

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 481**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2018

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Harris County Municipal Utility District No. 481
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. 481, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 basic 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 basic financial statements are free of 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 to provide a basis for our audit opinions.

***Board of Directors
Harris County Municipal Utility District No. 481
Harris County, Texas***

Opinion

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 Harris County Municipal Utility District No. 481, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

W. G. G. & Co., P.C.

Houston, Texas
October 8, 2018

Management's Discussion and Analysis

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***Harris County Municipal Utility District No. 481
Management's Discussion and Analysis
June 30, 2018***

Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 481 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris County Municipal Utility District No. 481
Management's Discussion and Analysis
June 30, 2018***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at June 30, 2018, was negative \$16,091,919. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities (other than detention facilities) which it conveys to the City of Webster. A comparative summary of the District's overall financial position, as of June 30, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 3,918,445	\$ 3,336,315
Capital assets	<u>5,331,250</u>	<u>4,926,140</u>
Total assets	<u>9,249,695</u>	<u>8,262,455</u>
Current liabilities	571,380	357,441
Long-term liabilities	<u>24,770,234</u>	<u>23,048,928</u>
Total liabilities	<u>25,341,614</u>	<u>23,406,369</u>
Net position		
Net investment in capital assets	(967,492)	66,428
Restricted	941,017	750,136
Unrestricted	<u>(16,065,444)</u>	<u>(15,960,478)</u>
Total net position	<u>\$ (16,091,919)</u>	<u>\$ (15,143,914)</u>

***Harris County Municipal Utility District No. 481
Management's Discussion and Analysis
June 30, 2018***

The total net position of the District decreased during the current fiscal year by \$948,005. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2018</u>	<u>2017</u>
Revenues		
Property taxes, penalties and interest	\$ 1,405,121	\$ 1,243,127
Other	16,048	7,945
Total revenues	<u>1,421,169</u>	<u>1,251,072</u>
Expenses		
Operating and administrative	396,218	329,594
Debt interest and fees	382,857	306,880
Developer interest	375,168	
Debt issuance costs	272,701	
Depreciation and amortization	148,727	66,625
Total expenses	<u>1,575,671</u>	<u>703,099</u>
Change in net position before other item	(154,502)	547,973
Other item		
Transfers to other governments	<u>(793,503)</u>	<u>(470,759)</u>
Change in net position	(948,005)	77,214
Net position, beginning of year	<u>(15,143,914)</u>	<u>(15,221,128)</u>
Net position, end of year	<u><u>\$ (16,091,919)</u></u>	<u><u>\$ (15,143,914)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2018, were \$3,880,862, which consists of \$2,563,698 in the General Fund, \$1,066,447 in the Debt Service Fund, and \$250,717 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u><u>\$ 2,595,659</u></u>	<u><u>\$ 2,399,390</u></u>
Total liabilities	\$ 30,328	\$ 9,414
Total deferred inflows	1,633	2,854
Total fund balance	2,563,698	2,387,122
Total liabilities, deferred inflows and fund balance	<u><u>\$ 2,595,659</u></u>	<u><u>\$ 2,399,390</u></u>

***Harris County Municipal Utility District No. 481
Management's Discussion and Analysis
June 30, 2018***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2018	2017
Total revenues	\$ 594,105	\$ 624,176
Total expenditures	(460,047)	(471,452)
Revenues over expenditures	134,058	152,724
Other changes in fund balance	42,518	
Net change in fund balance	<u>\$ 176,576</u>	<u>\$ 152,724</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resource in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of June 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 1,069,401</u>	<u>\$ 849,163</u>
Total liabilities	\$ 639	\$ -
Total deferred inflows	2,315	2,762
Total fund balance	1,066,447	846,401
Total liabilities, deferred inflows and fund balance	<u>\$ 1,069,401</u>	<u>\$ 849,163</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2018	2017
Total revenues	\$ 828,255	\$ 632,361
Total expenditures	(608,209)	(554,519)
Revenues over expenditures	<u>\$ 220,046</u>	<u>\$ 77,842</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

***Harris County Municipal Utility District No. 481
Management's Discussion and Analysis
June 30, 2018***

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of June 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 253,385</u>	<u>\$ 87,762</u>
Total liabilities	\$ 2,668	\$ 4,000
Total fund balance	<u>250,717</u>	<u>83,762</u>
Total liabilities and fund balance	<u>\$ 253,385</u>	<u>\$ 87,762</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2018	2017
Total revenues	\$ 478	\$ 103
Total expenditures	<u>(2,746,005)</u>	<u>(12,807)</u>
Revenues under expenditures	(2,745,527)	(12,704)
Other changes in fund balance	2,912,482	
Net change in fund balance	<u>\$ 166,955</u>	<u>\$ (12,704)</u>

The District issued its Series 2017 Unlimited Tax Bonds in the current year, but did not have any significant capital asset activity in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$110,924 less than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The Developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

***Harris County Municipal Utility District No. 481
Management's Discussion and Analysis
June 30, 2018***

Capital assets held by the District at June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Capital assets not being depreciated		
Land and improvements	\$ 3,323,642	\$ 3,323,642
Construction in progress		881,897
	<u>3,323,642</u>	<u>4,205,539</u>
Capital assets being depreciated/amortized		
Infrastructure	52,772	52,772
Landscaping improvements	1,922,084	976,746
Impact fees	390,894	10,072
Other facilities	109,574	
	<u>2,475,324</u>	<u>1,039,590</u>
Less accumulated depreciation/amortization		
Infrastructure	(9,384)	(8,211)
Landscaping improvements	(438,244)	(310,106)
Impact fees	(14,609)	(672)
Other facilities	(5,479)	
	<u>(467,716)</u>	<u>(318,989)</u>
Depreciable capital assets, net	<u>2,007,608</u>	<u>720,601</u>
Capital assets, net	<u>\$ 5,331,250</u>	<u>\$ 4,926,140</u>

Capital asset additions during the current year include the following:

- Ductbank to serve Edgewater Lakeside park
- Water Street and Stone Crossing sidewalk
- Landscaping to serve Edgewater Lake Park
- Impact fees paid to the City of Webster

The District and the City of Webster (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. For the year ended June 30, 2018, capital assets in the amount of \$793,503 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of June 30, 2018, the District owes \$14,184,165 to its developer for completed projects. The District intends to reimburse the developers from proceeds of future bond issues.

***Harris County Municipal Utility District No. 481
Management's Discussion and Analysis
June 30, 2018***

At June 30, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2014	\$ 5,475,000	\$ 5,640,000
2015 Road	2,640,000	2,720,000
2017	3,085,000	
	\$ 11,200,000	\$ 8,360,000

During the year, the District issued \$3,085,000 in unlimited tax bonds. At June 30, 2018, the District had \$73,615,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$8,000,000 for parks and recreational facilities; \$18,840,000 for road improvements; and \$2,000,000 for fire protection services.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2018 Actual	2019 Budget
Total revenues	\$ 594,105	\$ 595,000
Total expenditures	(460,047)	(306,625)
Revenues over expenditures	134,058	288,375
Other changes in fund balance	42,518	
Net change in fund balance	176,576	288,375
Beginning fund balance	2,387,122	2,563,698
Ending fund balance	\$ 2,563,698	\$ 2,852,073

Property Taxes

The District's property tax base increased approximately \$5,077,000 for the 2018 tax year from \$122,663,032 to \$127,740,337. This increase was primarily due to increased property values. For the 2018 tax year, the District has levied a maintenance tax rate of \$0.26 per \$100 of assessed value, a water, sewer and drainage debt service tax rate of \$0.70 per \$100 of assessed value, and a road debt service tax rate of \$0.20 per \$100 of assessed value for a total combined tax rate of \$1.16 per \$100. Tax rates for the 2017 tax year were \$0.48 per \$100 for maintenance and operations, \$0.57 per \$100 for water, sewer and drainage debt service, and \$0.11 per \$100 for road debt service for a total rate of \$1.16 per \$100.

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Basic Financial Statements

Harris County Municipal Utility District No. 481
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 1,748,822	\$ 1,070,014	\$ 253,445	\$ 3,072,281	\$ -	\$ 3,072,281
Investments	831,522			831,522		831,522
Taxes receivable	1,633	2,315		3,948		3,948
Prepaid items	6,086			6,086		6,086
Internal balances	2,988	(2,928)	(60)			
Accrued interest receivable	4,608			4,608		4,608
Capital assets not being depreciated					3,323,642	3,323,642
Capital assets, net					2,007,608	2,007,608
Total Assets	\$ 2,595,659	\$ 1,069,401	\$ 253,385	\$ 3,918,445	5,331,250	9,249,695
Liabilities						
Accounts payable	\$ 30,328	\$ -	\$ 2,668	\$ 32,996		32,996
Other payables		639		639		639
Accrued interest payable					127,745	127,745
Due to developer					14,184,165	14,184,165
Long-term debt						
Due within one year					410,000	410,000
Due after one year					10,586,069	10,586,069
Total Liabilities	30,328	639	2,668	33,635	25,307,979	25,341,614
Deferred Inflows of Resources						
Deferred property taxes	1,633	2,315		3,948	(3,948)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	6,086			6,086	(6,086)	
Restricted		1,066,447	250,717	1,317,164	(1,317,164)	
Unassigned	2,557,612			2,557,612	(2,557,612)	
Total Fund Balances	2,563,698	1,066,447	250,717	3,880,862	(3,880,862)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,595,659	\$ 1,069,401	\$ 253,385	\$ 3,918,445		
Net Position						
Net investment in capital assets					(967,492)	(967,492)
Restricted for debt service					941,017	941,017
Unrestricted					(16,065,444)	(16,065,444)
Total Net Position					\$ (16,091,919)	\$ (16,091,919)

See notes to basic financial statements.

Harris County Municipal Utility District No. 481

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 580,366	\$ 824,875	\$ -	\$ 1,405,241	\$ (854)	\$ 1,404,387
Penalties and interest		1,549		1,549	(815)	734
Miscellaneous	500			500		500
Investment earnings	13,239	1,831	478	15,548		15,548
Total Revenues	594,105	828,255	478	1,422,838	(1,669)	1,421,169
Expenditures/Expenses						
Operating and administrative						
Professional fees	156,187	640	26,377	183,204		183,204
Contracted services	12,413	16,700		29,113		29,113
Repairs and maintenance	135,835			135,835		135,835
Utilities	7,909			7,909		7,909
Administrative	32,397	1,322		33,719		33,719
Other	5,732	442	264	6,438		6,438
Capital outlay	109,574		2,071,495	2,181,069	(2,181,069)	
Debt service						
Principal		245,000		245,000	(245,000)	
Interest and fees		344,105		344,105	38,752	382,857
Developer interest			375,168	375,168		375,168
Debt issuance costs			272,701	272,701		272,701
Depreciation and amortization					148,727	148,727
Total Expenditures	460,047	608,209	2,746,005	3,814,261	(2,238,590)	1,575,671
Revenues Over (Under)						
Expenditures/Expenses	134,058	220,046	(2,745,527)	(2,391,423)	2,236,921	(154,502)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			3,085,000	3,085,000	(3,085,000)	
Internal transfers	42,518		(42,518)			
Repayment of operating advances			(130,000)	(130,000)	130,000	
Other Item						
Transfers to other governments					(793,503)	(793,503)
Net Change in Fund Balances	176,576	220,046	166,955	563,577	(563,577)	
Change in Net Position					(948,005)	(948,005)
Fund Balances/Net Position						
Beginning of the year	2,387,122	846,401	83,762	3,317,285	(18,461,199)	(15,143,914)
End of the year	\$ 2,563,698	\$ 1,066,447	\$ 250,717	\$ 3,880,862	\$ (19,972,781)	\$ (16,091,919)

See notes to basic financial statements.

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Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 481 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated May 1, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54 and other general laws of the State of Texas. The Board of Directors held its first meeting on June 18, 2007 and the first bonds were sold on December 10, 2014.

The District’s primary activities include construction of water, sewer, drainage, roads and recreational facilities. As further discussed in Note 10, the District transfers its water, wastewater and drainage facilities (other than detention facilities and navigation channels) to the City of Webster for ownership, operation, and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Landscaping improvements	15 years
Other facilities	20 years
Impact fees	40 years [max]

The District’s detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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. The District’s nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Webster and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balances, governmental funds		\$ 3,880,862
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 5,798,966	
Less accumulated depreciation/amortization	<u>(467,716)</u>	
Change due to capital assets		5,331,250
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(10,996,069)	
Interest payable on bonds	<u>(127,745)</u>	
Change due to long-term debt		(11,123,814)
Amounts due to the District's developer for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(14,184,165)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		3,948
Total net position - governmental activities		<u><u>\$ (16,091,919)</u></u>

Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 563,577

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. (1,669)

Governmental funds report capital outlays for reimbursements to developers as expenditures in the funds; however, in the *Statement of Activities*, impact fees paid to the City of Webster are capitalized and charged to expense over the estimated useful life of the contract, while reimbursements for infrastructure assets are reported as transfers to other governments.

Capital outlays	\$ 2,181,069	
Transfers to other governments	(793,503)	
Depreciation/amortization expense	(148,727)	
		1,238,839

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long-term debt	(3,085,000)	
Repayment of operating advances	130,000	
Principal payments	245,000	
Interest expense accrual	(38,752)	
		(2,748,752)

Change in net position of governmental activities	\$ (948,005)
---	--------------

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of June 30, 2018, the District’s investments consist entirely of certificates of deposits, which are reported at cost.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at June 30, 2018, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 2,928	Maintenance tax collections not remitted as of year end.
General Fund	Capital Projects Fund	60	Bond application fees paid by the General Fund.

Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 4 – Interfund Balances and Transactions (continued)

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
Capital Projects Fund	General Fund	\$ 42,518	Reimbursement of bond application fees paid by the General Fund.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended June 30, 2018, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 3,323,642	\$ -	\$ 3,323,642
Construction in progress	881,897	(881,897)	
	<u>4,205,539</u>	<u>(881,897)</u>	<u>3,323,642</u>
Capital assets being depreciated/amortized			
Infrastructure	52,772		52,772
Landscaping improvements	976,746	945,338	1,922,084
Impact fees	10,072	380,822	390,894
Other facilities		109,574	109,574
	<u>1,039,590</u>	<u>1,435,734</u>	<u>2,475,324</u>
Less accumulated depreciation/amortization			
Infrastructure	(8,211)	(1,173)	(9,384)
Landscaping improvements	(310,106)	(128,138)	(438,244)
Impact fees	(672)	(13,937)	(14,609)
Other facilities		(5,479)	(5,479)
	<u>(318,989)</u>	<u>(148,727)</u>	<u>(467,716)</u>
Subtotal depreciable capital assets, net	<u>720,601</u>	<u>1,287,007</u>	<u>2,007,608</u>
Capital assets, net	<u>\$ 4,926,140</u>	<u>\$ 405,110</u>	<u>\$ 5,331,250</u>

Depreciation and amortization expense for the current year was \$148,727.

Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 6 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, recreational, and road facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete.

Changes in amounts due to developers during the year are as follows:

Due to developer, beginning of year	\$ 15,147,893
Developer funded construction and adjustments	1,174,325
Developer reimbursements	(2,008,053)
Repayment of operating advances	(130,000)
Due to developer, end of year	<u><u>\$ 14,184,165</u></u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 11,200,000
Unamortized discounts	(203,931)
	<u><u>\$ 10,996,069</u></u>
Due within one year	<u><u>\$ 410,000</u></u>

The District's bonds payable at June 30, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2014	\$ 5,475,000	\$ 5,800,000	2.00% - 4.125%	September 1, 2016 - 2037	September 1, March 1	September 1, 2022
2015 Road	2,640,000	2,800,000	1.50% - 4.00%	September 1, 2016 - 2038	September 1, March 1	September 1, 2022
2017	3,085,000	3,085,000	1.50% - 3.75%	September 1, 2018 - 2038	September 1, March 1	September 1, 2023
	<u><u>\$ 11,200,000</u></u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 7 – Long-Term Debt (continued)

At June 30, 2018, the District had authorized but unissued bonds in the amount of \$73,615,000 for water, sewer and drainage facilities; \$8,000,000 for park and recreational facilities; \$18,840,000 for road improvements; and \$2,000,000 for fire protection services.

On August 10, 2017, the District issued its \$3,085,000 Series 2017 Unlimited Tax Bonds at a net effective interest rate of 3.557806%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

The change in the District’s long term debt during the year is as follows:

Bonds payable, beginning of year	\$ 8,360,000
Bonds issued	3,085,000
Bonds retired	(245,000)
Bonds payable, end of year	<u>\$ 11,200,000</u>

As of June 30, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 410,000	\$ 376,343	\$ 786,343
2020	420,000	368,516	788,516
2021	430,000	358,984	788,984
2022	445,000	347,744	792,744
2023	460,000	335,696	795,696
2024	465,000	322,935	787,935
2025	480,000	309,456	789,456
2026	495,000	294,901	789,901
2027	515,000	278,901	793,901
2028	530,000	261,606	791,606
2029	545,000	243,031	788,031
2030	565,000	223,170	788,170
2031	575,000	202,083	777,083
2032	595,000	179,750	774,750
2033	615,000	156,394	771,394
2034	630,000	132,244	762,244
2035	660,000	107,194	767,194
2036	680,000	80,819	760,819
2037	675,000	53,763	728,763
2038	700,000	26,159	726,159
2039	310,000	6,031	316,031
	<u>\$ 11,200,000</u>	<u>\$ 4,665,720</u>	<u>\$ 15,865,720</u>

Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 8 – Property Taxes

On November 6, 2007, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$1.16 per \$100 of assessed value, of which \$0.48 was allocated to maintenance and operations, \$0.57 was allocated to debt service, and \$0.11 was allocated for road debt service. The resulting tax levy was \$1,422,891 on the adjusted taxable value of \$122,663,032.

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Webster (the “City”), the District transfers all of its water, sewer, and certain drainage facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the estimated cost of the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended June 30, 2018, the District reported transfers to other governments in the amount of \$793,503 for developer reimbursements for projects completed in previous fiscal years.

Note 10 – Utility Agreement with the City of Webster

On January 24, 2006, the District entered into a utility agreement with the City of Webster (the “City”), later amended on September 17, 2013, for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system (if accepted by the City), with the exception of navigational channels and detention ponds, to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 40 years.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

Harris County Municipal Utility District No. 481
Notes to Basic Financial Statements
June 30, 2018

Note 11 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

*Harris County Municipal Utility District No. 481
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2018*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 585,000	\$ 580,366	\$ (4,634)
Miscellaneous		500	500
Investment earnings	6,000	13,239	7,239
Total Revenues	<u>591,000</u>	<u>594,105</u>	<u>3,105</u>
Expenditures			
Operating and administrative			
Professional fees	99,500	156,187	(56,687)
Contracted services	12,000	12,413	(413)
Repairs and maintenance	20,000	135,835	(115,835)
Utilities	10,000	7,909	2,091
Administrative	28,700	32,397	(3,697)
Other	4,300	5,732	(1,432)
Capital outlay	129,000	109,574	19,426
Total Expenditures	<u>303,500</u>	<u>460,047</u>	<u>(156,547)</u>
Revenues Over Expenditures	287,500	134,058	(153,442)
Other Financing Sources			
Internal transfers		42,518	42,518
Net Change in Fund Balance	287,500	176,576	(110,924)
Fund Balance			
Beginning of the year	2,387,122	2,387,122	
End of the year	<u>\$ 2,674,622</u>	<u>\$ 2,563,698</u>	<u>\$ (110,924)</u>

Harris County Municipal Utility District No. 481
Notes to Required Supplementary Information
June 30, 2018

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 481
TSI-1. Services and Rates
June 30, 2018

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers N/A

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Harris County Municipal Utility District No. 481
TSI-1. Services and Rates
June 30, 2018

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: City of Webster

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: _____

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditors' report.

***Harris County Municipal Utility District No. 481
TSI-2. General Fund Expenditures
For the Year Ended June 30, 2018***

Professional fees		
Legal	\$	73,699
Audit		9,500
Engineering		72,988
		<u>156,187</u>
Contracted services		
Bookkeeping		<u>12,413</u>
Repairs and maintenance		<u>135,835</u>
Utilities		<u>7,909</u>
Administrative		
Directors fees		11,250
Printing and office supplies		3,069
Insurance		6,057
Other		12,021
		<u>32,397</u>
Other		<u>5,732</u>
Capital outlay		<u>109,574</u>
Total expenditures	\$	<u><u>460,047</u></u>

Reporting of Utility Services in Accordance with Chapter 2264, TX Government code:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	1,825,000 Gallons	\$ 7,909
Natural Gas	N/A	N/A

See accompanying auditors' report.

Harris County Municipal Utility District No. 481
TSI-3. Investments
June 30, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General					
Certificate of deposit	6000030392	2.10%	5/3/19	\$ 240,000	\$ 801
Certificate of deposit	1852001627	1.65%	3/17/19	102,281	486
Certificate of deposit	5597	2.10%	3/22/19	242,799	1,397
Certificate of deposit	1002803541	1.00%	9/18/18	246,442	1,924
				<u>\$ 831,522</u>	<u>\$ 4,608</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 481
TSI-4. Taxes Levied and Receivable
June 30, 2018

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Total
Taxes Receivable, Beginning of Year	\$ 2,854	\$ 1,318	\$ 628	\$ 4,800
Adjustments	(2,854)	(1,318)	(628)	(4,800)
Adjusted Receivable				
2017 Original Tax Levy	534,670	634,920	122,529	1,292,119
Adjustments	54,113	64,259	12,400	130,772
Adjusted Tax Levy	588,783	699,179	134,929	1,422,891
Tax collections:				
Current year	587,150	697,239	134,554	1,418,943
Taxes Receivable, End of Year	\$ 1,633	\$ 1,940	\$ 375	\$ 3,948
Taxes Receivable, By Years				
2017	\$ 1,633	\$ 1,940	\$ 375	\$ 3,948
	2017	2016	2015	2014
Property Valuations:				
Land	\$ 29,830,307	\$ 25,601,887	\$ 21,685,488	\$ 21,816,554
Improvements	93,267,408	77,330,776	71,141,250	53,271,313
Personal Property	711,478	1,367,718	1,620,723	1,005,433
Exemptions	(1,146,161)	(1,523,387)	(1,197,751)	(621,019)
Total Property Valuations	\$ 122,663,032	\$ 102,776,994	\$ 93,249,710	\$ 75,472,281
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.4800	\$ 0.5900	\$ 0.5700	\$ 1.2000
Debt service tax rates	0.5700	0.4061	0.4000	
Road debt service tax rates	0.1100	0.1939	0.2300	
Total Tax Rates per \$100 Valuation	\$ 1.1600	\$ 1.1900	\$ 1.2000	\$ 1.2000
Adjusted Tax Levy:	\$ 1,422,891	\$ 1,223,046	\$ 1,118,997	\$ 905,667
Percentage of Taxes Collected to Taxes Levied **	99.72%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on November 6, 2007

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

*Harris County Municipal Utility District No. 481
 TSI-5. Long-Term Debt Service Requirements
 Series 2014--by Years
 June 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 175,000	\$ 195,187	\$ 370,187
2020	180,000	191,637	371,637
2021	190,000	186,987	376,987
2022	200,000	181,138	381,138
2023	210,000	174,987	384,987
2024	215,000	168,613	383,613
2025	225,000	162,012	387,012
2026	235,000	154,819	389,819
2027	250,000	146,781	396,781
2028	260,000	138,012	398,012
2029	270,000	128,400	398,400
2030	285,000	117,994	402,994
2031	295,000	106,750	401,750
2032	310,000	94,650	404,650
2033	325,000	81,950	406,950
2034	335,000	68,750	403,750
2035	355,000	54,950	409,950
2036	370,000	40,219	410,219
2037	385,000	24,647	409,647
2038	405,000	8,353	413,353
	<u>\$ 5,475,000</u>	<u>\$ 2,426,836</u>	<u>\$ 7,901,836</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 481
 TSI-5. Long-Term Debt Service Requirements
 Series 2015 Road--by Years
 June 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 85,000	\$ 92,138	\$ 177,138
2020	90,000	90,298	180,298
2021	90,000	88,228	178,228
2022	95,000	85,913	180,913
2023	100,000	83,278	183,278
2024	100,000	80,378	180,378
2025	105,000	77,250	182,250
2026	110,000	73,863	183,863
2027	115,000	70,176	185,176
2028	120,000	66,150	186,150
2029	125,000	61,800	186,800
2030	130,000	57,145	187,145
2031	130,000	52,270	182,270
2032	135,000	47,100	182,100
2033	140,000	41,600	181,600
2034	145,000	35,900	180,900
2035	155,000	29,900	184,900
2036	160,000	23,600	183,600
2037	165,000	17,100	182,100
2038	170,000	10,400	180,400
2039	175,000	3,500	178,500
	<u>\$ 2,640,000</u>	<u>\$ 1,187,987</u>	<u>\$ 3,827,987</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 481
 TSI-5. Long-Term Debt Service Requirements
 Series 2017 --by Years
 June 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 150,000	\$ 89,018	\$ 239,018
2020	150,000	86,581	236,581
2021	150,000	83,769	233,769
2022	150,000	80,693	230,693
2023	150,000	77,431	227,431
2024	150,000	73,944	223,944
2025	150,000	70,194	220,194
2026	150,000	66,219	216,219
2027	150,000	61,944	211,944
2028	150,000	57,444	207,444
2029	150,000	52,831	202,831
2030	150,000	48,031	198,031
2031	150,000	43,063	193,063
2032	150,000	38,000	188,000
2033	150,000	32,844	182,844
2034	150,000	27,594	177,594
2035	150,000	22,344	172,344
2036	150,000	17,000	167,000
2037	125,000	12,016	137,016
2038	125,000	7,406	132,406
2039	135,000	2,531	137,531
	<u>\$ 3,085,000</u>	<u>\$ 1,050,897</u>	<u>\$ 4,135,897</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 481
 TSI-5. Long-Term Debt Service Requirements
 All Bonded Debt Series--by Years
 June 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2019	\$ 410,000	\$ 376,343	\$ 786,343
2020	420,000	368,516	788,516
2021	430,000	358,984	788,984
2022	445,000	347,744	792,744
2023	460,000	335,696	795,696
2024	465,000	322,935	787,935
2025	480,000	309,456	789,456
2026	495,000	294,901	789,901
2027	515,000	278,901	793,901
2028	530,000	261,606	791,606
2029	545,000	243,031	788,031
2030	565,000	223,170	788,170
2031	575,000	202,083	777,083
2032	595,000	179,750	774,750
2033	615,000	156,394	771,394
2034	630,000	132,244	762,244
2035	660,000	107,194	767,194
2036	680,000	80,819	760,819
2037	675,000	53,763	728,763
2038	700,000	26,159	726,159
2039	310,000	6,031	316,031
	<u>\$ 11,200,000</u>	<u>\$ 4,665,720</u>	<u>\$ 15,865,720</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 481
TSI-6. Change in Long-Term Bonded Debt
June 30, 2018

	Bond Issue			Totals
	Series 2014	Series 2015 Road	Series 2017	
Interest rate	2.00% - 4.125%	1.50% - 4.00%	1.50% - 3.75%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/16 - 9/1/37	9/1/16 - 9/1/38	9/1/18- 9/1/38	
Beginning bonds outstanding	\$ 5,640,000	\$ 2,720,000	\$ -	\$ 8,360,000
Bonds issued			3,085,000	3,085,000
Bonds retired	(165,000)	(80,000)		(245,000)
Ending bonds outstanding	\$ 5,475,000	\$ 2,640,000	\$ 3,085,000	\$ 11,200,000
Interest paid during fiscal year	\$ 198,588	\$ 93,688	\$ 52,584	\$ 344,860
Paying agent's name and city All Series	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	Fire Protection Bonds
Amount Authorized by Voters	\$ 82,500,000	\$ 8,000,000	\$ 21,640,000	\$ 2,000,000
Amount Issued	(8,885,000)		(2,800,000)	
Remaining To Be Issued	\$ 73,615,000	\$ 8,000,000	\$ 18,840,000	\$ 2,000,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of June 30, 2018: \$ 1,070,014

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 755,510

See accompanying auditors' report.

Harris County Municipal Utility District No. 481
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 580,366	\$ 617,332	\$ 528,360	\$ 865,921	\$ 796,783
Penalties and interest				2,419	1,017
Miscellaneous	500			70	
Investment earnings	13,239	6,844	6,045	5,596	4,344
Total Revenues	<u>594,105</u>	<u>624,176</u>	<u>534,405</u>	<u>874,006</u>	<u>802,144</u>
Expenditures					
Operating and administrative					
Professional fees	156,187	129,993	83,815	79,058	71,101
Contracted services	12,413	12,000	12,000	22,968	21,575
Repairs and maintenance	135,835	122,293	134,116	149,648	161,829
Utilities	7,909	7,131	6,037	4,652	7,270
Administrative	32,397	27,372	33,119	25,558	24,634
Other	5,732	1,804	734		
Capital outlay	109,574	170,859			
Debt service					
Interest and fees				39,152	
Debt issuance costs				39,600	
Total Expenditures	<u>460,047</u>	<u>471,452</u>	<u>269,821</u>	<u>360,636</u>	<u>286,409</u>
Revenues Over Expenditures	<u>\$ 134,058</u>	<u>\$ 152,724</u>	<u>\$ 264,584</u>	<u>\$ 513,370</u>	<u>\$ 515,735</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
98%	99%	99%	99%	99%
			*	*
*			*	
2%	1%	1%	1%	1%
100%	100%	100%	100%	100%
26%	21%	16%	9%	9%
2%	2%	2%	3%	3%
23%	20%	25%	17%	20%
1%	1%	1%	1%	1%
5%	4%	6%	3%	3%
1%	*	*		
18%	27%			
			4%	
			5%	
76%	75%	50%	42%	36%
24%	25%	50%	58%	64%

Harris County Municipal Utility District No. 481

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Four Fiscal Years**

	Amounts			
	2018	2017	2016	2015
Revenues				
Property taxes	\$ 824,875	\$ 628,161	\$ 582,884	\$ -
Penalties and interest	1,549	3,202	1,222	
Accrued interest on bonds sold				5,086
Investment earnings	1,831	998	801	344
Total Revenues	828,255	632,361	584,907	5,430
Expenditures				
Tax collection services	18,662	15,768	13,461	
Other	442	426	424	126
Debt service				
Principal	245,000	240,000		
Interest and fees	344,105	298,325	310,229	
Total Expenditures	608,209	554,519	324,114	126
Revenues Over Expenditures	\$ 220,046	\$ 77,842	\$ 260,793	\$ 5,304
Total Active Retail Water Connections	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015
100%	99%	100%	
*	1%	*	
			94%
*	*	*	6%
100%	100%	100%	100%
2%	2%	2%	
*	*	*	2%
30%	38%		
42%	47%	53%	
74%	87%	55%	2%
26%	13%	45%	98%

Harris County Municipal Utility District No. 481
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2018

Complete District Mailing Address: 202 Century Square Boulevard, Sugar Land, TX 77478
District Business Telephone Number: (281) 500-6050
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): July 9, 2018
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Deborah Clements	5/18 - 5/22	\$ 4,200	\$ 2,542	President
Bill Wood	5/16 - 5/20	2,250	1,029	Vice President
Tom Canning	5/18 - 5/22	600	7	Secretary
Cynthia Aldape	5/18 - 5/22	1,800	65	Assistant Secretary
Carol Kling	5/16 - 5/20	1,500	37	Assistant Vice President
Connie Brown	5/14 - 5/18	900	45	Former Director
Consultants				
		Amounts Paid		
The Muller Law Group, PLLC	2014	\$ 188,377		Attorney
Myrtle Cruz, Inc.	2007	17,280		Bookkeeper
Assessments of the Southwest, Inc.	2007	6,256		Tax Collector
Harris County Appraisal District	Legislation	10,444		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2008	640		Delinquent Tax Attorney
LJA Engineering & Surveying, Inc.	2007			Engineer
		<i>Amounts paid directly by District</i>	58,004	
		<i>Amounts paid from developer reimbursements</i>	236,305	
McGrath & Co., PLLC	Annual			Auditor
		<i>Annual financial statement audit</i>	9,500	
		<i>Developer reimbursement report</i>	8,500	
Post Oak Municipal Securities, LLC	2018			Financial Advisor
FirstSouthwest, a Division of Hilltop Securities	2007	67,989		Former Financial Advisor
TBG Partners	2007	18,073		Landscape Architect

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
See accompanying auditors' report.