

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3**

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3**

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Water Control
and Improvement District No. 3
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Water Control and Improvement District No. 3 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 July 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 19, 2018

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JULY 31, 2018**

Management's discussion and analysis of Fort Bend County Water Control and Improvement District No. 3's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund 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 like 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities on 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, 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.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JULY 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial 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 Fund Statement of Revenues, Expenditures and Changes in the 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"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$548,656 as of July 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as water and drainage facilities less any debt used to acquire those assets that is still outstanding).

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

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JULY 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 1,247,830	\$ 1,202,075	\$ 45,755
Capital Assets (Net of Accumulated Depreciation)	2,287,173	2,393,290	(106,117)
Total Assets	\$ 3,535,003	\$ 3,595,365	\$ (60,362)
Deferred Outflows of Resources	\$ 66,045	\$ 71,088	\$ (5,043)
Long-Term Liabilities	\$ 2,675,000	\$ 2,890,000	\$ 215,000
Other Liabilities	377,392	360,591	(16,801)
Total Liabilities	\$ 3,052,392	\$ 3,250,591	\$ 198,199
Net Position:			
Net Investment in Capital Assets	\$ (536,782)	\$ (640,622)	\$ 103,840
Restricted	515,972	550,176	(34,204)
Unrestricted	569,466	506,308	63,158
Total Net Position	\$ 548,656	\$ 415,862	\$ 132,794

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 529,330	\$ 572,509	\$ (43,179)
Charges for Services	294,581	274,457	20,124
Other Revenues	16,841	7,577	9,264
Total Revenues	\$ 840,752	\$ 854,543	\$ (13,791)
Expenses for Services	707,958	643,960	(63,998)
Change in Net Position	\$ 132,794	\$ 210,583	\$ (77,789)
Net Position, Beginning of Year	415,862	205,279	210,583
Net Position, End of Year	\$ 548,656	\$ 415,862	\$ 132,794

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JULY 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2018, were \$1,095,125, an increase of \$15,221 from the prior year.

The General Fund fund balance increased by \$58,793, primarily due to operating revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by \$43,572, primarily due to the structure of the District's outstanding debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$37,344 more than budgeted primarily due to higher than expected revenues in most categories. Actual expenditures were \$21,449 less than budgeted due to lower than expected professional fees and capital outlay.

CAPITAL ASSETS

Capital assets as of July 31, 2018, total \$2,287,173 (net of accumulated depreciation) and include land, buildings and equipment as well as the water and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 236,683	\$ 236,683	\$
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,026,865	1,090,959	(64,094)
Drainage System	1,023,625	1,065,648	(42,023)
Total Net Capital Assets	\$ 2,287,173	\$ 2,393,290	\$ (106,117)

Additional information on the District's capital assets can be found in Note 6 of this report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JULY 31, 2018**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$2,890,000. The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	\$ 3,105,000
Less: Bond Principal Paid	<u>215,000</u>
Bond Debt Payable, July 31, 2018	<u>\$ 2,890,000</u>

The District’s Series 2011 Refunding Bonds have an underlying rating of “A/A2” by Standard and Poor’s and Moody’s Investors Service.

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 Fort Bend County Water Control and Improvement District No. 3, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, TX 77056.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 114,315	\$ 281,811
Investments	536,605	254,095
Receivables:		
Property Taxes	9,524	11,792
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	32,545	
Accrued Interest	832	
Due from Other Funds		42
Prepaid Costs	2,319	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 696,140	\$ 547,740
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 696,140	\$ 547,740

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>
\$ 396,126	\$	\$ 396,126
790,700		790,700
21,316		21,316
	3,992	3,992
32,545		32,545
832		832
42	(42)	
2,319		2,319
	236,683	236,683
	<u>2,050,490</u>	<u>2,050,490</u>
<u>\$ 1,243,880</u>	<u>\$ 2,291,123</u>	<u>\$ 3,535,003</u>
<u>\$ -0-</u>	<u>\$ 66,045</u>	<u>\$ 66,045</u>
<u>\$ 1,243,880</u>	<u>\$ 2,357,168</u>	<u>\$ 3,601,048</u>

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

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 22,019	\$
Due to Other Governments	88,763	
Accrued Interest Payable		
Due to Other Funds	42	
Due to Taxpayers		765
Security Deposits	15,850	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 126,674	\$ 765
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 9,524	\$ 11,792
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 2,319	\$
Restricted for Debt Service		535,183
Unassigned	557,623	
TOTAL FUND BALANCES	\$ 559,942	\$ 535,183
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 696,140	\$ 547,740
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 22,019	\$	\$ 22,019
88,763		88,763
	34,995	34,995
42	(42)	
765		765
15,850		15,850
	215,000	215,000
	<u>2,675,000</u>	<u>2,675,000</u>
<u>\$ 127,439</u>	<u>\$ 2,924,953</u>	<u>\$ 3,052,392</u>
<u>\$ 21,316</u>	<u>\$ (21,316)</u>	<u>\$ -0-</u>
\$ 2,319	\$ (2,319)	\$
535,183	(535,183)	
<u>557,623</u>	<u>(557,623)</u>	<u></u>
<u>\$ 1,095,125</u>	<u>\$ (1,095,125)</u>	<u>\$ - 0 -</u>
<u>\$ 1,243,880</u>		
	\$ (536,782)	\$ (536,782)
	515,972	515,972
	<u>569,466</u>	<u>569,466</u>
	<u>\$ 548,656</u>	<u>\$ 548,656</u>

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

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2018**

Total Fund Balances - Governmental Funds \$ 1,095,125

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

Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 2,287,173

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt whichever is shorter. 66,045

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenues in the governmental activities of the District. 25,308

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	\$ (34,995)	
Bonds Payable Within One Year	(215,000)	
Bonds Payable After One Year	<u>(2,675,000)</u>	<u>(2,924,995)</u>

Total Net Position - Governmental Activities \$ 548,656

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

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**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2018**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 254,635	\$ 265,772
Water Service	146,385	
Groundwater Reduction Plan Fees	142,033	
Penalty and Interest	3,300	1,259
Investment Revenues	6,486	3,261
FEMA Reimbursement Revenues	5,305	
Miscellaneous Revenues	7,200	
TOTAL REVENUES	\$ 565,344	\$ 270,292
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 59,750	\$ 604
Contracted Services	31,230	8,251
Utilities	24,405	
Repairs and Maintenance	75,215	
Groundwater Reduction Plan Fees	254,023	
Depreciation		
Other	61,928	2,174
Debt Service:		
Bond Principal		215,000
Bond Interest		87,835
TOTAL EXPENDITURES/EXPENSES	\$ 506,551	\$ 313,864
NET CHANGE IN FUND BALANCES	\$ 58,793	\$ (43,572)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2017	501,149	578,755
FUND BALANCES/NET POSITION - JULY 31, 2018	\$ 559,942	\$ 535,183

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>
\$ 520,407	\$ 8,923	\$ 529,330
146,385		146,385
142,033		142,033
4,559	1,604	6,163
9,747		9,747
5,305		5,305
<u>7,200</u>	<u>(5,411)</u>	<u>1,789</u>
<u>\$ 835,636</u>	<u>\$ 5,116</u>	<u>\$ 840,752</u>
\$ 60,354	\$	\$ 60,354
39,481		39,481
24,405		24,405
75,215		75,215
254,023		254,023
64,102	100,706	100,706
215,000	(215,000)	
<u>87,835</u>	<u>1,837</u>	<u>89,672</u>
<u>\$ 820,415</u>	<u>\$ (112,457)</u>	<u>\$ 707,958</u>
\$ 15,221	\$ (15,221)	\$
	132,794	132,794
<u>1,079,904</u>	<u>(664,042)</u>	<u>415,862</u>
<u>\$ 1,095,125</u>	<u>\$ (546,469)</u>	<u>\$ 548,656</u>

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

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$	15,221
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		8,923
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.		1,604
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(100,706)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.		(5,411)
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.		215,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on long-term debt through fiscal year-end.		(1,837)
Change in Net Position - Governmental Activities	<u>\$</u>	<u>132,794</u>

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

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 1. CREATION OF DISTRICT

Fort Bend County Water Control and Improvement District No. 3, located in Fort Bend County, Texas (the “District”), was created by an order of the Commissioners Court of Fort Bend County on November 25, 1997, and operated pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code. On July 23, 2003, the Texas Commission on Environmental Quality (the “Commission”) granted additional power to provide drainage to its residents and by order dated November 17, 2010, the Commission approved the District’s fire protection plan and “Fire Protection Agreement” with the City of Richmond (“City”) for fire-fighting services. On January 21, 2014, the District was converted to a municipal utility district. The District now operates under 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, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain 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 December 1, 1997, and the first bonds were delivered on April 3, 2001.

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”).

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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 revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

The District has two governmental funds and considers these funds to be major funds.

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

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenues include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

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 an expenditure 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. 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 of \$15,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Drainage System	10-45
All Other Equipment	3-20

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are 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, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurements focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds 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.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The District's bonds payable at July 31, 2018, consist of the following unlimited tax bonds:

	Refunding Series 2011	Refunding Series 2013	Refunding Series 2016
Amount Outstanding – July 31, 2018	\$605,000	\$1,080,000	\$1,205,000
Interest Rates	3.180%	3.3175%	2.40%
Maturity Dates – Serially Beginning/Ending	September 1, 2022	September 1, 2028	September 1, 2031
Interest Payment Dates	September/March	September/March	September/March
Callable Dates	Non-Callable*	September 1, 2022*	September 1, 2024*

* On any date thereafter, at the option of the District, in whole or in part, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2011 term bond maturing on September 1, 2022 is subject to mandatory redemption beginning September 1, 2012. The Series 2013 term bond maturing September 1, 2028 is subject to mandatory redemption beginning September 1, 2014. The Series 2016 term bond maturing on September 1, 2031 is subject to mandatory redemption beginning September 1, 2017.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding the changes in long-term liabilities for the year ended July 31, 2018:

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	\$ 3,105,000	\$ -0-	\$ 215,000	\$ 2,890,000
			Amount Due Within One Year	\$ 215,000
			Amount Due After One Year	<u>2,675,000</u>
			Bonds Payable, Net	<u>\$ 2,890,000</u>

A

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

Fiscal Year	Principal	Interest	Total
2019	\$ 215,000	\$ 80,681	\$ 295,681
2020	220,000	73,987	293,987
2021	225,000	67,134	292,134
2022	230,000	60,123	290,123
2023	245,000	52,811	297,811
2024-2028	1,175,000	159,312	1,334,312
2029-2032	<u>580,000</u>	<u>24,551</u>	<u>604,551</u>
	<u>\$ 2,890,000</u>	<u>\$ 518,599</u>	<u>\$ 3,408,599</u>

As of July 31, 2018, the District had authorized but unissued refunding bonds in the amount of \$4,100,000.

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

During the year ended July 31, 2018, the District levied an ad valorem debt service tax at the rate of \$0.235 per \$100 of assessed valuation, which resulted in a tax levy of \$272,035 on the adjusted taxable valuation of \$115,759,484 for the 2017 tax year. The bond orders require that the District 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 maintenance tax levy.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$636,126 and the bank balance was \$651,420. Of the bank balance, \$647,661 was covered by federal depository insurance and the balance was covered by pledged collateral held in safekeeping by a third-party institution in the District's name.

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

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 114,315	\$ 240,000	\$ 354,315
DEBT SERVICE FUND	<u>281,811</u>	<u> </u>	<u>281,811</u>
TOTAL DEPOSITS	<u>\$ 396,126</u>	<u>\$ 240,000</u>	<u>\$ 636,126</u>

Investments

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

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.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets measures all 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.

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

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

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
TexPool	\$ 145,486	\$ 145,486	\$	\$
TexSTAR	151,119	151,119		
Certificates of Deposit	240,000	240,000		
<u>DEBT SERVICE FUND</u>				
TexPool	1,961	1,961		
TexSTAR	252,134	252,134		
TOTAL INVESTMENTS	<u>\$ 790,700</u>	<u>\$ 790,700</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2018, the District's investments in the TexPool and TexSTAR were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in the TexPool and TexSTAR 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. The District also manages interest risk by investing in certificates of deposit with maturities of approximately one year or less.

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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2018:

	August 1, 2017	Increases	Decreases	July 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 236,683	\$ - 0 -	\$ - 0 -	\$ 236,683
Capital Assets Subject to Depreciation				
Water System	\$ 2,034,729	\$	\$	\$ 2,034,729
Drainage System	1,654,778		5,411	1,649,367
Total Capital Assets Subject to Depreciation	<u>\$ 3,689,507</u>	<u>\$ - 0 -</u>	<u>\$ 5,411</u>	<u>\$ 3,684,096</u>
Accumulated Depreciation				
Water System	\$ 943,770	\$ 64,094	\$	\$ 1,007,864
Drainage System	589,130	36,612		625,742
Total Accumulated Depreciation	<u>\$ 1,532,900</u>	<u>\$ 100,706</u>	<u>\$ - 0 -</u>	<u>\$ 1,633,606</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,156,607</u>	<u>\$ (100,706)</u>	<u>\$ 5,411</u>	<u>\$ 2,050,490</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,393,290</u>	<u>\$ (100,706)</u>	<u>\$ 5,411</u>	<u>\$ 2,287,173</u>

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 7. MAINTENANCE TAX

On August 8, 1998, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.75 per \$100 of assessed valuation of taxable property within the District. During the year ended July 31, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.225 per \$100 of assessed valuation, which resulted in a tax levy of \$260,459 on the adjusted taxable valuation of \$115,759,484 for the 2017 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks system.

NOTE 8. EMERGENCY WATER SUPPLY CONTRACT

On December 19, 2000, the District entered into an emergency water supply contract with Pecan Grove Municipal Utility District ("Pecan Grove"). The term of the contract is 40 years, with the price of water to be renegotiated every five years, on or before January 1, beginning January 1, 2006. The District approved amendments to the contract on February 15, 2008 and June 15, 2012.

The consuming district shall pay for water pursuant to this contract at the rate of \$2.50 per 1,000 gallons of water supplied plus the current surface water conversion fee or pumpage fee. For any water used beyond the expiration of a temporary period (15 days), the consuming district shall pay for such water at a rate two times the rate charged during a temporary period.

NOTE 9. 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.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 10. GROUNDWATER REDUCTION PLAN WITH THE CITY OF RICHMOND

On July 25, 2008, the District entered into a Groundwater Reduction Plan Participation agreement with the City of Richmond, Texas (“City”). The agreement was amended effective October 1, 2009. To comply with Fort Bend Subsidence District (“Subsidence District”) requirements, the District has contracted with the City to participate in the City’s Groundwater Reduction Plan (“GRP”). The City will develop a GRP to be filed with the Subsidence District. The City will include the District in the GRP and will include the pumpage from permitted wells owned by the District in the City’s request for the Subsidence District’s certification of the GRP. The City has also entered into similar agreements with other entities for participation in the City’s GRP.

To ensure compliance with the regulatory plan, the City will determine if and when the District must convert to the use of a non-groundwater supply in whole or in part. If the District is required to convert to a non-groundwater supply, the City will contract for or acquire the non-groundwater supply to meet the District’s conversion amount and pay all costs related to same. The City will pay all costs required to secure any necessary real property interests, and to acquire, design, and construct all facilities and improvements necessary to bring in non-groundwater supply line source to the District’s point of delivery. The City will own, operate and maintain the non-groundwater infrastructure and measuring equipment.

If the District voluntarily converts to a non-potable water supply, the District may not reduce the amount of surface water that the District is obligated to take or pay from the City. The District will construct and maintain all facilities and pay all costs incurred in a voluntary conversion project.

If the conversion is mandatory, the City will receive any Subsidence District credits generated by the conversion and will apply the credits for the benefit of all GRP participants. If the conversion is voluntary and the District is reimbursed by the City for construction costs, the City will receive the credits; if the District is not reimbursed, the District will receive the credits.

The City may adopt a surcharge in an amount determined necessary to achieve the groundwater reduction requirements of the Subsidence District or to encourage the use of surface water to be purchased from the City. The City may adopt and require participants to pay a reasonable surcharge if the participant pumps or uses more water than its planned water use.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 10. GROUNDWATER REDUCTION PLAN WITH THE CITY OF RICHMOND (Continued)

The participants shall pay an annual surface water charge, in an amount to be determined by the City. The surface water charge consists of two components; the raw water reservation component and the treated water component. The raw water component shall equal the total amount that the City is required to pay the Brazos River Authority (“BRA”). The treated water component shall equal the City’s cost to plan, design, construct, operate and repair the facilities required to receive, treat, store and deliver raw water made available by the BRA to the City and for the City to treat the raw water and deliver the treated water to the participant’s point of delivery.

As of January 1, 2015, the City began charging a pumpage fee, which is currently \$2.20 per 1,000 gallons of water pumped from a well, to the owner of wells located within the Subsidence District. During the current fiscal year, the District recorded an expense of \$254,023, of which \$88,383 is recorded as payable at July 31, 2018.

NOTE 11. INTERFUND BALANCES

The General Fund owes the Debt Service Fund (Tax Account) \$42 for the over transfer of maintenance tax collections. This is a timing difference.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION**

JULY 31, 2018

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 240,000	\$ 254,635	\$ 14,635
Water Service	150,000	146,385	(3,615)
Groundwater Reduction Plan Fees	135,000	142,033	7,033
Penalty and Interest		3,300	3,300
Investment Revenues	3,000	6,486	3,486
FEMA Reimbursement Revenues		5,305	5,305
Miscellaneous Revenues		7,200	7,200
TOTAL REVENUES	<u>\$ 528,000</u>	<u>\$ 565,344</u>	<u>\$ 37,344</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 83,000	\$ 59,750	\$ 23,250
Contracted Services	33,500	31,230	2,270
Utilities	25,000	24,405	595
Repairs and Maintenance	85,000	75,215	9,785
Groundwater Reduction Plan Fees	178,000	254,023	(76,023)
Other	74,200	61,928	12,272
Capital Outlay	49,300		49,300
TOTAL EXPENDITURES	<u>\$ 528,000</u>	<u>\$ 506,551</u>	<u>\$ 21,449</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 58,793	\$ 58,793
FUND BALANCE - AUGUST 1, 2017	<u>501,149</u>	<u>501,149</u>	
FUND BALANCE - JULY 31, 2018	<u>\$ 501,149</u>	<u>\$ 559,942</u>	<u>\$ 58,793</u>

See accompanying independent auditor's report.

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**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3**

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

JULY 31, 2018

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 1” AND SMALLER METER:

Based on the rate order approved April 15, 2016.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 35.00	10,000	N	\$ 1.25	10,001 – 40,000
				\$ 1.50	40,001 – 60,000
				\$ 2.00	60,001 – 80,000
				\$ 2.25	80,001 – 100,000
				\$ 2.50	100,001 and up
SURCHARGE:					
Commission					
Regulatory Assessments	0.5% of water collections		N		
City of Richmond Pumpage Fee			N	\$ 2.20	All

Total monthly charges per 10,000 gallons usage: Water: \$35.00 Surcharge: \$22.18 Total: \$57.18

See accompanying independent auditor’s report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	_____	_____	x 1.0	_____
1"	207	205	x 2.5	513
1½"	8	8	x 5.0	40
2"	3	3	x 8.0	24
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10" Master	_____	_____	x 115.0	_____
 Total Water Connections	<u>218</u>	<u>216</u>		<u>577</u>
 Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

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

Gallons pumped into system:	68,066,000	Water Accountability Ratio: 98% (Gallons billed and accounted for/Gallons pumped and purchased)
Gallons billed to customers:	65,867,000	
Leaks and flushing:	945,000	

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

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 or Counties in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely _____ Partly X Not at all _____

ETJ's in which District is located:

City of Richmond, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 11,300
Engineering	4,730
Legal	<u>43,720</u>
TOTAL PROFESSIONAL FEES	<u>\$ 59,750</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,511
Operations and Billing	<u>12,719</u>
TOTAL CONTRACTED SERVICES	<u>\$ 31,230</u>
UTILITIES	<u>\$ 24,405</u>
REPAIRS AND MAINTENANCE	<u>\$ 75,215</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,850
Dues	650
Election Costs	6,539
Insurance	7,094
Office Supplies and Postage	16,602
Payroll Taxes	837
Travel and Meetings	<u>7,450</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 51,022</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018**

OTHER EXPENDITURES:	
Chemicals	\$ 3,350
Groundwater Reduction Plan Fees	254,023
Inspection Fees	80
Laboratory Fees	6,241
Permit Fees	517
Regulatory Assessment	<u>718</u>
TOTAL OTHER EXPENDITURES	<u>\$ 264,929</u>
TOTAL EXPENDITURES	<u>\$ 506,551</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
INVESTMENTS
JULY 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0002	1.9077%	Daily	\$ 145,486	\$
TexSTAR	XXXX2222	1.8965%	Daily	151,119	
Certificate of Deposit	XXXX2756	2.3000%	06/06/19	<u>240,000</u>	<u>832</u>
TOTAL GENERAL FUND				<u>\$ 536,605</u>	<u>\$ 832</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	1.9077%	Daily	\$ 1,961	\$
TexSTAR	XXXX3333	1.8965%	Daily	<u>252,134</u>	
TOTAL DEBT SERVICE FUND				<u>\$ 254,095</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 790,700</u>	<u>\$ 832</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2017	\$	5,159		\$ 7,234
Adjustments to Beginning				
Balance		<u>(1,459)</u>	\$ 3,700	<u>(1,705)</u> \$ 5,529
Original 2017 Tax Levy	\$	253,003		\$ 264,247
Adjustment to 2017 Tax Levy		<u>7,456</u>	<u>260,459</u>	<u>7,788</u> <u>272,035</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 264,159		\$ 277,564
TAX COLLECTIONS:				
Prior Years	\$	(1,440)		\$ (1,684)
Current Year		<u>256,075</u>	<u>254,635</u>	<u>267,456</u> <u>265,772</u>
TAXES RECEIVABLE -				
JULY 31, 2018		<u>\$ 9,524</u>		<u>\$ 11,792</u>
TAXES RECEIVABLE BY				
YEAR:				
2017		\$ 4,384		\$ 4,579
2016		1,289		1,412
2015		1,191		1,429
2014		969		1,454
2013		884		1,457
2012		<u>807</u>		<u>1,461</u>
TOTAL		<u>\$ 9,524</u>		<u>\$ 11,792</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 26,480,980	\$ 26,480,980	\$ 26,453,380	\$ 26,448,210
Improvements	90,509,939	104,910,569	105,341,799	84,862,820
Personal Property	459,725	460,220	330,270	710,609
Exemptions	<u>(1,691,160)</u>	<u>(1,441,450)</u>	<u>(8,678,819)</u>	<u>(1,165,669)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 115,759,484</u>	<u>\$ 130,410,319</u>	<u>\$ 123,446,630</u>	<u>\$ 110,855,970</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.235	\$ 0.23	\$ 0.24	\$ 0.27
Maintenance**	<u>0.225</u>	<u>0.21</u>	<u>0.20</u>	<u>0.18</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.460</u>	<u>\$ 0.44</u>	<u>\$ 0.44</u>	<u>\$ 0.45</u>
ADJUSTED TAX LEVY*	<u>\$ 532,494</u>	<u>\$ 573,806</u>	<u>\$ 543,165</u>	<u>\$ 498,988</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.32 %</u>	<u>99.53 %</u>	<u>99.52 %</u>	<u>99.51 %</u>

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

** Maintenance Tax – Maximum tax rate of \$0.75 per \$100 of assessed valuation was approved by voters on August 8, 1998.

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

REFUNDING SERIES - 2011

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 110,000	\$ 17,490	\$ 127,490
2020	115,000	13,913	128,913
2021	120,000	10,176	130,176
2022	125,000	6,281	131,281
2023	135,000	2,146	137,146
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
	<u>\$ 605,000</u>	<u>\$ 50,006</u>	<u>\$ 655,006</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

REFUNDING SERIES - 2013

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 65,000	\$ 34,751	\$ 99,751
2020	65,000	32,594	97,594
2021	65,000	30,438	95,438
2022	65,000	28,282	93,282
2023	65,000	26,125	91,125
2024	130,000	22,891	152,891
2025	130,000	18,578	148,578
2026	125,000	14,348	139,348
2027	125,000	10,201	135,201
2028	125,000	6,054	131,054
2029	120,000	1,991	121,991
2030			
2031			
2032			
	<u>\$ 1,080,000</u>	<u>\$ 226,253</u>	<u>\$ 1,306,253</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

REFUNDING SERIES - 2016

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 40,000	\$ 28,440	\$ 68,440
2020	40,000	27,480	67,480
2021	40,000	26,520	66,520
2022	40,000	25,560	65,560
2023	45,000	24,540	69,540
2024	110,000	22,680	132,680
2025	110,000	20,040	130,040
2026	110,000	17,400	127,400
2027	105,000	14,820	119,820
2028	105,000	12,300	117,300
2029	100,000	9,840	109,840
2030	125,000	7,140	132,140
2031	120,000	4,200	124,200
2032	115,000	1,380	116,380
	<u>\$ 1,205,000</u>	<u>\$ 242,340</u>	<u>\$ 1,447,340</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 215,000	\$ 80,681	\$ 295,681
2020	220,000	73,987	293,987
2021	225,000	67,134	292,134
2022	230,000	60,123	290,123
2023	245,000	52,811	297,811
2024	240,000	45,571	285,571
2025	240,000	38,618	278,618
2026	235,000	31,748	266,748
2027	230,000	25,021	255,021
2028	230,000	18,354	248,354
2029	220,000	11,831	231,831
2030	125,000	7,140	132,140
2031	120,000	4,200	124,200
2032	115,000	1,380	116,380
	<u>\$ 2,890,000</u>	<u>\$ 518,599</u>	<u>\$ 3,408,599</u>

See accompanying independent auditor's report.

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**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding July 31, 2017
Fort Bend County Water Control and Improvement District No. 3 Unlimited Tax Bonds-Series 2008	\$ 1,330,000	\$ 25,000
Fort Bend County Water Control and Improvement District No. 3 Unlimited Tax Refunding Bonds-Series 2011	1,180,000	710,000
Fort Bend County Water Control and Improvement District No. 3 Unlimited Tax Refunding Bonds-Series 2013	1,330,000	1,145,000
Fort Bend County Water Control and Improvement District No. 3 Unlimited Tax Refunding Bonds-Series 2016	<u>1,225,000</u>	<u>1,225,000</u>
TOTAL	<u><u>\$ 5,065,000</u></u>	<u><u>\$ 3,105,000</u></u>
Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 4,500,000	\$ 4,350,000
Amount Issued	<u>4,500,000</u>	<u>250,000</u>
Remaining to be Issued	<u><u>\$ - 0 -</u></u>	<u><u>\$ 4,100,000</u></u>
Debt Service Fund cash and investment balances as of July 31, 2018:		<u>\$ 535,906</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u><u>\$ 243,471</u></u>

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 25,000	\$ 859	\$ - 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	105,000	20,908	605,000	Compass Bank Houston, TX
	65,000	36,907	1,080,000	Regions Bank Birmingham, AL
	20,000	29,161	1,205,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 215,000</u>	<u>\$ 87,835</u>	<u>\$ 2,890,000</u>	

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 254,635	\$ 274,034	\$ 243,561
Water Service	146,385	141,667	143,365
Groundwater Reduction Plan Fees	142,033	125,124	106,801
Penalty and Interest	3,300	2,802	2,774
Tap Connection and Inspection Fees		1,150	
Investment Revenues	6,486	3,269	2,194
FEMA Reimbursement Revenues	5,305		
Miscellaneous Revenues	7,200	2,625	1,076
TOTAL REVENUES	\$ 565,344	\$ 550,671	\$ 499,771
EXPENDITURES			
Professional Fees	\$ 59,750	\$ 52,965	\$ 64,463
Contracted Services	31,230	24,070	32,784
Utilities	24,405	26,853	24,551
Repairs and Maintenance	75,215	56,858	324,978
Groundwater Reduction Plan Fees	254,023	158,873	134,128
Other	61,928	50,732	68,086
Capital Outlay		112,476	
TOTAL EXPENDITURES	\$ 506,551	\$ 482,827	\$ 648,990
NET CHANGE IN FUND BALANCE	\$ 58,793	\$ 67,844	\$ (149,219)
BEGINNING FUND BALANCE	501,149	433,305	582,524
ENDING FUND BALANCE	\$ 559,942	\$ 501,149	\$ 433,305

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 198,851	\$ 187,009	45.1 %	49.8 %	48.7 %	52.7 %	46.3 %
132,709	164,522	25.9	25.7	28.7	35.1	40.7
37,851		25.1	22.7	21.4	10.0	
1,741	2,006	0.6	0.5	0.6	0.5	0.5
3,456			0.2		0.9	
2,017	2,316	1.1	0.6	0.4	0.5	0.6
		0.9				
1,025	48,007	1.3	0.5	0.2	0.3	11.9
<u>\$ 377,650</u>	<u>\$ 403,860</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 46,396	\$ 47,761	10.6 %	9.6 %	12.9 %	12.3 %	11.8 %
31,438	27,349	5.5	4.4	6.6	8.3	6.8
23,760	24,827	4.3	4.9	4.9	6.2	6.1
60,328	70,588	13.3	10.3	65.0	16.0	17.5
354,488	70,588	44.9	28.9	26.8	93.9	17.5
55,476	67,164	11.0	9.2	13.6	14.7	16.6
			20.4			
<u>\$ 571,886</u>	<u>\$ 308,277</u>	<u>89.6 %</u>	<u>87.7 %</u>	<u>129.8 %</u>	<u>151.4 %</u>	<u>76.3 %</u>
\$ (194,236)	\$ 95,583	<u>10.4 %</u>	<u>12.3 %</u>	<u>(29.8) %</u>	<u>(51.4) %</u>	<u>23.7 %</u>
<u>776,760</u>	<u>681,177</u>					
<u>\$ 582,524</u>	<u>\$ 776,760</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 265,772	\$ 300,136	\$ 292,169
Penalty and Interest	1,259	3,617	1,489
Investment Revenues	3,261	1,683	1,357
Miscellaneous Revenues			
TOTAL REVENUES	\$ 270,292	\$ 305,436	\$ 295,015
EXPENDITURES			
Tax Collection Expenditures	\$ 11,029	\$ 12,718	\$ 10,140
Debt Service Principal	215,000	195,000	180,000
Debt Service Interest and Fees	87,835	104,147	129,317
Bond Issuance Costs		66,336	
TOTAL EXPENDITURES	\$ 313,864	\$ 378,201	\$ 319,457
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (43,572)	\$ (72,765)	\$ (24,442)
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$	\$ 1,225,000	\$
Payment to Refunded Bond Escrow Agent		(1,155,587)	
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 69,413	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (43,572)	\$ (3,352)	\$ (24,442)
BEGINNING FUND BALANCE	578,755	582,107	606,549
ENDING FUND BALANCE	\$ 535,183	\$ 578,755	\$ 582,107
TOTAL ACTIVE RETAIL WATER CONNECTIONS	216	217	217
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 298,351	\$ 311,472	98.3 %	98.2 %	99.0 %	97.5 %	96.3 %
3,256	10,326	0.5	1.2	0.5	1.1	3.2
1,217	1,563	1.2	0.6	0.5	0.4	0.5
3,037					1.0	
<u>\$ 305,861</u>	<u>\$ 323,361</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 9,843	\$ 11,019	4.1 %	4.2 %	3.4 %	3.2 %	3.4 %
180,000	160,000	79.5	63.8	61.0	58.9	49.5
135,269	144,033	32.5	34.1	43.8	44.2	44.5
	52,946		21.7			16.4
<u>\$ 325,112</u>	<u>\$ 367,998</u>	<u>116.1 %</u>	<u>123.8 %</u>	<u>108.2 %</u>	<u>106.3 %</u>	<u>113.8 %</u>
<u>\$ (19,251)</u>	<u>\$ (44,637)</u>	<u>(16.1) %</u>	<u>(23.8) %</u>	<u>(8.2) %</u>	<u>(6.3) %</u>	<u>(13.8) %</u>
\$	\$ 1,330,000					
	(1,267,242)					
<u>\$ - 0 -</u>	<u>\$ 62,758</u>					
\$ (19,251)	\$ 18,121					
<u>625,800</u>	<u>607,679</u>					
<u>\$ 606,549</u>	<u>\$ 625,800</u>					
<u>218</u>	<u>215</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018**

District Mailing Address - Fort Bend County Water and Improvement District No. 3
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Boulevard, Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>July 31, 2018</u>	Expense Reimbursements for the year ended <u>July 31, 2018</u>	<u>Title</u>
Ann Heil	05/16 05/20 (Elected)	\$ 2,850	\$ 2,027	President
Gloria P. Couch	05/18 05/22 (Elected)	\$ 1,950	\$ -0-	Vice President
Chayo Huff	05/18 05/22 (Elected)	\$ 2,400	\$ 1,001	Secretary
Richard Wasser	05/16 05/20 (Elected)	\$ 2,100	\$ 1,141	Assistant Secretary
Scott Douthitt	05/18 05/22 (Elected)	\$ 2,100	\$ 870	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): May 23, 2018.

The Limit on Fees of Office that a Director may receive during a fiscal year is \$6,000 as set by Board Resolution (TWC Section 49.060) on August 2, 2001. Fees of Office are amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**FORT BEND COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 3
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2018</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/22/10	\$ 49,596 \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/06/00	\$ 11,300	Auditor
Myrtle Cruz, Inc.	10/01/99	\$ 20,320	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP	03/16/00	\$ 10	Delinquent Tax Attorney
PBK Engineers	12/06/01	\$ 4,730	Engineer
Masterson Advisors LLC	04/20/18	\$ -0-	Financial Advisor
Municipal Operations and Consulting, Inc.	04/24/12	\$ 77,773	Operator
Bob Leared Interests	09/24/98	\$ 5,846	Tax Assessor/ Collector
Mary Jarmon	08/01/01	\$ -0-	Investment Officer

See accompanying independent auditor's report.

