1,106,169	1,106,169
	168,368		168,368
	407,723	(407,723)	
	2,910,000	(2,910,000)	
	377,625	17,770	395,395
\$ 656	\$ 7,721,768	\$ (2,193,784)	\$ 5,527,984
\$ 2,084	\$ (15,685)	\$ 15,685	\$
		2,127,910	2,127,910
112,246	12,913,067	13,522,692	26,435,759
\$ 114,330	\$ 12,897,382	\$ 15,666,287	\$ 28,563,669

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$ (15,685)
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.	(14,899)
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.	(35,290)
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.	(1,106,169)
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.	407,723
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.	2,910,000
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.	(17,770)
Change in Net Position - Governmental Activities	<u>\$ 2,127,910</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 53 of Harris County, Texas was created by an Order of the Texas Water Rights Commission effective May 30, 1973, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District 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 July 24, 1973, and the first bonds were sold on December 13, 1976.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

The District has entered into a joint venture with Harris County Fresh Water Supply District No. 51 and Harris County Water Control and Improvement District No. 36 for wastewater disposal through a regional wastewater treatment plant. See Note 8 for additional disclosure.

The District also participates in the North Channel Water Authority regional water production facilities. See Note 9 for additional disclosure.

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 MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and 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 servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable 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 May 31, 2019, the Debt Service Fund owed the General Fund \$5,762 for maintenance tax collections.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

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 no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings and Improvements	20-40
Water System	10-45
Wastewater System	10-45
Drainage 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 has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District has committed \$113,078 of the General Fund fund balance for construction projects that are ongoing.

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. As of May 31, 2019, the District has assigned \$1,354,378 of the General Fund fund balance to use for a projected budget deficit for the fiscal year ending May 31, 2020.

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Series 2012</u>	<u>Refunding Series 2013</u>	<u>Refunding Series 2014</u>
Amount Outstanding – May 31, 2019	\$2,920,000	\$5,095,000	\$4,150,000
Interest Rates	3.00%	2.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2022/2024	September 1, 2019/2020	September 1, 2019/2021
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019 (1)	Non-callable	Non-callable

(1) Or on any date thereafter callable at par plus unpaid accrued interest from the most recent interest payment date to the date of redemption.

The following is a summary of transactions regarding bonds payable for the year ended May 31, 2019:

	<u>June 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>May 31, 2019</u>
Bonds Payable	\$ 15,075,000	\$	\$ 2,910,000	\$ 12,165,000
Unamortized Discounts	(44,363)		(6,738)	(37,625)
Unamortized Premiums	288,333		96,407	191,926
Bonds Payable, Net	<u>\$ 15,318,970</u>	<u>\$ -0-</u>	<u>\$ 2,999,669</u>	<u>\$ 12,319,301</u>
			Amount Due Within One Year	\$ 2,980,000
			Amount Due After One Year	<u>9,339,301</u>
			Bonds Payable, Net	<u>\$ 12,319,301</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2020	\$ 2,980,000	\$ 314,000	\$ 3,294,000
2021	3,050,000	249,025	3,299,025
2022	3,215,000	151,900	3,366,900
2023	920,000	73,800	993,800
2024	975,000	45,375	1,020,375
2025	1,025,000	15,375	1,040,375
	\$ 12,165,000	\$ 849,475	\$ 13,014,475

As of May 31, 2019, the District had authorized but unissued bonds in the amount of \$20,200,000 for acquiring and constructing water, sewer and drainage systems and authorized but unissued bonds in the amount of \$16,850,000 for refunding purposes.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and 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 waterworks and sanitary sewer system.

During the year ended May 31, 2019, the District levied an ad valorem debt service tax rate of \$0.40 per \$100 of assessed valuation, which resulted in a tax levy of \$3,322,539 on the adjusted taxable valuation of \$830,634,704 for the 2018 tax year. The bond resolutions 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:

Lien Date - January 1.

Levy Date - October 1 or as soon thereafter as practicable.

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, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

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

The bond resolutions 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.

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 \$9,412,706 and the bank balance was \$9,553,768. 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 May 31, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 242,929	\$ 7,620,000	\$ 7,862,929
DEBT SERVICE FUND	179,677	1,370,000	1,549,677
CAPITAL PROJECTS FUND	100		100
TOTAL DEPOSITS	\$ 422,706	\$ 8,990,000	\$ 9,412,706

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 also invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), a public funds investment pool. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor and Wells Fargo Bank, N.A., serves as the custodian for the pool. Texas CLASS is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS participants. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. There are no limitations or restrictions on withdrawals from Texas CLASS.

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
Texas CLASS	\$ 985,078	\$ 985,078
Certificates of Deposit	7,620,000	7,620,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	3,224,348	3,224,348
Certificates of Deposit	1,370,000	1,370,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>114,230</u>	<u>114,230</u>
TOTAL INVESTMENTS	<u>\$ 13,313,656</u>	<u>\$ 13,313,656</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by primarily investing in certificates of deposit with maturities of less than one year. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

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 May 31, 2019 is as follows:

	June 1, 2018	Increases	Decreases	May 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,274,746	\$	\$	\$ 2,274,746
Construction in Progress	383,695	409,223	148,691	644,227
Total Capital Assets Not Being Depreciated	\$ 2,658,441	\$ 409,223	\$ 148,691	\$ 2,918,973
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 374,973	\$	\$	\$ 374,973
NCWA Capacity	1,147,278			1,147,278
Water System	10,887,707	54,214		10,941,921
Wastewater System	32,186,683	60,823		32,247,506
Drainage System	1,748,276	33,654		1,781,930
Total Capital Assets Subject to Depreciation	\$ 46,344,917	\$ 148,691	\$ -0-	\$ 46,493,608
Accumulated Depreciation				
Buildings and Improvements	\$ 152,374	\$ 12,449	\$	\$ 164,823
NCWA Capacity	839,323	30,851		870,174
Water System	5,759,925	321,276		6,081,201
Wastewater System	13,425,419	702,188		14,127,607
Drainage System	554,463	39,405		593,868
Total Accumulated Depreciation	\$ 20,731,504	\$ 1,106,169	\$ -0-	\$ 21,837,673
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 25,613,413	\$ (957,478)	\$ -0-	\$ 24,655,935
Total Capital Assets, Net of Accumulated Depreciation	\$ 28,271,854	\$ (548,255)	\$ 148,691	\$ 27,574,908

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 7. MAINTENANCE TAX

On January 15, 1977, the voters of the District approved the levy and collection of a maintenance tax of not more than \$0.25 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the year ended May 31, 2019, the District levied an ad valorem maintenance tax rate of \$0.20 per \$100 of assessed valuation, which resulted in a tax levy of \$1,661,270 on the adjusted taxable valuation of \$830,634,704 for the 2018 tax year.

NOTE 8. REGIONAL WASTEWATER TREATMENT PLANT

On June 10, 1974, the District entered into a contract with Harris County Fresh Water Supply District No. 51 (District No. 51) and Harris County Water Control and Improvement District No. 36 (District No. 36) for the financing, construction and operation of a regional wastewater treatment facility to be operated by District No. 51. In subsequent agreements this contract was modified to meet the additional capacity requirements of the districts. Pursuant to an addendum dated October 7, 1985, the District is exclusively entitled to and guaranteed capacity of 2,250,000 gpd of the 6,300,000 gpd facility. On May 1, 2004, the districts approved an amendment to this agreement to provide for the allocation of costs related to the operation and maintenance of the facilities and to provide for the construction of improvements to the wastewater transmission facilities by District No. 36 and District No. 51. The District participated in the agreement solely with respect to facilitating the contract amendments for District Nos. 36 and 51. Separate financial statements may be obtained by contacting the District's attorney, Sanford Kuhl Hagan Kugle Parker Kahn LLP. The participating districts and their respective pro rata share of capacity in the regional wastewater treatment plant are:

	Gallons-per-day Capacity	Percentage
Harris County Municipal Utility District No. 53	2,250,000	35.71%
Harris County Water Control and Improvement District No. 36	1,500,000	23.81
Harris County Fresh Water Supply District No. 51	2,550,000	40.48
TOTAL	6,300,000	100.00%

Each participant is responsible only for its share of the operating costs of the Plant which are allocated and billed monthly based upon each participant's pro rata share of monthly water production. The District's advance for operations and maintenance of the regional wastewater treatment plant is \$42,808 and the District recorded total expenditures of \$479,906 as its share of the operating costs of the plant.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 8. REGIONAL WASTEWATER TREATMENT PLANT (Continued)

The following summary financial data for the regional wastewater treatment plant is presented for the fiscal year ending June 30, 2018:

	Joint Venture
Total Assets	\$ 284,945
Total Liabilities	165,067
Total Fund Balance	\$ 119,878
Total Revenues	\$ 1,221,152
Total Expenditures	1,221,152
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	119,878
Ending Fund Balance	\$ 119,878

NOTE 9. WATER SUPPLY CONTRACT - NORTH CHANNEL WATER AUTHORITY

On January 31, 1991, the District entered into a Regional Water Supply Contract with the North Channel Water Authority (Authority) agreeing to participate in a plan whereby the Authority purchases treated surface water from the City of Houston. This will enable the District to meet the requirements of the Harris-Galveston Subsidence District (HGSD) for conversion to 80% surface water. This contract was restated on March 1, 2001. The Authority's plan also anticipates possible additional acquisitions of surface water and construction of additional water distribution lines in the future that will enable the District to remain in compliance with HGSD requirements through the year 2020. The Authority is the owner and operator of the system.

This contract will remain in effect until December 31, 2028, and thereafter from year-to-year until payment in full of the principal, premium, if any, and interest on all bonds and all related fees to be paid under any bond resolution or indenture securing the bonds.

The Authority issued bonds for the purpose of financing the capital costs of the initial project. The District chose to contribute cash in lieu of participating in the bond financing. In return for its contractual share of the capital costs of the system, the District acquired 2,200,000 gallons-per-day capacity in the Authority's surface water distribution system. In addition, the District pays its pro rata share of any special project related to the facilities.

During the current fiscal year, the District incurred costs of \$1,281,016 with respect to this contract. As of May 31, 2019, the District had a reserve with the Authority in the amount of \$76,999. Separate financial statements may be obtained by contacting the Authority's attorney, Allen Boone Humphries Robinson LLP. The following summary financial data of the Authority is presented for the year ending December 31, 2018.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 9. WATER SUPPLY CONTRACT - NORTH CHANNEL WATER AUTHORITY (Continued)

	Joint Venture
Total Assets	\$ 18,311,191
Total Liabilities	<u>8,404,642</u>
Net Position	<u>\$ 9,906,549</u>
Operating Revenues	\$ 9,703,284
Operating Expenses	<u>9,051,184</u>
Operating Income	\$ 652,100
Non-Operating Revenues (Expenses)	<u>(365,163)</u>
Change in Net Position	\$ 286,937
Net Position - Beginning of Year	<u>9,619,612</u>
Net Position - End of Year	<u>\$ 9,906,549</u>

NOTE 10. EMERGENCY WATER SUPPLY AGREEMENTS

On October 20, 1997, the District entered into an emergency water supply contract with Harris County Fresh Water Supply District No. 51. A first amendment to the contract was executed to extend the term to December 31, 2018. On September 11, 2018, a second amendment to the contract was executed continuing the term in full force and effect unless terminated by either party by giving written notice of its intent to terminate at least 18 months prior to actual termination. The interconnect facilities were constructed prior to this agreement. The price to be paid for water furnished under this agreement is at a rate equal to the supplying party's cost to supply the water.

On September 12, 2006, the District entered into an Emergency Water Supply Contract with Harris County Water Control and Improvement District No. 84 (District No. 84). A first amendment to the contract was executed to extend the term to August 11, 2025. District No. 84 is responsible for the installation and construction of all necessary facilities at the point of connection and is responsible for maintenance of such facilities. The using party will be charged the current North Channel Water Authority rate per 1,000 gallons plus \$0.50 per 1,000 gallons.

NOTE 11. WATER SUPPLY AND WASTE TRANSPORTATION AGREEMENT

On July 2, 1991, the District entered into a Water Supply and Waste Transportation Agreement with Harris County Water Control and Improvement District No. 36 for the purpose of providing potable water and sewer service to a 3.8183-acre tract of land within District No. 36. A first amendment to this agreement was approved December 1, 2003, allowing District No. 36 to provide water originally supplied by the District to Harris County Fresh Water Supply District No. 47 on an emergency basis.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters 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 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective May 3, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement was amended on November 16, 2012. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

The City imposes a Sales and Use Tax within the boundaries of the Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City delivers to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office. During the fiscal year ended May 31, 2019, the District recorded sales tax revenues of \$556,952, of which \$142,552 was receivable as of the fiscal year end. 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.

NOTE 14. UNREIMBURSED COSTS

The District executed a financing agreement with a Developer which calls for the Developer to fund costs associated with the construction of public infrastructure located within the District. Reimbursement for the infrastructure costs will come from operating or construction funds to the extent approved by the Commission.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 15. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the District corrected its accounting for amounts collected on behalf of the various Sterling Green homeowners' associations. The previous method of accounting had led to liabilities for amounts to be remitted to the associations being overstated. The effect of this adjustment is as follows:

General Fund Balance - June 1, 2018	\$ 7,985,881
Effect of Adjustment	<u>84,301</u>
General Fund Balance - June 1, 2018, As Adjusted	<u>\$ 8,070,182</u>
Net Position - June 1, 2018	\$ 26,351,458
Effect of Adjustment	<u>84,301</u>
Net Position - June 1, 2018, As Adjusted	<u>\$ 26,435,759</u>

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,540,941	\$ 1,656,247	\$ 115,306
Water Service	1,088,514	1,017,647	(70,867)
Wastewater Service	592,353	589,775	(2,578)
Penalty and Interest	47,500	41,336	(6,164)
Tap Connection and Inspection Fees	22,750	7,100	(15,650)
Sales Tax Revenues	560,000	556,952	(3,048)
Investment Revenues	90,650	154,119	63,469
Miscellaneous Revenues	61,600	212,715	151,115
TOTAL REVENUES	<u>\$ 4,004,308</u>	<u>\$ 4,235,891</u>	<u>\$ 231,583</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 269,500	\$ 457,686	\$ (188,186)
Contracted Services	480,750	481,081	(331)
Purchased Water Service	1,350,181	1,281,016	69,165
Purchased Wastewater Service	545,000	479,906	65,094
Utilities	322,250	311,717	10,533
Repairs and Maintenance	251,065	720,030	(468,965)
Other	161,400	160,456	944
Capital Outlay	1,062,000	407,723	654,277
TOTAL EXPENDITURES	<u>\$ 4,442,146</u>	<u>\$ 4,299,615</u>	<u>\$ 142,531</u>
NET CHANGE IN FUND BALANCE	\$ (437,838)	\$ (63,724)	\$ 374,114
FUND BALANCE - JUNE 1, 2018	<u>8,070,182</u>	<u>8,070,182</u>	
FUND BALANCE - MAY 31, 2019	<u>\$ 7,632,344</u>	<u>\$ 8,006,458</u>	<u>\$ 374,114</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2019

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019**

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

<u> X </u>	Retail Water	<u> X </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Wastewater	<u> X </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </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 March 9, 2010.

	<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:	\$ 8.00	3,000	N	\$ 1.25 \$ 1.50 \$ 2.00	3,001 to 6,000 6,001 to 10,000 10,001 and up
WASTEWATER:	\$ 8.00		Y		

SURCHARGE:

Commission 0.5% of actual water and
Regulatory sewer bill
Assessment

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$17.75 Wastewater: \$8.00 Surcharge: \$0.13 Total: \$25.88

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019

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 "	<u>5,492</u>	<u>5,415</u>	x 1.0	<u>5,415</u>
1"	<u>42</u>	<u>41</u>	x 2.5	<u>103</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>26</u>	<u>26</u>	x 8.0	<u>208</u>
3"	<u>4</u>	<u>4</u>	x 15.0	<u>60</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>5</u>	<u>5</u>	x 50.0	<u>250</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"			x 115.0	
Total Water Connections	<u><u>5,577</u></u>	<u><u>5,499</u></u>		<u><u>6,266</u></u>
Total Wastewater Connections	<u><u>5,529</u></u>	<u><u>5,451</u></u>	x 1.0	<u><u>5,451</u></u>

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

Gallons billed to customers:	455,921,000	Water Accountability Ratio: 90.6% (Gallons billed/Gallons pumped and purchased)
Gallons pumped:	19,679,000	
Gallons purchased:	483,722,000	From: North Channel Water Authority

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
SERVICES AND RATES
FOR THE YEAR ENDED MAY 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 MUNICIPAL UTILITY DISTRICT NO. 53
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 19,000
Engineering	206,369
Legal	196,317
Facility Manager	36,000
TOTAL PROFESSIONAL FEES	<u>\$ 457,686</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 1,281,016
Purchased Wastewater Service	479,906
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,760,922</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 34,134
Operations and Billing	446,947
TOTAL CONTRACTED SERVICES	<u>\$ 481,081</u>
UTILITIES:	
Electricity	\$ 307,702
Telephone	4,015
TOTAL UTILITIES	<u>\$ 311,717</u>
REPAIRS AND MAINTENANCE	<u>\$ 720,030</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 34,950
Dues	3,720
Insurance	39,507
Office Supplies and Postage	5,026
Payroll Taxes and Administration	5,428
Travel and Meetings	10,498
Other	5,038
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 104,167</u>
CAPITAL OUTLAY	<u>\$ 407,723</u>
TAP CONNECTIONS	<u>\$ 7,750</u>
OTHER EXPENDITURES:	
Chemicals	\$ 2,518
Laboratory Fees	16,005
Permit Fees	13,201
Regulatory Assessment	8,025
Other	8,790
TOTAL OTHER EXPENDITURES	<u>\$ 48,539</u>
TOTAL EXPENDITURES	<u>\$ 4,299,615</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
INVESTMENTS
MAY 31, 2019

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>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 985,078	\$
Certificate of Deposit	XXXX0286	2.60%	03/29/20	1,000,000	4,488
Certificate of Deposit	XXXX6075	2.60%	02/28/20	500,000	3,277
Certificate of Deposit	XXXX0697	2.60%	03/23/20	1,000,000	4,915
Certificate of Deposit	XXXX2461	2.40%	08/13/19	500,000	9,633
Certificate of Deposit	XXXX5067	2.35%	09/17/19	240,000	3,400
Certificate of Deposit	XXXX3920	2.15%	06/09/19	500,000	10,514
Certificate of Deposit	XXXX5246	2.15%	07/02/19	500,000	9,808
Certificate of Deposit	XXXX2255	2.45%	10/22/19	500,000	6,242
Certificate of Deposit	XXXX0590	2.35%	09/18/19	240,000	3,399
Certificate of Deposit	XXXX2996	2.40%	11/23/19	240,000	2,446
Certificate of Deposit	XXXX0856	2.55%	01/10/20	240,000	2,364
Certificate of Deposit	XXXX2179	2.35%	11/23/19	240,000	2,395
Certificate of Deposit	XXXX5442	2.70%	02/18/20	240,000	1,793
Certificate of Deposit	XXXX0237	2.65%	01/10/20	240,000	2,457
Certificate of Deposit	XXXX1994	2.63%	11/23/19	240,000	2,680
Certificate of Deposit	XXXX0045	2.65%	02/18/20	240,000	1,760
Certificate of Deposit	XXXX0060	2.35%	11/22/19	240,000	2,395
Certificate of Deposit	XXXX0334	2.42%	11/25/19	240,000	2,466
Certificate of Deposit	XXXX4998	2.40%	11/23/19	240,000	2,446
Certificate of Deposit	XXXX4427	2.50%	01/10/20	240,000	2,318
TOTAL GENERAL FUND				\$ 8,605,078	\$ 81,196
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 3,224,348	\$
Certificate of Deposit	XXXX7095	2.60%	08/27/19	130,000	852
Certificate of Deposit	XXXX1789	2.15%	06/03/19	1,000,000	21,441
Certificate of Deposit	XXXX2265	2.50%	02/12/20	240,000	1,200
TOTAL DEBT SERVICE FUND				\$ 4,594,348	\$ 23,493
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 7,497	\$
Texas CLASS	XXXX0004	Varies	Daily	101,859	
Texas CLASS	XXXX0005	Varies	Daily	4,874	
TOTAL CAPITAL PROJECTS FUND				\$ 114,230	\$ -0-
TOTAL - ALL FUNDS				\$ 13,313,656	\$ 104,689

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	Maintenance Taxes		Debt Service Taxes
TAXES RECEIVABLE -			
JUNE 1, 2018	\$ 89,436		\$ 204,266
Adjustments to Beginning			
Balance	<u>(7,585)</u>	\$ 81,851	<u>(18,491)</u> \$ 185,775
Original 2018 Tax Levy	\$ 1,539,477		\$ 3,078,954
Adjustment to 2018 Tax Levy	<u>121,793</u>	<u>1,661,270</u>	<u>243,585</u> <u>3,322,539</u>
TOTAL TO BE			
ACCOUNTED FOR		\$ 1,743,121	\$ 3,508,314
TAX COLLECTIONS:			
Prior Years	\$ 37,045		\$ 77,982
Current Year	<u>1,619,202</u>	<u>1,656,247</u>	<u>3,238,403</u> <u>3,316,385</u>
TAXES RECEIVABLE -			
MAY 31, 2019		<u>\$ 86,874</u>	<u>\$ 191,929</u>
TAXES RECEIVABLE BY			
YEAR:			
2018		\$ 42,068	\$ 84,136
2017		14,760	29,520
2016		7,925	18,227
2015		5,257	14,195
2014		3,835	11,695
2013 and prior		<u>13,029</u>	<u>34,156</u>
TOTAL		<u>\$ 86,874</u>	<u>\$ 191,929</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 204,634,729	\$ 189,380,539	\$ 167,335,539	\$ 128,547,415
Improvements	672,982,069	665,913,638	623,694,773	588,377,966
Personal Property	31,041,281	28,426,038	29,407,922	31,307,694
Exemptions	(78,023,375)	(97,956,044)	(96,335,318)	(84,357,535)
TOTAL PROPERTY VALUATIONS	\$ 830,634,704	\$ 785,764,171	\$ 724,102,916	\$ 663,875,540
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.40	\$ 0.40	\$ 0.46	\$ 0.54
Maintenance	0.20	0.20	0.20	0.20
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.60	\$ 0.60	\$ 0.66	\$ 0.74
ADJUSTED TAX LEVY*	\$ 4,983,809	\$ 4,714,586	\$ 4,779,080	\$ 4,912,680
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.47 %	99.06 %	99.45 %	99.60 %

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

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on January 15, 1977.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 2

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$	\$ 87,600	\$ 87,600
2021		87,600	87,600
2022		87,600	87,600
2023	920,000	73,800	993,800
2024	975,000	45,375	1,020,375
2025	1,025,000	15,375	1,040,375
	<u>\$ 2,920,000</u>	<u>\$ 397,350</u>	<u>\$ 3,317,350</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2013

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 2,510,000	\$ 76,800	\$ 2,586,800
2021	2,585,000	25,850	2,610,850
2022			
2023			
2024			
2025			
	<u>\$ 5,095,000</u>	<u>\$ 102,650</u>	<u>\$ 5,197,650</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2014

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 470,000	\$ 149,600	\$ 619,600
2021	465,000	135,575	600,575
2022	3,215,000	64,300	3,279,300
2023			
2024			
2025			
	<u>\$ 4,150,000</u>	<u>\$ 349,475</u>	<u>\$ 4,499,475</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

ANNUAL REQUIREMENTS
 FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 2,980,000	\$ 314,000	\$ 3,294,000
2021	3,050,000	249,025	3,299,025
2022	3,215,000	151,900	3,366,900
2023	920,000	73,800	993,800
2024	975,000	45,375	1,020,375
2025	1,025,000	15,375	1,040,375
	<u>\$ 12,165,000</u>	<u>\$ 849,475</u>	<u>\$ 13,014,475</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2019

Description	Original Bonds Issued	Bonds Outstanding June 1, 2018
Harris County Municipal Utility District No. 53 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2012	\$ 2,920,000	\$ 2,920,000
Harris County Municipal Utility District No. 53 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2013	9,525,000	7,530,000
Harris County Municipal Utility District No. 53 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2014	<u>5,795,000</u>	<u>4,625,000</u>
TOTAL	<u><u>\$ 18,240,000</u></u>	<u><u>\$ 15,075,000</u></u>

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 80,400,000	\$ 35,250,000
Amount Issued	<u>60,200,000</u>	<u>18,400,000</u>
Remaining to be Issued	<u><u>\$ 20,200,000</u></u>	<u><u>\$ 16,850,000</u></u>

Debt Service Fund cash and investment balances as of May 31, 2019: \$ 4,774,025

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 2,169,079

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

See accompanying independent auditor's report.

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$	\$ 87,600	\$ 2,920,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	2,435,000	126,250	5,095,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	475,000	163,775	4,150,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 2,910,000</u>	<u>\$ 377,625</u>	<u>\$ 12,165,000</u>	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,656,247	\$ 1,560,012	\$ 1,434,609
Water Service	1,017,647	1,120,679	1,055,621
Wastewater Service	589,775	585,729	587,592
Penalty and Interest	41,336	44,398	46,849
Tap Connection and Inspection Fees	7,100	11,871	12,150
Sales Tax Revenues	556,952	556,663	524,151
Investment Revenues	154,119	68,748	49,295
Miscellaneous Revenues	212,715	59,952	67,322
TOTAL REVENUES	\$ 4,235,891	\$ 4,008,052	\$ 3,777,589
EXPENDITURES			
Professional Fees	\$ 457,686	\$ 392,311	\$ 413,331
Contracted Services	481,081	465,532	490,483
Purchased Water Service	1,281,016	1,351,569	1,359,034
Purchased Wastewater Service	479,906	497,342	502,383
Utilities	311,717	321,647	400,694
Repairs and Maintenance	720,030	276,546	395,203
Other	160,456	158,192	143,610
Capital Outlay	407,723	1,893,336	193,094
TOTAL EXPENDITURES	\$ 4,299,615	\$ 5,356,475	\$ 3,897,832
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (63,724)	\$ (1,348,423)	\$ (120,243)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -0-	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ (63,724)	\$ (1,348,423)	\$ (120,243)
BEGINNING FUND BALANCE	8,070,182	9,418,605	9,538,848
ENDING FUND BALANCE	\$ 8,006,458	\$ 8,070,182	\$ 9,418,605

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,315,645	\$ 1,208,663	39.2 %	38.9 %	38.0 %	35.6 %	34.1 %
1,085,180	1,064,573	24.0	28.0	27.9	29.4	30.1
586,260	580,794	13.9	14.6	15.6	15.9	16.4
48,669	49,852	1.0	1.1	1.2	1.3	1.4
18,727	41,490	0.2	0.3	0.3	0.5	1.2
534,297	496,143	13.1	13.9	13.9	14.5	14.0
35,758	28,314	3.6	1.7	1.3	1.0	0.8
66,510	69,885	5.0	1.5	1.8	1.8	2.0
<u>\$ 3,691,046</u>	<u>\$ 3,539,714</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 378,035	\$ 257,159	10.8 %	9.8 %	10.9 %	10.2 %	7.3 %
487,715	477,159	11.4	11.6	13.0	13.2	13.5
1,393,111	1,191,030	30.2	33.7	36.0	37.7	33.6
544,786	583,371	11.3	12.4	13.3	14.8	16.5
460,234	428,060	7.4	8.0	10.6	12.5	12.1
392,513	299,036	17.0	6.9	10.5	10.6	8.4
147,711	188,167	3.8	3.9	3.8	4.0	5.3
308,337	53,914	9.6	47.2	5.1	8.4	1.5
<u>\$ 4,112,442</u>	<u>\$ 3,477,896</u>	<u>101.5 %</u>	<u>133.5 %</u>	<u>103.2 %</u>	<u>111.4 %</u>	<u>98.2 %</u>
<u>\$ (421,396)</u>	<u>\$ 61,818</u>	<u>(1.5) %</u>	<u>(33.5) %</u>	<u>(3.2) %</u>	<u>(11.4) %</u>	<u>1.8 %</u>
<u>\$ 91,670</u>	<u>\$ -0-</u>					
\$ (329,726)	\$ 61,818					
<u>9,868,574</u>	<u>9,806,756</u>					
<u>\$ 9,538,848</u>	<u>\$ 9,868,574</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 3,316,385	\$ 3,133,973	\$ 3,313,256
Penalty and Interest	84,334	75,660	72,614
Investment Revenues	65,639	31,084	16,896
Miscellaneous Revenues	1,094	1,643	6,904
TOTAL REVENUES	\$ 3,467,452	\$ 3,242,360	\$ 3,409,670
EXPENDITURES			
Tax Collection Expenditures	\$ 132,372	\$ 130,634	\$ 127,259
Debt Service Principal	2,910,000	2,835,000	2,825,000
Debt Service Interest and Fees	379,125	444,400	520,150
TOTAL EXPENDITURES	\$ 3,421,497	\$ 3,410,034	\$ 3,472,409
NET CHANGE IN FUND BALANCE	\$ 45,955	\$ (167,674)	\$ (62,739)
BEGINNING FUND BALANCE	4,730,639	4,898,313	4,961,052
ENDING FUND BALANCE	\$ 4,776,594	\$ 4,730,639	\$ 4,898,313
TOTAL ACTIVE RETAIL WATER CONNECTIONS	5,499	5,496	5,495
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	5,451	5,449	5,448

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 3,559,933	\$ 3,674,340	95.7 %	96.6 %	97.2 %	97.3 %	97.3 %
77,271	79,092	2.4	2.3	2.1	2.1	2.1
16,957	14,158	1.9	1.0	0.5	0.5	0.4
4,141	8,149		0.1	0.2	0.1	0.2
<u>\$ 3,658,302</u>	<u>\$ 3,775,739</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 135,385	\$ 123,627	3.8 %	4.0 %	3.7 %	3.7 %	3.3 %
4,530,000	2,860,000	83.9	87.4	82.9	123.8	75.7
<u>675,181</u>	<u>800,054</u>	<u>10.9</u>	<u>13.7</u>	<u>15.3</u>	<u>18.5</u>	<u>21.2</u>
<u>\$ 5,340,566</u>	<u>\$ 3,783,681</u>	<u>98.6 %</u>	<u>105.1 %</u>	<u>101.9 %</u>	<u>146.0 %</u>	<u>100.2 %</u>
\$ (1,682,264)	\$ (7,942)	<u>1.4 %</u>	<u>(5.1) %</u>	<u>(1.9) %</u>	<u>(46.0) %</u>	<u>(0.2) %</u>
<u>6,643,316</u>	<u>6,651,258</u>					
<u>\$ 4,961,052</u>	<u>\$ 6,643,316</u>					
<u>5,480</u>	<u>5,413</u>					
<u>5,496</u>	<u>5,367</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

District Mailing Address - Harris County Municipal Utility District No. 53
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd., Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended May 31, 2019	Expense Reimbursements for the year ended May 31, 2019	Title
Judy Grant	05/2018 – 05/2022 (Elected)	\$ 7,200	\$ 2,504	President
Michelle Denman	05/2016 – 05/2020 (Elected)	\$ 7,200	\$ 310	Vice President
Drew Fontenette	05/2016 – 05/2020 (Elected)	\$ 7,200	\$ 2,575	Secretary/ Treasurer
Andre Bradley	05/2018 – 05/2022 (Elected)	\$ 6,150	\$ 3,354	Assistant Secretary/ Treasurer
Kristine Johnstone	05/2018 – 05/2022 (Elected)	\$ 7,200	\$ 654	Assistant Vice President

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):
May 11, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on October 14, 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 MUNICIPAL UTILITY DISTRICT NO. 53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2019</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/20/90	\$ 125,665	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/12/92	\$ 19,000	Auditor
Municipal Accounts & Consulting, L.P.	06/04/03	\$ 38,425	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/16/85	\$ 26,581	Delinquent Tax Attorney
Huitt-Zollars, Inc.	07/24/73	\$ 236,685	Engineer
Albert Gutierrez		\$ 36,000	Facility Manager
Rathmann & Associates, L.P.	02/19/91	\$ -0-	Financial Advisor
Harris County Fresh Water Supply District No. 51	04/13/99	\$1,103,743	Operator
Bob Leared Interests	02/01/84	\$ 70,586	Tax Assessor/ Collector

See accompanying independent auditor's report.

