

**FRY ROAD MUNICIPAL UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MARCH 31, 2019**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Fry Road Municipal Utility District  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fry Road Municipal Utility District (the "District"), as of and for the year ended March 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 March 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

June 18, 2019



**FRY ROAD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

Management's discussion and analysis of Fry Road Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 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 the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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 two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, sales tax 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.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

**FUND FINANCIAL STATEMENTS (Continued)**

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$15,945,023 as of March 31, 2019. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities as well as buildings and trails less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 6,641,084	\$ 6,409,138	\$ 231,946
Capital Assets (Net of Accumulated Depreciation)	<u>10,217,790</u>	<u>9,698,239</u>	<u>519,551</u>
Total Assets	<u>\$ 16,858,874</u>	<u>\$ 16,107,377</u>	<u>\$ 751,497</u>
Bonds Payable	\$ 490,346	\$ 664,216	\$ 173,870
Other Liabilities	<u>219,415</u>	<u>163,131</u>	<u>(56,284)</u>
Total Liabilities	<u>\$ 709,761</u>	<u>\$ 827,347</u>	<u>\$ 117,586</u>
Deferred Inflows of Resources	<u>\$ 204,090</u>	<u>\$ 207,054</u>	<u>\$ 2,964</u>
Net Position:			
Net Investment in Capital Assets	\$ 9,727,444	\$ 9,034,023	\$ 693,421
Restricted	107,355	111,062	(3,707)
Unrestricted	<u>6,110,224</u>	<u>5,927,891</u>	<u>182,333</u>
Total Net Position	<u><u>\$ 15,945,023</u></u>	<u><u>\$ 15,072,976</u></u>	<u><u>\$ 872,047</u></u>

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

	<u>Summary of Changes in the Statement of Activities</u>		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,140,572	\$ 1,182,368	\$ (41,796)
Sales Tax Revenues	1,510,003	1,603,584	(93,581)
Charges for Services	728,708	593,869	134,839
Other Revenues	<u>139,894</u>	<u>71,025</u>	<u>68,869</u>
Total Revenues	<u>\$ 3,519,177</u>	<u>\$ 3,450,846</u>	<u>\$ 68,331</u>
Expenses for Services	<u>2,647,130</u>	<u>2,306,822</u>	<u>(340,308)</u>
Change in Net Position	\$ 872,047	\$ 1,144,024	\$ (271,977)
Net Position, Beginning of Year	<u>15,072,976</u>	<u>13,928,952</u>	<u>1,144,024</u>
Net Position, End of Year	<u><u>\$ 15,945,023</u></u>	<u><u>\$ 15,072,976</u></u>	<u><u>\$ 872,047</u></u>

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

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

The District's combined fund balances as of March 31, 2019, were \$6,182,304, an increase of \$188,798 from the prior fiscal year.

The General Fund fund balance increased by \$187,187, primarily due to property tax, sales tax, investment and service revenues exceeding operating and capital outlay expenditures.

The Debt Service Fund fund balance increased by \$1,611, primarily due to the structure of the District's outstanding debt.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors amended the budget during the current fiscal to reflect an increase in anticipated capital outlay costs and decreases to anticipated property tax revenues and contracted service costs. Actual revenues were \$126,875 more than budgeted revenues due to higher than anticipated service, property tax and investment revenues. Actual expenditures were \$1,568,362 less than budgeted expenditures primarily due to lower than expected capital outlay costs offset by higher than anticipated contracted service costs and water authority assessments.

**CAPITAL ASSETS**

Capital assets as of March 31, 2019, total \$10,217,790 (net of accumulated depreciation) and include land, buildings, trails and equipment as well as the water, wastewater and drainage systems. New additions to capital assets included sewage collection system rehabilitation, fencing and lighting for building, and rehabilitation to various District equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,345,273	\$ 1,345,273	\$
Construction in Progress		79,175	(79,175)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	1,306,087	1,322,052	(15,965)
Water System	3,061,579	3,177,516	(115,937)
Wastewater System	3,173,272	2,367,939	805,333
Drainage System	335,436	347,358	(11,922)
Hike and Bike Trail	996,143	1,058,926	(62,783)
Total Net Capital Assets	<u>\$ 10,217,790</u>	<u>\$ 9,698,239</u>	<u>\$ 519,551</u>

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2019**

**LONG-TERM DEBT ACTIVITY**

As of March 31, 2019, the District had total bonds payable of \$480,000. The changes in bonds payable during the year ended March 31, 2019, are summarized as follows:

Bond Debt Payable, April 1, 2018	\$ 650,000
Less: Bond Principal Paid	<u>170,000</u>
Bond Debt Payable, March 31, 2019	<u>\$ 480,000</u>

The District has an underlying rating of "A2" by Moody's. The Series 2012 Bonds do not carry an insured rating.

**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 Fry Road Municipal Utility District, c/o Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, TX 77024.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
MARCH 31, 2019**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 980,236	\$ 270,727
Investments	4,847,243	42,268
Receivables:		
Property Taxes	32,061	6,802
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$4,000)	51,654	
Accrued Interest	13,998	
Due from Other Funds		3,202
Due from the City of Houston	357,821	
Prepaid Costs	32,823	
Land		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 6,315,836</b>	<b>\$ 322,999</b>

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



<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,250,963	\$	\$ 1,250,963
4,889,511		4,889,511
38,863		38,863
	5,451	5,451
51,654		51,654
13,998		13,998
3,202	(3,202)	
357,821		357,821
32,823		32,823
	1,345,273	1,345,273
	8,872,517	8,872,517
<u>\$ 6,638,835</u>	<u>\$ 10,220,039</u>	<u>\$ 16,858,874</u>

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

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MARCH 31, 2019**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 131,335	\$ 13,805
Accrued Interest Payable		
Due to Other Funds	3,202	
Security Deposits	71,075	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 205,612	\$ 13,805
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 32,061	\$ 205,053
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 32,823	\$
Restricted for Debt Service		104,141
Assigned to 2020 Budget Deficit	1,503,620	
Unassigned	4,541,720	
<b>TOTAL FUND BALANCES</b>	\$ 6,078,163	\$ 104,141
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 6,315,836	\$ 322,999
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 145,140	\$	\$ 145,140
	3,200	3,200
3,202	(3,202)	
71,075		71,075
	165,000	165,000
	325,346	325,346
<u>\$ 219,417</u>	<u>\$ 490,344</u>	<u>\$ 709,761</u>
<u>\$ 237,114</u>	<u>\$ (33,024)</u>	<u>\$ 204,090</u>
\$ 32,823	\$ (32,823)	\$
104,141	(104,141)	
1,503,620	(1,503,620)	
<u>4,541,720</u>	<u>(4,541,720)</u>	
<u>\$ 6,182,304</u>	<u>\$ (6,182,304)</u>	<u>\$ - 0 -</u>
<u>\$ 6,638,835</u>		
	\$ 9,727,444	\$ 9,727,444
	107,355	107,355
	6,110,224	6,110,224
	<u>\$ 15,945,023</u>	<u>\$ 15,945,023</u>

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

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
MARCH 31, 2019**

Total Fund Balances - Governmental Funds	\$	6,182,304
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		10,217,790
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies (with the exception of the 2018 debt service tax levy) became part of recognized revenue in the governmental activities of the District.		38,475
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (3,200)	
Bonds Payable	<u>(490,346)</u>	<u>(493,546)</u>

Total Net Position - Governmental Activities	\$	<u><u>15,945,023</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

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**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 944,368	\$ 203,041
Sales Tax Revenues	1,510,003	
Water Service	335,064	
Wastewater Service	200,315	
Penalty and Interest	7,361	14,872
Water Authority Fees	122,430	
Tap Connection and Inspection Fees	53,134	
Investment Revenues	103,214	2,906
Miscellaneous Revenues	30,186	3,588
<b>TOTAL REVENUES</b>	<u>\$ 3,306,075</u>	<u>\$ 224,407</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 154,359	\$ 7,745
Contracted Services	606,863	28,537
Utilities	169,537	
Water Authority Assessments	492,860	
Repairs and Maintenance	543,174	
Depreciation		
Other	214,156	3,514
Capital Outlay	937,939	
Debt Service:		
Bond Principal		170,000
Bond Interest		13,000
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 3,118,888</u>	<u>\$ 222,796</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 187,187	\$ 1,611
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - APRIL 1, 2018</b>	<u>5,890,976</u>	<u>102,530</u>
<b>FUND BALANCES/NET POSITION - MARCH 31, 2019</b>	<u>\$ 6,078,163</u>	<u>\$ 104,141</u>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 1,147,409	\$ (6,837)	\$ 1,140,572
1,510,003		1,510,003
335,064		335,064
200,315		200,315
22,233	(4,468)	17,765
122,430		122,430
53,134		53,134
106,120		106,120
33,774		33,774
\$ 3,530,482	\$ (11,305)	\$ 3,519,177
\$ 162,104	\$	\$ 162,104
635,400		635,400
169,537		169,537
492,860		492,860
543,174		543,174
	418,388	418,388
217,670		217,670
937,939	(937,939)	
170,000	(170,000)	
13,000	(5,003)	7,997
\$ 3,341,684	\$ (694,554)	\$ 2,647,130
\$ 188,798	\$ (188,798)	\$
	872,047	872,047
5,993,506	9,079,470	15,072,976
\$ 6,182,304	\$ 9,762,719	\$ 15,945,023

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

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$	188,798
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues and penalty and interest revenue on delinquent taxes when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied and the penalty and interest are assessed.		(11,305)
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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.		(418,388)
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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.		937,939
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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.		170,000
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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.		5,003
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Change in Net Position - Governmental Activities	\$	<u>872,047</u>
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The accompanying notes to the financial statements are an integral part of this report.



**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 1. CREATION OF DISTRICT**

Fry Road Municipal Utility District (the “District”) was created effective November 7, 1973, by an Order of the Texas Water Rights Commission, 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, and to construct 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 August 14, 1978, and the first bonds were sold on December 11, 1979.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Financial Statement Presentation (Continued)

- 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.

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 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 two governmental funds and considered them to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, sales tax 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.

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 period 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. Recognition of tax revenues for the 2018 debt service tax levy has been deferred to the next fiscal year.

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 March 31, 2019, the General Fund owed the Debt Service Fund \$3,202 for the over transfer of maintenance tax collections.

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 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. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Hike and Bike Trail	10-30

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was 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 wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Measurement Focus (Continued)

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 does not have any committed fund balances.

*Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$1,503,620 of its General Fund fund balance to cover a portion of the 2020 budgeted deficit.

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

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

Accounting Estimates

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

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2012 Refunding</u>
Amount Outstanding – March 31, 2019	\$ 480,000
Interest Rates	2.00%
Maturity Dates – Serially Beginning/Ending	December 1, 2019/2021
Interest Payment Dates	June 1/December 1
Callable Dates	N/A

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

	<u>April 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2019</u>
Bonds Payable	\$ 650,000	\$	\$ 170,000	\$ 480,000
Unamortized Discounts	(6,831)		(1,859)	(4,972)
Unamortized Premiums	21,047		5,729	15,318
Bonds Payable, Net	<u>\$ 664,216</u>	<u>\$ -0-</u>	<u>\$ 173,870</u>	<u>\$ 490,346</u>
		Amount Due Within One Year		\$ 165,000
		Amount Due After One Year		325,346
		Bonds Payable, Net		<u>\$ 490,346</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 165,000	\$ 9,600	\$ 174,600
2021	160,000	6,300	166,300
2022	155,000	3,100	158,100
	<u>\$ 480,000</u>	<u>\$ 19,000</u>	<u>\$ 499,000</u>

As of March 31, 2019, the District had authorized but unissued bonds in the amount of \$2,465,000 for utility facilities and \$9,005,000 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.

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

During the year ended March 31, 2019, the District levied an ad valorem debt service tax rate of \$0.075 per \$100 of assessed valuation, which resulted in a tax levy of \$204,090 on the adjusted taxable valuation of \$272,119,674 for the 2018 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

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

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

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

**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 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 \$2,935,317 and the bank balance was \$3,017,432. The District was not exposed to custodial credit risk at year end.

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Deposits (Continued)

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 980,236	\$ 1,684,354	\$ 2,664,590
DEBT SERVICE FUND	270,727		270,727
TOTAL DEPOSITS	\$ 1,250,963	\$ 1,684,354	\$ 2,935,317

Investments

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

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



**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

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

Investments (Continued)

The District records its investment in certificates of deposit at acquisition cost. The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of March 31, 2019, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities- Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$ 3,162,889	\$ 3,162,889
Certificates of Deposit	1,684,354	1,684,354
<u>DEBT SERVICE FUND</u>		
TexPool	42,268	42,268
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 4,889,511</u></b>	<b><u>\$ 4,889,511</u></b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2019, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District manages credit risk by investing in certificates of deposits with balances that are covered by either FDIC insurance or pledged securities.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool 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. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 6. CAPITAL ASSETS**

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

	April 1, 2018	Increases	Decreases	March 31, 2019
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 1,345,273	\$	\$	\$ 1,345,273
Construction in Progress	<u>79,175</u>	<u>937,939</u>	<u>1,017,114</u>	<u></u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 1,424,448</u>	<u>\$ 937,939</u>	<u>\$ 1,017,114</u>	<u>\$ 1,345,273</u>
<b>Capital Assets Subject to Depreciation</b>				
Buildings	\$ 1,856,693	\$ 29,360	\$	\$ 1,886,053
Water System	5,280,479			5,280,479
Wastewater System	5,393,430	963,183		6,356,613
Drainage System	536,474			536,474
Hike and Bike Trail	<u>1,600,443</u>	<u>24,571</u>	<u></u>	<u>1,625,014</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 14,667,519</u>	<u>\$ 1,017,114</u>	<u>\$ - 0 -</u>	<u>\$ 15,684,633</u>
<b>Accumulated Depreciation</b>				
Buildings	\$ 534,641	\$ 45,325	\$	\$ 579,966
Water System	2,102,963	115,937		2,218,900
Wastewater System	3,025,491	157,850		3,183,341
Drainage System	189,116	11,922		201,038
Hike and Bike Trail	<u>541,517</u>	<u>87,354</u>	<u></u>	<u>628,871</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 6,393,728</u>	<u>\$ 418,388</u>	<u>\$ - 0 -</u>	<u>\$ 6,812,116</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 8,273,791</u>	<u>\$ 598,726</u>	<u>\$ - 0 -</u>	<u>\$ 8,872,517</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 9,698,239</u>	<u>\$ 1,536,665</u>	<u>\$ 1,017,114</u>	<u>\$ 10,217,790</u>

**NOTE 7. MAINTENANCE TAX**

On January 18, 1997, the voters of the District approved a maximum maintenance tax rate of \$0.75 per \$100 of assessed valuation of taxable property within the District. During the year ended March 31, 2019, the District levied an ad valorem maintenance tax rate of \$0.355 per \$100 of assessed valuation, which resulted in a tax levy of \$966,025 on the adjusted taxable valuation of \$272,119,674 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 8. EMERGENCY WATER SUPPLY AGREEMENTS**

On October 10, 1979, the District entered into an emergency water supply contract with Weston Municipal Utility District (Weston). The contract states that the District and Weston will construct the facilities to provide emergency water supply between the two districts. All facilities constructed and installed within the boundaries of the District shall be paid for, owned, operated and maintained by the District. On April 8, 2004, the District approved the amended emergency water supply agreement with Weston. The amended contract states that the charge for service to either District is \$150 plus all assessed regulatory fees of the West Harris County Regional Water Authority. This contract shall be in force and effect for a period of 40 years.

On January 24, 1980, the District entered into an emergency water supply agreement with Westlake Municipal Utility District No. 1 (Westlake). The agreement states that the District will, at its sole cost and expense, install the necessary facilities for an emergency standby water connection between the two districts. Each District will own and maintain the facilities on their respective sides of the connection. The current charge for service to either district is \$50 for the first three days and \$1.00 per 1,000 gallons pumped plus the charge for surface water fees. The term of the contract is 40 years.

On April 12, 2001, the District executed an emergency water interconnect agreement with West Harris County Municipal Utility District No. 7 (District No. 7) with a term of 15 years; and shall continue thereafter year to year, subject, however, to termination by either district by the giving of 60 days prior written notice thereof to the other district. The agreement provides for each district to supply water to the other district in the event of an emergency. The charge for service will be either an in-kind redelivery of a like quantity of water to the supply district or at the rate of \$1.00 per 1,000 gallons of water supplied plus a pass through of any surface water fees.

On February 14, 2002, the District executed an emergency water supply contract with West Park Municipal Utility District (West Park) with a term of 40 years. The contract provides for each district to supply water to the other district in the event of an emergency. The charge for services will be at the rate of \$0.75 per 1,000 gallons of water supplied unless the supplying party has converted in whole or in part to surface water. The charge for water supplied will be the actual cost of the supplying party's purchase of surface water or an increase to the above rate by the amount of the fee imposed for converted surface water.

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 9. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. The current fee is \$2.95 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$492,860 for fees assessed during the year ended March 31, 2019.

**NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT**

Effective June 7, 2002, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. 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 “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District. The District will continue to develop, own, 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 Subject tract. The sales and use tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays to the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the Subject 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 year ended March 31, 2019, the District recorded revenues of \$1,510,003 from the City of Houston. Of this amount, \$357,821 was recorded as receivable.

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

**NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

In consideration of the sales tax payment and the City's limited-annexation of the Subject Tract in the District, the District agreed to make a payment of \$100 per year on the anniversary of the Implementation Date of this agreement. 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 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 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.

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**FRY ROAD MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MARCH 31, 2019**





**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 996,000	\$ 918,000	\$ 944,368	\$ 26,368
Sales Tax Revenues	1,550,000	1,550,000	1,510,003	(39,997)
Water Service	240,000	240,000	335,064	95,064
Wastewater Service	205,000	205,000	200,315	(4,685)
Penalty and Interest	8,000	8,000	7,361	(639)
Water Authority Fees	165,000	165,000	122,430	(42,570)
Tap Connection and Inspection Fees	22,500	22,500	53,134	30,634
Investment and Miscellaneous Revenues	70,700	70,700	133,400	62,700
<b>TOTAL REVENUES</b>	<u>\$ 3,257,200</u>	<u>\$ 3,179,200</u>	<u>\$ 3,306,075</u>	<u>\$ 126,875</u>
<b>EXPENDITURES</b>				
Services Operations:				
Professional Fees	\$ 179,250	\$ 179,250	\$ 154,359	\$ 24,891
Contracted Services	472,000	460,000	606,863	(146,863)
Utilities	160,000	160,000	169,537	(9,537)
Water Authority Assessments	440,000	440,000	492,860	(52,860)
Repairs and Maintenance	589,000	589,000	543,174	45,826
Other	271,500	271,500	214,156	57,344
Capital Outlay	1,237,500	2,587,500	937,939	1,649,561
<b>TOTAL EXPENDITURES</b>	<u>\$ 3,349,250</u>	<u>\$ 4,687,250</u>	<u>\$ 3,118,888</u>	<u>\$ 1,568,362</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (92,050)	\$ (1,508,050)	\$ 187,187	\$ 1,695,237
<b>FUND BALANCE - APRIL 1, 2018</b>	<u>5,890,976</u>	<u>5,890,976</u>	<u>5,890,976</u>	
<b>FUND BALANCE - MARCH 31, 2019</b>	<u>\$ 5,798,926</u>	<u>\$ 4,382,926</u>	<u>\$ 6,078,163</u>	<u>\$ 1,695,237</u>

See accompanying independent auditor's report.

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**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**MARCH 31, 2019**





**FRY ROAD MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 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	
≤ <sup>3</sup> / <sub>4</sub> "	<u>558</u>	<u>555</u>	x 1.0	<u>555</u>
1"	<u>21</u>	<u>18</u>	x 2.5	<u>45</u>
1½"	<u>9</u>	<u>8</u>	x 5.0	<u>40</u>
2"	<u>43</u>	<u>43</u>	x 8.0	<u>344</u>
3"	<u>9</u>	<u>9</u>	x 15.0	<u>135</u>
4"	<u>3</u>	<u>3</u>	x 25.0	<u>75</u>
6"			x 50.0	
8"	<u>4</u>	<u>3</u>	x 80.0	<u>240</u>
10"			x 115.0	
Total Water Connections	<u><u>647</u></u>	<u><u>639</u></u>		<u><u>1,434</u></u>
Total Wastewater Connections	<u><u>614</u></u>	<u><u>609</u></u>	x 1.0	<u><u>609</u></u>

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

Gallons pumped into system:	179,070,000	Water Accountability Ratio: 93.8% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	132,932,000	
Gallons Sold:	35,166,000	<u>To: Westlake Municipal Utility District</u>

See accompanying independent auditor's report.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED MARCH 31, 2019**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes \_\_\_ No X

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No \_\_\_\_\_

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely \_\_\_\_\_ Partly \_\_\_\_\_ Not at all X

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely X 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 X

See accompanying independent auditor's report.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 15,750
Engineering	78,608
Legal	<u>60,001</u>
TOTAL PROFESSIONAL FEES	<u>\$ 154,359</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 22,346
Operations and Billing	<u>102,004</u>
TOTAL CONTRACTED SERVICES	<u>\$ 124,350</u>
UTILITIES:	
Electricity	<u>\$ 169,537</u>
REPAIRS AND MAINTENANCE	<u>\$ 543,174</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 35,112
Insurance	20,422
Office Supplies and Postage	15,786
Travel and Meetings	<u>18,373</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 89,693</u>
CAPITAL OUTLAY	<u>\$ 937,939</u>
TAP CONNECTIONS	<u>\$ 7,680</u>
SOLID WASTE DISPOSAL	<u>\$ 112,102</u>
SECURITY	<u>\$ 370,411</u>
OTHER EXPENDITURES:	
Chemicals	\$ 17,784
Laboratory Fees	17,442
Permit Fees	5,854
Inspection Fees	19,885
Water Authority Assessments	492,860
Regulatory Assessment	1,934
Sludge Hauling	46,512
Other	<u>7,372</u>
TOTAL OTHER EXPENDITURES	<u>\$ 609,643</u>
TOTAL EXPENDITURES	<u>\$ 3,118,888</u>

See accompanying independent auditor's report.



**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**INVESTMENTS**  
**MARCH 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>					
TexPool	XXXX0002	Varies	Daily	\$ 607,266	\$
TexPool	XXXX0005	Varies	Daily	2,555,623	
Certificate of Deposit	XXXX6034	2.00%	04/21/19	244,354	4,606
Certificate of Deposit	XXXX4318	2.00%	04/30/19	240,000	4,405
Certificate of Deposit	XXXX2050	2.35%	07/20/19	240,000	3,925
Certificate of Deposit	XXXX7822	2.75%	03/15/20	240,000	289
Certificate of Deposit	XXXX3751	2.75%	03/12/20	240,000	344
Certificate of Deposit	XXXX2757	2.75%	03/14/20	240,000	271
Certificate of Deposit	XXXX6671	2.67%	03/22/20	240,000	158
TOTAL GENERAL FUND				<u>\$ 4,847,243</u>	<u>\$ 13,998</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 42,268	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 4,889,511</u>	<u>\$ 13,998</u>

See accompanying independent auditor's report.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2018	\$	36,915		\$ 8,049
Adjustments to Beginning				
Balance		<u>(26,511)</u>	\$ 10,404	<u>(5,997)</u> \$ 2,052
Original 2018 Tax Levy	\$	884,889		\$ 186,948
Adjustment to 2018 Tax Levy		<u>81,136</u>	<u>966,025</u>	<u>17,142</u> <u>204,090</u>
TOTAL TO BE				
ACCOUNTED FOR			\$ 976,429	\$ 206,142
TAX COLLECTIONS:				
Prior Years	\$	5,984		\$ 1,089
Current Year		<u>938,384</u>	<u>944,368</u>	<u>198,251</u> <u>199,340</u>
TAXES RECEIVABLE -				
MARCH 31, 2019			<u>\$ 32,061</u>	<u>\$ 6,802</u>
TAXES RECEIVABLE BY				
YEAR:				
2018			\$ 27,641	\$ 5,839
2017			2,147	441
2016			1,272	251
2015			<u>1,001</u>	<u>271</u>
TOTAL			<u>\$ 32,061</u>	<u>\$ 6,802</u>

See accompanying independent auditor's report.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 87,177,371	\$ 86,424,119	\$ 83,204,092	\$ 79,928,436
Improvements	180,565,581	181,901,830	175,571,848	165,878,752
Personal Property	44,086,163	47,828,255	47,228,059	49,932,232
Exemptions	<u>(39,709,441)</u>	<u>(40,079,716)</u>	<u>(35,793,807)</u>	<u>(35,421,725)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<b><u>\$ 272,119,674</u></b>	<b><u>\$ 276,074,488</u></b>	<b><u>\$ 270,210,192</u></b>	<b><u>\$ 260,317,695</u></b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.075	\$ 0.075	\$ 0.075	\$ 0.100
Maintenance	<u>0.355</u>	<u>0.365</u>	<u>0.380</u>	<u>0.370</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b><u>\$ 0.430</u></b>	<b><u>\$ 0.440</u></b>	<b><u>\$ 0.455</u></b>	<b><u>\$ 0.470</u></b>
<b>ADJUSTED TAX LEVY*</b>	<b><u>\$ 1,170,115</u></b>	<b><u>\$ 1,214,726</u></b>	<b><u>\$ 1,229,398</u></b>	<b><u>\$ 1,223,493</u></b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b><u>97.14 %</u></b>	<b><u>99.79 %</u></b>	<b><u>99.88 %</u></b>	<b><u>99.90 %</u></b>

\* 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 \$0.75 per \$100 of assessed valuation approved by voters on January 18, 1997.

See accompanying independent auditor's report.

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**FRY ROAD MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
MARCH 31, 2019**

SERIES - 2012 REFUNDING

Due During Fiscal Years Ending March 31	Principal Due December 1	Interest Due June 1/ December 1	Total
2020	\$ 165,000	\$ 9,600	\$ 174,600
2021	160,000	6,300	166,300
2022	<u>155,000</u>	<u>3,100</u>	<u>158,100</u>
	<u>\$ 480,000</u>	<u>\$ 19,000</u>	<u>\$ 499,000</u>

See accompanying independent auditor's report.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED MARCH 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2018
Fry Road Municipal Utility District Unlimited Tax Refunding Bonds - Series 2012	<u>\$ 1,570,000</u>	<u>\$ 650,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 11,500,000	\$ 10,000,000
Amount Issued	<u>9,035,000</u>	<u>995,000</u>
Remaining to be Issued	<u>\$ 2,465,000</u>	<u>\$ 9,005,000</u>
Debt Service Fund cash and investment balances as of March 31, 2019:		<u>\$ 312,995</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 166,333</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ - 0 -</u>	<u>\$ 170,000</u>	<u>\$ 13,000</u>	<u>\$ 480,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX

See accompanying independent auditor's report.

**FRY ROAD MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amounts		
	2019	2018	2017
<b>REVENUES</b>			
Property Taxes	\$ 944,368	\$ 977,511	\$ 1,011,469
Sales Tax Revenues	1,510,003	1,603,584	1,522,879
Water Service	335,064	234,975	232,588
Wastewater Service	200,315	201,976	202,410
Penalty and Interest	7,361	9,247	8,362
Water Authority Fees	122,430	116,574	111,356
Tap Connection and Inspection Fees	53,134	21,750	18,800
Investment and Miscellaneous Revenues	133,400	69,159	54,490
<b>TOTAL REVENUES</b>	<b>\$ 3,306,075</b>	<b>\$ 3,234,776</b>	<b>\$ 3,162,354</b>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 154,359	\$ 149,316	\$ 137,599
Contracted Services	606,863	498,581	511,243
Utilities	169,537	139,221	155,259
Water Authority Assessments	492,860	378,932	338,673
Repairs and Maintenance	543,174	445,955	508,980
Other	214,156	257,418	235,184
Capital Outlay	937,939	605,508	1,215,703
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,118,888</b>	<b>\$ 2,474,931</b>	<b>\$ 3,102,641</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 187,187</b>	<b>\$ 759,845</b>	<b>\$ 59,713</b>
<b>BEGINNING FUND BALANCE</b>	<b>5,890,976</b>	<b>5,131,131</b>	<b>5,071,418</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 6,078,163</b>	<b>\$ 5,890,976</b>	<b>\$ 5,131,131</b>

See accompanying independent auditor's report.



		Percentage of Total Revenues				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 934,277	\$ 901,760	28.6 %	30.2 %	32.1 %	30.9 %	30.1 %
1,479,650	1,476,021	45.7	49.6	48.2	48.5	48.8
231,605	236,401	10.1	7.3	7.4	7.6	7.8
204,174	203,915	6.1	6.2	6.4	6.7	6.7
10,539	12,013	0.2	0.3	0.3	0.3	0.4
104,669	103,769	3.7	3.6	3.5	3.4	3.4
19,800	41,755	1.6	0.7	0.6	0.6	1.4
65,662	49,104	4.0	2.1	1.5	2.0	1.4
<u>\$ 3,050,376</u>	<u>\$ 3,024,738</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 117,174	\$ 115,438	4.7 %	4.6 %	4.4 %	3.8 %	3.8 %
543,839	439,857	18.4	15.4	16.2	17.8	14.5
180,438	220,444	5.1	4.3	4.9	5.9	7.3
348,991	321,598	14.9	11.7	10.7	11.5	10.7
792,996	507,874	16.4	13.8	16.1	26.0	16.8
188,608	212,230	6.5	8.0	7.4	6.2	7.0
62,028	70,870	28.4	18.7	38.4	2.0	2.3
<u>\$ 2,234,074</u>	<u>\$ 1,888,311</u>	<u>94.4 %</u>	<u>76.5 %</u>	<u>98.1 %</u>	<u>73.2 %</u>	<u>62.4 %</u>
\$ 816,302	\$ 1,136,427	5.6 %	23.5 %	1.9 %	26.8 %	37.6 %
<u>4,255,116</u>	<u>3,118,689</u>					
<u>\$ 5,071,418</u>	<u>\$ 4,255,116</u>					

See accompanying independent auditor's report.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2019	2018	2017
<b>REVENUES</b>			
Property Taxes	\$ 203,041	\$ 197,398	\$ 257,537
Penalty and Interest	14,872	7,116	13,184
Investment and Miscellaneous Revenues	<u>6,494</u>	<u>1,866</u>	<u>736</u>
<b>TOTAL REVENUES</b>	<u>\$ 224,407</u>	<u>\$ 206,380</u>	<u>\$ 271,457</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 39,296	\$ 36,010	\$ 36,493
Debt Service Principal	170,000	175,000	180,000
Debt Service Interest and Fees	<u>13,500</u>	<u>17,000</u>	<u>20,600</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 222,796</u>	<u>\$ 228,010</u>	<u>\$ 237,093</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 1,611	\$ (21,630)	\$ 34,364
<b>BEGINNING FUND BALANCE</b>	<u>102,530</u>	<u>124,160</u>	<u>89,796</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 104,141</u>	<u>\$ 102,530</u>	<u>\$ 124,160</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>639</u>	<u>638</u>	<u>636</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>609</u>	<u>610</u>	<u>608</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 233,599	\$ 218,457	90.5 %	95.7 %	94.8 %	97.5 %	95.5 %
5,514	9,541	6.6	3.4	4.9	2.3	4.2
<u>365</u>	<u>751</u>	<u>2.9</u>	<u>0.9</u>	<u>0.3</u>	<u>0.2</u>	<u>0.3</u>
<u>\$ 239,478</u>	<u>\$ 228,749</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 33,286	\$ 32,054	17.5 %	17.5 %	13.5 %	14.0 %	14.1 %
185,000	190,000	75.8	84.8	66.3	77.3	83.1
<u>24,300</u>	<u>28,100</u>	<u>6.0</u>	<u>8.2</u>	<u>7.6</u>	<u>10.1</u>	<u>12.3</u>
<u>\$ 242,586</u>	<u>\$ 250,154</u>	<u>99.3 %</u>	<u>110.5 %</u>	<u>87.4 %</u>	<u>101.4 %</u>	<u>109.5 %</u>
\$ (3,108)	\$ (21,405)	<u>0.7 %</u>	<u>(10.5) %</u>	<u>12.6 %</u>	<u>(1.4) %</u>	<u>(9.5) %</u>
<u>92,904</u>	<u>114,309</u>					
<u>\$ 89,796</u>	<u>\$ 92,904</u>					
<u>634</u>	<u>636</u>					
<u>606</u>	<u>605</u>					

See accompanying independent auditor's report.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2019**

District Mailing Address - Fry Road Municipal Utility District  
c/o Young & Brooks  
10000 Memorial Drive, Suite 260  
Houston, TX 77024

District Telephone Number - (713) 951-0800

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2019	Expense Reimbursements for the year ended March 31, 2019	Title
James H. Roadarmel	11/15 11/19 (Elected)	\$ 6,900	\$ 238	President
David Buxkamper	11/15 11/19 (Elected)	\$ 6,750	\$ 30	Vice President
Oliver Brown	11/15 11/19 (Elected)	\$ 5,850	\$ 1,654	Secretary
James R. Teal	11/17 11/21 (Elected)	\$ 7,200	\$ -0-	Assistant Secretary
Joel D. Hay	11/17 11/21 (Elected)	\$ 6,000	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
December 26, 2017.

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 1, 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.

**FRY ROAD MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
MARCH 31, 2019**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2019</u>	<u>Title</u>
Young & Brooks	03/23/79	\$ 60,001	General Counsel/ Delinquent Tax Attorney
	02/06/86	\$ 7,660	
McCall Gibson Swedlund Barfoot PLLC	09/03/87	\$ 15,750	Auditor
Myrtle Cruz, Inc.	06/27/02	\$ 25,284	Bookkeeper
Tejas Environmental Enterprises, LLC dba Texas Operations & Professional Services	07/01/13	\$ 75,136	Building Management
Sander Engineering	05/17/16	\$ 137,559	Engineer
Masterson Advisors LLC	05/15/18	\$ -0-	Financial Advisor
Mary Jarmon	08/08/02	\$ -0-	Investment Officer
INFRAMARK, LLC	01/08/04	\$ 593,390	Operator
Harris County	11/30/04	\$ 277,990	Security
Bob Leared Interests, Inc.	04/03/79	\$ 22,005	Tax Assessor/ Collector

See accompanying independent auditor's report.

