

MEMORIAL MUNICIPAL UTILITY DISTRICT  
HARRIS AND FORT BEND COUNTIES, TEXAS  
ANNUAL AUDIT REPORT  
SEPTEMBER 30, 2019

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January 27, 2020

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Memorial Municipal  
Utility District  
Harris and Fort Bend Counties, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Memorial Municipal Utility District, as of and for the year ended September 30, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

### **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 of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk 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 I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Memorial Municipal Utility District as of September 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 23 be presented to supplement the basic financial statements. Such information, although not 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 24 to 40 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located in the lower right quadrant of the page.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Memorial Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2019.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

#### *Fund Financial Statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### **Financial Analysis of the District as a Whole**

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current and other assets	\$ 9,405,322	\$ 9,067,852	\$ 337,470
Capital assets	7,440,417	7,147,927	292,490
Total assets	<u>16,845,739</u>	<u>16,215,779</u>	<u>629,960</u>
Long-term liabilities	5,772,180	6,624,170	(851,990)
Other liabilities	1,208,131	910,075	298,056
Total liabilities	<u>6,980,311</u>	<u>7,534,245</u>	<u>(553,934)</u>
Net position:			
Invested in capital assets, net of related debt	721,092	(212,068)	933,160
Restricted	1,594,411	1,610,471	(16,060)
Unrestricted	7,549,925	7,283,131	266,794
Total net position	<u>\$ 9,865,428</u>	<u>\$ 8,681,534</u>	<u>\$ 1,183,894</u>

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,017,797	\$ 2,003,826	\$ 13,971
Charges for services	1,683,998	1,659,410	24,588
Other revenues	179,583	108,094	71,489
Total revenues	<u>3,881,378</u>	<u>3,771,330</u>	<u>110,048</u>
Expenses:			
Service operations	2,350,274	2,365,975	(15,701)
Debt service	347,210	284,213	62,997
Total expenses	<u>2,697,484</u>	<u>2,650,188</u>	<u>47,296</u>
Change in net position	1,183,894	1,121,142	62,752
Net position, beginning of year	<u>8,681,534</u>	<u>7,560,392</u>	<u>1,121,142</u>
Net position, end of year	<u>\$ 9,865,428</u>	<u>\$ 8,681,534</u>	<u>\$ 1,183,894</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended September 30, 2019, were \$9,110,400, an increase of \$241,934 from the prior year.

The General Fund balance increased by \$238,095, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$3,839, in accordance with the District's financial plan.

### General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of September 30, 2019, was expected to be \$7,383,972 and the actual end of year fund balance was \$8,446,897.

### Capital Asset and Debt Administration

#### Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 2,280	\$ 2,280	\$ 0
Construction in progress	846,365	335,377	510,988
Water facilities	2,638,661	2,826,636	(187,975)
Sewer facilities	3,953,111	3,983,634	(30,523)
Totals	<u>\$ 7,440,417</u>	<u>\$ 7,147,927</u>	<u>\$ 292,490</u>

Changes to capital assets during the fiscal year ended September 30, 2019, are summarized as follows:

Additions:		
Engineering for pedestrian bridge and landscaping	\$ 550,689	
Water well rehabilitation	150,386	
Improvements to regional wastewater facility	<u>3,625</u>	
Total additions to capital assets	704,700	
Decreases:		
Depreciation	<u>(412,210)</u>	
Net change to capital assets	<u>\$ 292,490</u>	

#### Debt

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2019, are summarized as follows:

Bonded debt payable, beginning of year	\$ 6,930,000
Refunding bonds sold	5,410,000
Bonds refunded	(5,415,000)
Bonds paid	<u>(740,000)</u>
Bonded debt payable, end of year	<u>\$ 6,185,000</u>

At September 30, 2019, the District had \$28,050,000 unlimited tax bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.



On August 28, 2019, the District issued \$5,410,000 in unlimited tax refunding bonds to refund \$140,000 of outstanding Series 2009 bonds, \$1,570,000 of Series 2011 bonds and \$3,705,000 of Series 2012 bonds. The net proceeds of \$5,524,350 (after payment of \$197,922 in underwriting fees, insurance, other issuance costs and the District's contribution of \$104,000) were used to call and retire the refunded bonds on September 1, 2019. As a result, the refunded bonds are considered defeased and the liability for these bonds will be removed from the financial statements.

The District refunded the bonds to reduce total debt service payments over future years by approximately \$397,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$352,000.

The District's bonds have an underlying rating of A+ by Standard & Poor's. The Series 2009, 2012 and 2019 bonds are insured by Assured Guaranty Municipal Corp. The insured rating of these bonds is AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended September 30, 2019.

At September 30, 2019, there were no developer construction commitments and liabilities.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base increased approximately \$4,900,000 for the 2018 tax year (approximately 1%), primarily due to the increased valuation on existing property.

### *Relationship to the City of Houston*

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

### *Water Supply Issues*

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. The Subsidence District has designated January, 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January, 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January, 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the Subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. At September 30, 2019, the Authority's ground water pumpage fee was equal to \$2.95 per 1,000 gallons pumped, and is expected to increase in the future. At September 30, 2019, the Authority's surface water usage fee was equal to \$3.35 per 1,000 gallons purchased, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water and sewer rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water and sewer rates. This disincentive fee would be in addition to the Authority's fee.

As further described in Note 9 of the notes to the financial statements, the District made a capital advance in the amount of \$1,012,935 to the Authority for the District's share of construction costs of the regional system. Under the terms of the contract, the District will receive principal and interest credits in 300 monthly installments. These credits are to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason. The credits are based upon the amortization of the District's advance.

MEMORIAL MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 720,206	\$ 302,566	\$	\$ 1,022,772	\$	\$ 1,022,772
Certificates of deposit, Note 7	2,084,438			2,084,438		2,084,438
Temporary investments, at cost, Note 7	4,768,213	361,402		5,129,615		5,129,615
Receivables:						
Property taxes	15,234	17,993		33,227		33,227
Accrued penalty and interest on property taxes				0	17,959	17,959
Service accounts	113,492			113,492		113,492
Accrued interest	21,277			21,277		21,277
Other	10,173			10,173		10,173
Due from other fund		1,195		1,195	(1,195)	0
Deposits at joint venture, Note 9	30,000			30,000		30,000
Prepaid surface water capital contribution, Note 11	912,206			912,206		912,206
Groundwater bank certificates, at cost, Note 12	30,163			30,163		30,163
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	848,645	848,645
Depreciable capital assets				0	6,591,772	6,591,772
<b>Total assets</b>	<b><u>\$8,705,402</u></b>	<b><u>\$ 683,156</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 9,388,558</u></b>	<b><u>7,457,181</u></b>	<b><u>16,845,739</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 154,914	\$ 1,660	\$	\$ 156,574		156,574
Construction contracts payable	87,162			87,162		87,162
Accrued interest payable				0	17,250	17,250
Due to other fund	1,195			1,195	(1,195)	0
Long-term liabilities, Note 5:						
Due within one year				0	947,145	947,145
Due in more than one year				0	5,772,180	5,772,180
<b>Total liabilities</b>	<b><u>243,271</u></b>	<b><u>1,660</u></b>	<b><u>0</u></b>	<b><u>244,931</u></b>	<b><u>6,735,380</u></b>	<b><u>6,980,311</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>15,234</u>	<u>17,993</u>	<u>0</u>	<u>33,227</u>	<u>(33,227)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Nonspendable:						
Reserve at joint venture, Note 9	30,000			30,000	(30,000)	0
Prepaid surface water capital contribution, Note 11	912,206			912,206	(912,206)	0
Groundwater bank certificates, Note 12	30,163			30,163	(30,163)	0
Committed to construction contracts in progress	18,526			18,526	(18,526)	0
Assigned to debt service		663,503		663,503	(663,503)	0
Unassigned	<u>7,456,002</u>			<u>7,456,002</u>	<u>(7,456,002)</u>	<u>0</u>
<b>Total fund balances</b>	<b><u>8,446,897</u></b>	<b><u>663,503</u></b>	<b><u>0</u></b>	<b><u>9,110,400</u></b>	<b><u>(9,110,400)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$8,705,402</u></b>	<b><u>\$ 683,156</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 9,388,558</u></b>		
Net position:						
Invested in capital assets, net of related debt					721,092	721,092
Restricted for debt service					682,205	682,205
Restricted for receivable from regional authority					912,206	912,206
Unrestricted					<u>7,549,925</u>	<u>7,549,925</u>
<b>Total net position</b>					<b><u>\$ 9,865,428</u></b>	<b><u>\$ 9,865,428</u></b>

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

MEMORIAL MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 987,312	\$ 1,011,445	\$	\$ 1,998,757	\$ 1,827	\$ 2,000,584
Water service	383,922			383,922		383,922
Sewer service	706,072			706,072		706,072
Surface water fees, Note 11	514,975			514,975		514,975
Penalty and interest	25,444	15,288		40,732	1,925	42,657
Interest on prepaid surface water capital contribution, Note 11	34,877			34,877		34,877
Interest on deposits and investments	162,361	17,222		179,583		179,583
Accrued interest on bonds received at date of sale		11,303		11,303	(11,303)	0
Other revenues	18,708			18,708		18,708
<b>Total revenues</b>	<b>2,833,671</b>	<b>1,055,258</b>	<b>0</b>	<b>3,888,929</b>	<b>(7,551)</b>	<b>3,881,378</b>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Purchased services, Notes 9 and 10	226,077			226,077		226,077
Professional fees	67,577	3,824		71,401		71,401
Contracted services	114,629	39,203		153,832		153,832
Utilities	70,773			70,773		70,773
Ground water pumpage fees, Note 11	609,471			609,471		609,471
Repairs and maintenance and other operating expenditures	289,586			289,586		289,586
Garbage disposal	341,783			341,783		341,783
Administrative expenditures	158,407	4,161		162,568		162,568
Depreciation				0	412,210	412,210
Capital outlay / non-capital outlay	717,273			717,273	(704,700)	12,573
Debt service:						
Principal retirement		740,000		740,000	(740,000)	0
Refunding cont. / bonds issue exp.		104,000		104,000	93,922	197,922
Interest and fees		160,231		160,231	(10,943)	149,288
<b>Total expenditures / expenses</b>	<b>2,595,576</b>	<b>1,051,419</b>	<b>0</b>	<b>3,646,995</b>	<b>(949,511)</b>	<b>2,697,484</b>
Excess (deficiency) of revenues over expenditures	238,095	3,839	0	241,934	941,960	1,183,894
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds issued, Note 5		5,410,000		5,410,000	(5,410,000)	0
Bond issuance premiums, Note 5		208,272		208,272	(208,272)	0
Refunding bond issuance expenditures, Note 5		(93,922)		(93,922)	93,922	0
Payment to refunding escrow agent, Note 5		(5,524,350)		(5,524,350)	5,524,350	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net change in fund balances / net position	238,095	3,839	0	241,934	941,960	1,183,894
Beginning of year	8,208,802	659,664	0	8,868,466	(186,932)	8,681,534
End of year	\$ 8,446,897	\$ 663,503	\$ 0	\$ 9,110,400	\$ 755,028	\$ 9,865,428

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

MEMORIAL MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019

NOTE 1: REPORTING ENTITY

Memorial Municipal Utility District (the "District") was created by an order of the Texas Water Rights Commission (now the Texas Commission on Environmental Quality) effective September 29, 1977, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on October 19, 1977, and the first bonds were sold on September 29, 1980. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide security services, park and recreational facilities, and garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

The District is a primary governmental entity. In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

The District is a participant in the Cinco Regional Sewage Treatment Plant (the "Plant"). Oversight of the Plant is exercised by the Board of Directors of Harris County Municipal Utility District No. 81. Based on the criteria established above, the Plant's financial activity has not been included in the District's financial statements. Transactions with and summary financial statements of this joint venture are described in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are either not spendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

### Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Regional Water Authority Credits

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under the agreement with the regional water authority are recorded as either a repayment of the principal amount or interest earned at the interest rate specified in the agreement. The principal is amortized based upon the life of the credits and the interest rate specified in the agreement.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

**NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 9,110,400
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		7,440,417
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (6,185,000)	
Deferred charge on refunding (to be amortized as interest expense)	(237,317)	
Net issuance premium (to be amortized as interest expense)	<u>(297,008)</u>	(6,719,325)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	17,959	
Uncollected property taxes	<u>33,227</u>	51,186
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(17,250)</u>
Net position, end of year		<u>\$ 9,865,428</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 241,934
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 704,700	
Depreciation	<u>(412,210)</u>	292,490
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Sale of bonds	(5,410,000)	
Principal reduction	740,000	
Payment to escrow agent for refunding	<u>5,524,350</u>	854,350
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(13,238)	
Issuance premium, net of discounts	<u>(200,442)</u>	(213,680)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	1,925	
Uncollected property taxes	<u>1,827</u>	3,752
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>5,048</u>
Change in net position		<u>\$ 1,183,894</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,280	\$	\$	\$ 2,280
Construction in progress	<u>335,377</u>	<u>701,075</u>	<u>190,087</u>	<u>846,365</u>
Total capital assets not being depreciated	<u>337,657</u>	<u>701,075</u>	<u>190,087</u>	<u>848,645</u>
Depreciable capital assets:				
Water system	5,493,963			5,493,963
Sewer system	<u>7,418,503</u>	<u>193,712</u>		<u>7,612,215</u>
Total depreciable capital assets	<u>12,912,466</u>	<u>193,712</u>	<u>0</u>	<u>13,106,178</u>
Less accumulated depreciation for:				
Water system	(2,667,327)	(187,975)		(2,855,302)
Sewer system	<u>(3,434,869)</u>	<u>(224,235)</u>		<u>(3,659,104)</u>
Total accumulated depreciation	<u>(6,102,196)</u>	<u>(412,210)</u>	<u>0</u>	<u>(6,514,406)</u>
Total depreciable capital assets, net	<u>6,810,270</u>	<u>(218,498)</u>	<u>0</u>	<u>6,591,772</u>
Total capital assets, net	<u>\$ 7,147,927</u>	<u>\$ 482,577</u>	<u>\$ 190,087</u>	<u>\$ 7,440,417</u>
Changes to capital assets:				
Capital outlay		\$ 704,700	\$	
Assets transferred to depreciable assets		190,087	190,087	
Less depreciation expense for the fiscal year		<u>(412,210)</u>		
Net increases / decreases to capital assets		<u>\$ 482,577</u>	<u>\$ 190,087</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 6,930,000	\$ 5,410,000	\$ 6,155,000	\$ 6,185,000	\$ 805,000
Less deferred refunding charges	(55,799)	249,323	(43,793)	237,317	52,957
Add issuance premium net of (discount)	<u>485,794</u>	<u>208,272</u>	<u>397,058</u>	<u>297,008</u>	<u>89,188</u>
Total bonds payable	<u>7,359,995</u>	<u>5,867,595</u>	<u>6,508,265</u>	<u>6,719,325</u>	<u>947,145</u>
Total long-term liabilities	<u>\$ 7,359,995</u>	<u>\$ 5,867,595</u>	<u>\$ 6,508,265</u>	<u>\$ 6,719,325</u>	<u>\$ 947,145</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bonds payable, beginning of year		\$ 6,930,000
Bonds paid		(740,000)
Bonds sold:		
Proceeds	\$ 5,618,272	
Premium	<u>(208,272)</u>	5,410,000
Bonds refunded		<u>(5,415,000)</u>
Bonds payable, end of year		<u>\$ 6,185,000</u>

As of September 30, 2019, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 805,000	\$ 194,439	\$ 999,439
2021	815,000	149,800	964,800
2022	835,000	125,350	960,350
2023	845,000	100,300	945,300
2024	855,000	74,950	929,950
2025 - 2028	<u>2,030,000</u>	<u>91,600</u>	<u>2,121,600</u>
	<u>\$ 6,185,000</u>	<u>\$ 736,439</u>	<u>\$ 6,921,439</u>

Bonds voted	\$ 47,390,000
Bonds approved for sale and sold	19,340,000
Bonds voted and not issued	28,050,000
Refunding bonds voted	28,050,000
Refunding bonds approved for sale and sold	0
Refunding bonds voted and not issued	28,050,000

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

The bond issues payable at September 30, 2019, were as follows:

	<u>Series 2009</u>	<u>Series 2012</u>	<u>Refunding Series 2019**</u>
Amounts outstanding, September 30, 2019	\$145,000	\$630,000	\$5,410,000
Interest rates	4.125%	4.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2020	September 1, 2020	September 1, 2020/2028
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2018*	September 1, 2019*	September 1, 2025*

\*Or any date thereafter at par plus accrued interest to the date of redemption, in whole or in part at the option of the District.

\*\*See following page.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

\*\*On August 28, 2019, the District issued \$5,410,000 in unlimited tax refunding bonds to refund \$140,000 of outstanding Series 2009 bonds, \$1,570,000 of Series 2011 bonds and \$3,705,000 of Series 2012 bonds. The net proceeds of \$5,524,350 (after payment of \$197,922 in underwriting fees, insurance, other issuance costs and the District's contribution of \$104,000) were used to call and retire the refunded bonds on September 1, 2019. As a result, the refunded bonds are considered defeased and the liability for these bonds will be removed from the financial statements.

The District refunded the bonds to reduce total debt service payments over future years by approximately \$397,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$352,000.

Developer Construction Commitments and Liabilities

At September 30, 2019, there were no developer construction commitments or liabilities.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District and the Fort Bend Central Appraisal District have the responsibility for appraising property for all taxing units within the respective counties as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and are not delinquent until after the following January 31. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Resolutions and 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.

At an election held November 5, 2013, the voters within the District authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On September 24, 2018, the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of \$482,686,406:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.2100	\$ 1,013,642
Maintenance	<u>0.2050</u>	<u>989,507</u>
	<u>\$ 0.4150</u>	<u>\$ 2,003,149</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2018 tax year total property tax levy	\$ 2,003,149
Appraisal district adjustments to prior year taxes	<u>(2,565)</u>
Statement of Activities property tax revenues	<u>\$ 2,000,584</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$3,107,210 and the bank balance was \$3,301,948. Of the bank balance, \$2,602,241 was covered by federal insurance and \$699,707 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$5,129,615.

Deposits and temporary investments restricted by state statutes and the Bond Resolutions and Orders:

Debt Service Fund

For payment of debt principal and interest,  
paying agent fees and costs of assessing and  
collecting taxes:

Cash		\$	302,566
Temporary investments			<u>361,402</u>
		\$	<u>663,968</u>

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At September 30, 2019, the District had physical damage and boiler and machinery coverage of \$21,000,000 (\$18,000,000 of which is for the Cinco Regional Sewage Treatment Plant as the District is the titled owner of the Plant as described in Note 9), comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, business travel coverage of \$250,000 each director, director and officers liability coverage of \$1,000,000, consultant's crime coverage of \$50,000 and a tax assessor-collector bond of \$10,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: REGIONAL SEWAGE TREATMENT PLANT

The District is a participant in the Cinco Regional Sewage Treatment Plant (the "Plant"). The District is the titled owner of the Plant. On December 11, 1997, the participating districts entered into a Restated Cinco Regional Sewage Treatment Plant Agreement which superseded all prior agreements related to the Plant. The term of the Agreement is forty years. Harris County Municipal Utility District No. 81 is the Operating District of the Plant and oversight of the Plant is exercised by the Board of Directors of Harris County Municipal Utility District No. 81. However, the participating districts in the Plant are entitled to representation on the Cinco Plant Operating Committee which reviews the operation of the Plant, and, in certain circumstances, has the power to compel the Operating District to take certain actions. Capacity in the Plant is allocated as follows: Memorial Municipal Utility District -- 31.33%; Cornerstones Municipal Utility District -- 33.33%; Mason Creek Utility District -- 16.67%; and Harris County Municipal Utility District No. 81 -- 18.67%. Construction costs of the Plant were funded by the contribution of funds from each participating district. The Plant issues no debt.

Each participant records its share of the capital assets of the Plant in its financial statements.

Operating costs of the Plant are shared based on capacity owned and number of connections served. During the current fiscal year the District incurred operating costs of \$195,522 and capital outlay costs of \$3,625. The District has also advanced \$30,000 to the Plant as its pro rata share of an operating reserve.

The following summary financial data of the Plant's General Fund is presented for the Plant's fiscal year ended December 31, 2018:

	<u>Plant Total</u>	<u>District's Share</u>
Total assets	\$ 178,085	
Total liabilities	<u>(58,085)</u>	
Total fund equity	<u>\$ 120,000</u>	<u>\$ 30,000</u>
Total revenues	\$ 1,532,863	\$ 309,157
Total expenditures	<u>(1,532,863)</u>	<u>(309,157)</u>
Excess revenues (expenditures)	0	0
Fund equity, beginning of year	<u>120,000</u>	<u>30,000</u>
Fund equity (operating reserve), end of year	<u>\$ 120,000</u>	<u>\$ 30,000</u>

NOTE 10: SERVICE CONTRACTS

Effective September 1, 2000 (amended four times thereafter), the District and Cornerstones Municipal Utility District ("Cornerstones") entered into a 30 year contract for the supply of water from Cornerstones to serve a portion of land within the boundaries of the District. The contract provides that the District will pay an annual debt service component payment to Cornerstones. The debt service component for the fiscal year ended September 30, 2019, was \$2,031. The contract also provides that the District will pay monthly fees to Cornerstones for the water used by the customers within the District. Costs under this provision were \$28,524 during the fiscal year ended September 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Effective August 1, 2014, the District and Harris County Municipal Utility District No. 81 entered into a 40 year contract for the provision of water supply, wastewater services and garbage collection for customer connections within the boundaries of the districts which are physically connected to the other district's water supply and/or wastewater systems. Under the terms of the contract, customer connections within a district ("Billing District") which are connected to the other district ("Servicing District") shall be billed by the Billing District and the Billing District shall pay the Servicing District for services according to the charges as specified in the contract. During the fiscal year ended September 30, 2019, the District accrued net charges of \$7,534 under the terms of this contract.

**NOTE 11: REGIONAL WATER AUTHORITY**

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of September 30, 2019, the Authority had established a well pumpage fee of \$2.95 per 1,000 gallons of water pumped from each regulated well. The District's well pumpage fees payable to the Authority for the fiscal year ended September 30, 2019, were \$609,471. The District billed its customers \$514,975 during the fiscal year to pay for the well pumpage fees.

On December 1, 2015, the District made a capital advance in the amount of \$1,012,935 to the Authority for the District's share of construction costs of the regional system. Under the terms of the contract, the District will receive principal and interest credits in 300 monthly installments beginning December 2015. These credits are to be applied: first, against the District's pumpage fee, if any; second, against any amounts due to the Authority for water purchases or any other reason. The credits are based upon the amortization of the District's advance at a rate of 3.761%.

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under the agreement with the Authority are recorded as either a repayment of the principal amount or interest earned at the interest rate specified in the agreement. The principal is amortized based upon the life of the credits and the interest rate specified in the agreement.

During the fiscal year ended September 30, 2019, the District received credits of \$62,568 under the provisions of the contract. Of this amount, \$27,691 was a repayment of principal and \$34,877 was interest.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

A summary of the amortization of the remaining scheduled credits for the prepaid capital contributions is as follows:

Credits Due During Fiscal Years Ending September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 28,750	\$ 33,818	\$ 62,568
2021	29,850	32,718	62,568
2022	30,993	31,575	62,568
2023	32,179	30,389	62,568
2024	33,410	29,158	62,568
2025-2029	187,235	125,605	312,840
2030-2034	225,909	86,931	312,840
2035-2039	272,572	40,268	312,840
2040-2041	71,308	1,688	72,996
	<u>\$ 912,206</u>	<u>\$ 412,150</u>	<u>\$ 1,324,356</u>

NOTE 12: GROUNDWATER BANK CERTIFICATES

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District ("HGSD"). These certificates expire in 40 years (certificates issued after August 1, 2001 expire in 20 years) and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the HGSD. Certificates can also be used in lieu of a disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit as amended. At September 30, 2019, the District had in its possession certificates totaling 70,020 thousand gallons of water (16,968 40-year certificates and 59,052 20-year certificates). The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$30,163 at September 30, 2019.



MEMORIAL MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 985,000	\$ 985,000	\$ 987,312	\$ 2,312
Water service	425,000	425,000	383,922	(41,078)
Sewer service	680,000	680,000	706,072	26,072
Surface water fees	473,000	473,000	514,975	41,975
Penalty	25,000	25,000	25,444	444
Interest on prepaid surface water capital contribution	0	0	34,877	(44,939)
Interest on deposits and investments	80,000	80,000	162,361	82,361
Other revenues	8,500	8,500	18,708	10,208
<b>TOTAL REVENUES</b>	<b><u>2,676,500</u></b>	<b><u>2,676,500</u></b>	<b><u>2,833,671</u></b>	<b><u>157,171</u></b>
<b>EXPENDITURES</b>				
Service operations:				
Purchased services	323,500	323,500	226,077	(97,423)
Professional fees	93,900	93,900	67,577	(26,323)
Contracted services	97,500	97,500	114,629	17,129
Utilities	87,000	87,000	70,773	(16,227)
Ground water pumpage fees	588,000	588,000	609,471	21,471
Repairs, maintenance and other operating expenditures	424,000	424,000	289,586	(134,414)
Garbage disposal	342,000	342,000	341,783	(217)
Administrative expenditures	195,430	195,430	158,407	(37,023)
Capital outlay	1,350,000	1,350,000	717,273	(632,727)
<b>TOTAL EXPENDITURES</b>	<b><u>3,501,330</u></b>	<b><u>3,501,330</u></b>	<b><u>2,595,576</u></b>	<b><u>(905,754)</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(824,830)</b>	<b>(824,830)</b>	<b>238,095</b>	<b>1,062,925</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b><u>8,208,802</u></b>	<b><u>8,208,802</u></b>	<b><u>8,208,802</u></b>	<b><u>0</u></b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 7,383,972</u></b>	<b><u>\$ 7,383,972</u></b>	<b><u>\$ 8,446,897</u></b>	<b><u>\$ 1,062,925</u></b>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

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

MEMORIAL MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
SEPTEMBER 30, 2019

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

MEMORIAL MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2019

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$12.50	6,000	N	\$1.00 1.25 1.50	6,001 to 10,000 10,001 to 15,000 Over 15,000
WASTEWATER:	\$29.25		Y		

SURCHARGE: \$2.60 per 1,000 gallons of water used. – WHCRWA surface water fees.

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$16.50 Wastewater: \$29.25 Surcharge: \$26.00

MEMORIAL MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES (Continued)  
SEPTEMBER 30, 2019

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	0	0	1.0	0
< or = 3/4"	1,743	1,731	1.0	1,731
1"	11	11	2.5	28
1-1/2"	12	12	5.0	60
2"	21	21	8.0	168
3"	1	1	15.0	15
4"	1	1	25.0	25
6"	1	1	50.0	50
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>1,791</u>	<u>1,779</u>		<u>2,157</u>
Total Wastewater	<u>1,759</u>	<u>1,747</u>	1.0	<u>1,747</u>

\*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 210,496  
 Gallons billed to customers (unaudited): 207,111

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 98%

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

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

MEMORIAL MUNICIPAL UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Purchased services:				
Sewer	\$ 195,522	\$	\$	\$ 195,522
Water debt service component	2,031			2,031
Water usage	28,524			28,524
	<u>226,077</u>	<u>0</u>	<u>0</u>	<u>226,077</u>
Professional fees:				
Auditing	10,950			10,950
Legal	46,306	3,824		50,130
Engineering	10,321			10,321
	<u>67,577</u>	<u>3,824</u>	<u>0</u>	<u>71,401</u>
Contracted services:				
Bookkeeping	22,366			22,366
Operation and billing	92,263			92,263
Tax assessor-collector		24,307		24,307
Central appraisal district		14,896		14,896
	<u>114,629</u>	<u>39,203</u>	<u>0</u>	<u>153,832</u>
Utilities	<u>70,773</u>	<u>0</u>	<u>0</u>	<u>70,773</u>
Groundwater pumpage fees	<u>609,471</u>	<u>0</u>	<u>0</u>	<u>609,471</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	250,773			250,773
Chemicals	12,078			12,078
Laboratory costs	3,306			3,306
Sewer inspection costs	10,605			10,605
Net payments to HCM81	7,534			7,534
TCEQ assessment	5,290			5,290
	<u>289,586</u>	<u>0</u>	<u>0</u>	<u>289,586</u>
Garbage disposal	<u>341,783</u>	<u>0</u>	<u>0</u>	<u>341,783</u>
Administrative expenditures:				
Director's fees	32,250			32,250
Office supplies and postage	18,970			18,970
Insurance	8,838	50		8,888
Communications	71,014			71,014
Permit fees	4,564			4,564
Other	22,771	4,111		26,882
	<u>158,407</u>	<u>4,161</u>	<u>0</u>	<u>162,568</u>

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	\$ 717,273	\$ 0	\$ 0	\$ 717,273
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>740,000</u>	<u>0</u>	<u>740,000</u>
Refunding contribution	<u>0</u>	<u>104,000</u>	<u>0</u>	<u>104,000</u>
Interest and fees:				
Interest		158,231		158,231
Paying agent fees		<u>2,000</u>		<u>2,000</u>
	<u>0</u>	<u>160,231</u>	<u>0</u>	<u>160,231</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,595,576</u>	<u>\$ 1,051,419</u>	<u>\$ 0</u>	<u>\$ 3,646,995</u>

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 1,810,920	\$ 1,056,684	\$	\$ 2,867,604
Maintenance tax receipts		987,312		987,312
Transfer of maintenance taxes	985,251			985,251
Principal portion of WHCRWA credits received	27,691			27,691
Proceeds from sale of bonds		5,618,272		5,618,272
Overpayments by taxpayers		<u>12,122</u>		<u>12,122</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>2,823,862</u>	<u>7,674,390</u>	<u>0</u>	<u>10,498,252</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	1,811,733	47,194		1,858,927
Capital outlay	630,111			630,111
Debt service		1,004,231		1,004,231
Transfer of maintenance taxes		985,251		985,251
Payment to refunding escrow agent		5,524,350		5,524,350
Refunding bond issuance expenditures		93,922		93,922
Refund of taxpayer overpayments		<u>18,444</u>		<u>18,444</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>2,441,844</u>	<u>7,673,392</u>	<u>0</u>	<u>10,115,236</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	382,018	998	0	383,016
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>7,190,839</u>	<u>662,970</u>	<u>0</u>	<u>7,853,809</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$ 7,572,857</u>	<u>\$ 663,968</u>	<u>\$ 0</u>	<u>\$ 8,236,825</u>

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

SEPTEMBER 30, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 1852003761	2.75%	3/15/20	\$ 240,000	\$ 3,598
No. 0107362773	2.75%	3/14/20	240,000	3,580
No. 5596	2.67%	3/22/20	240,000	3,371
No. 3116003216	2.60%	4/11/20	155,483	1,905
No. 8053870	2.75%	6/10/20	240,000	2,586
No. 0460019522	2.65%	5/23/20	240,000	2,265
No. 95900011897872	2.75%	6/26/20	240,000	1,736
No. 6750717010	2.50%	7/17/20	248,955	1,296
No. 6000037371	2.60%	8/06/20	<u>240,000</u>	<u>940</u>
			<u>\$ 2,084,438</u>	<u>\$ 21,277</u>
TexPool				
No. 791700003	Market	On demand	<u>\$ 4,768,213</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 791700004	Market	On demand	<u>\$ 361,402</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 7,214,053</u>	<u>\$ 21,277</u>

See accompanying independent auditor's report.



MEMORIAL MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 14,226	\$ 17,174
Additions and corrections to prior year taxes	<u>(1,187)</u>	<u>(1,378)</u>
Adjusted receivable, beginning of year	13,039	15,796
2018 ADJUSTED TAX ROLL	<u>989,507</u>	<u>1,013,642</u>
Total to be accounted for	1,002,546	1,029,438
Tax collections: Current tax year	(982,878)	(1,006,851)
Prior tax years	<u>(4,434)</u>	<u>(4,594)</u>
RECEIVABLE, END OF YEAR	<u>\$ 15,234</u>	<u>\$ 17,993</u>
RECEIVABLE, BY TAX YEAR		
2008 and prior	\$ 1,722	\$ 3,030
2009	356	519
2010	381	519
2011	379	614
2012	393	572
2013	714	962
2014	1,014	1,141
2015	1,060	1,152
2016	600	658
2017	1,986	2,035
2018	<u>6,629</u>	<u>6,791</u>
RECEIVABLE, END OF YEAR	<u>\$ 15,234</u>	<u>\$ 17,993</u>

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 97,199,848	\$ 92,328,243	\$ 92,223,027	\$ 88,748,022
Improvements	392,106,551	387,897,523	361,990,417	353,515,955
Personal property	12,502,650	12,649,558	10,968,046	11,405,237
Less exemptions	<u>(19,122,643)</u>	<u>(15,091,740)</u>	<u>(21,257,450)</u>	<u>(39,459,588)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 482,686,406</u>	 <u>\$ 477,783,584</u>	 <u>\$ 443,924,040</u>	 <u>\$ 414,209,626</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.21000	\$ 0.21000	\$ 0.23000	\$ 0.25000
Maintenance tax rates	<u>0.20500</u>	<u>0.20500</u>	<u>0.21000</u>	<u>0.23000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.41500</u>	 <u>\$ 0.41500</u>	 <u>\$ 0.44000</u>	 <u>\$ 0.48000</u>
 TAX ROLLS	 <u>\$ 2,003,149</u>	 <u>\$ 1,982,802</u>	 <u>\$ 1,953,266</u>	 <u>\$ 1,988,206</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>99.3 %</u>	 <u>99.8 %</u>	 <u>99.9 %</u>	 <u>99.9 %</u>

\* Maximum tax rate approved by voters on November 5, 2013: \$1.50

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
SEPTEMBER 30, 2019

<u>Series 2009</u>			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ <u>145,000</u>	\$ <u>5,981</u>	\$ <u>150,981</u>
 <u>Series 2012</u>  			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ <u>630,000</u>	\$ <u>25,200</u>	\$ <u>655,200</u>
 <u>Series 2019</u>  			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 30,000	\$ 163,258	\$ 193,258
2021	815,000	149,800	964,800
2022	835,000	125,350	960,350
2023	845,000	100,300	945,300
2024	855,000	74,950	929,950
2025	870,000	49,300	919,300
2026	520,000	23,200	543,200
2027	325,000	12,800	337,800
2028	<u>315,000</u>	<u>6,300</u>	<u>321,300</u>
TOTALS	<u>\$ 5,410,000</u>	<u>\$ 705,258</u>	<u>\$ 6,115,258</u>

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
SEPTEMBER 30, 2019

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2020	\$ 805,000	\$ 194,439	\$ 999,439
2021	815,000	149,800	964,800
2022	835,000	125,350	960,350
2023	845,000	100,300	945,300
2024	855,000	74,950	929,950
2025	870,000	49,300	919,300
2026	520,000	23,200	543,200
2027	325,000	12,800	337,800
2028	<u>315,000</u>	<u>6,300</u>	<u>321,300</u>
TOTALS	<u>\$ 6,185,000</u>	<u>\$ 736,439</u>	<u>\$ 6,921,439</u>

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series	2009	2011	2012
Interest Rate	4.125%	Not Applicable	4.00%
Dates Interest Payable	March 1/ September 1	Not Applicable	March 1/ September 1
Maturity Dates	September 1, 2020	Not Applicable	September 1, 2020
Bonds Outstanding at Beginning of Current Year	\$ 430,000	\$ 1,570,000	\$ 4,930,000
Less Retirements	<u>(285,000)</u>	<u>(1,570,000)</u>	<u>(4,300,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 145,000</u>	<u>\$ 0</u>	<u>\$ 630,000</u>
Current Year Interest Paid	<u>\$ 14,756</u>	<u>\$ 32,275</u>	<u>\$ 111,200</u>

Bond Descriptions and Original Amount of Issue

- (1) Memorial Municipal Utility District Unlimited Tax Refunding Bonds, Series 2009 (\$2,230,000)
- (2) Memorial Municipal Utility District Unlimited Tax Bonds, Series 2011 (\$1,570,000)
- (3) Memorial Municipal Utility District Unlimited Tax Refunding Bonds, Series 2012 (\$7,110,000)

Paying Agent/Registrar

- (1) (2) (3) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

MEMORIAL MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>(4)</u>	<u>Totals</u>
Bond Series	2019	
Interest Rate	2.00% to 3.00%	
Dates Interest Payable	March 1/ September 1	
Maturity Dates	September 1, 2020/2028	
Bonds Outstanding at Beginning of Current Year	\$	\$ 6,930,000
Add Bonds Sold	5,410,000	5,410,000
Less Retirements	<u>0</u>	<u>(6,155,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 5,410,000</u>	<u>\$ 6,185,000</u>
Current Year Interest Paid	<u>\$ 0</u>	<u>\$ 158,231</u>

Bond Descriptions and Original Amount of Issue

(4) Memorial Municipal Utility District Unlimited Tax Refunding Bonds, Series 2019 (\$5,410,000)

Paying Agent/Registrar

(4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 47,390,000	\$ 0	\$ 28,050,000
Amount Issued:	19,340,000		0
Remaining to be Issued:	28,050,000		28,050,000

Net Debt Service Fund deposits and investments balances as of September 30, 2019: \$663,503  
Average annual debt service payment for remaining term of all debt: 769,049

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
<b>REVENUES</b>										
Property taxes	\$ 987,312	\$ 982,327	\$ 927,628	\$ 950,790	\$ 903,106	34.9 %	35.8 %	36.7 %	37.3 %	38.6 %
Water service	383,922	391,137	384,850	374,783	376,563	13.5	14.3	15.2	14.7	16.1
Sewer service	706,072	699,374	683,494	676,139	682,507	24.9	25.5	27.1	26.5	29.1
Surface water fees	514,975	478,694	415,925	349,520	300,277	18.2	17.5	16.5	13.7	12.8
Penalty	25,444	26,955	20,216	20,937	21,820	0.9	1.0	0.8	0.8	0.9
Tap connection and inspection fees	0	10,700	0	121,860	38,048	0.0	0.4	0.0	4.8	1.6
Interest on prepaid surface water capital contribution	34,877	35,898	36,881	31,459	0	1.2	1.3	1.5	1.2	0.0
Interest and other revenues	181,069	114,363	55,105	25,746	20,315	6.4	4.2	2.2	1.0	0.9
<b>TOTAL REVENUES</b>	<b><u>2,833,671</u></b>	<b><u>2,739,448</u></b>	<b><u>2,524,099</u></b>	<b><u>2,551,234</u></b>	<b><u>2,342,636</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>EXPENDITURES</b>										
Current:										
Purchased services	226,077	323,793	318,437	133,985	314,313	8.0	11.8	12.6	5.3	13.4
Professional fees	67,577	107,723	107,955	126,943	86,954	2.4	3.9	4.3	5.0	3.7
Contracted services	114,629	100,360	94,052	81,485	84,527	4.0	3.7	3.7	3.2	3.6
Utilities	70,773	75,278	66,627	74,163	81,834	2.5	2.7	2.6	2.9	3.5
Ground water pumpage fees	609,471	560,801	548,839	475,670	415,049	21.5	20.5	21.7	18.6	17.8
Repairs, maintenance and other operating expenditures	289,586	272,491	226,839	255,578	278,258	10.2	10.0	9.0	10.0	11.9
Garbage disposal	341,783	336,416	326,949	292,888	286,785	12.1	12.3	13.0	11.5	12.2
Administrative expenditures	158,407	132,174	136,206	166,857	102,080	5.6	4.8	5.4	6.5	4.4
Capital outlay	717,273	353,753	98,128	181,452	204,936	25.3	12.9	3.9	7.1	8.7
<b>TOTAL EXPENDITURES</b>	<b><u>2,595,576</u></b>	<b><u>2,262,789</u></b>	<b><u>1,924,032</u></b>	<b><u>1,789,021</u></b>	<b><u>1,854,736</u></b>	<b><u>91.6</u></b>	<b><u>82.6</u></b>	<b><u>76.2</u></b>	<b><u>70.1</u></b>	<b><u>79.2</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>\$ 238,095</u></b>	<b><u>\$ 476,659</u></b>	<b><u>\$ 600,067</u></b>	<b><u>\$ 762,213</u></b>	<b><u>\$ 487,900</u></b>	<b><u>8.4 %</u></b>	<b><u>17.4 %</u></b>	<b><u>23.8 %</u></b>	<b><u>29.9 %</u></b>	<b><u>20.8 %</u></b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b><u>1,779</u></b>	<b><u>1,773</u></b>	<b><u>1,777</u></b>	<b><u>1,771</u></b>	<b><u>1,765</u></b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b><u>1,747</u></b>	<b><u>1,741</u></b>	<b><u>1,746</u></b>	<b><u>1,739</u></b>	<b><u>1,734</u></b>					

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED SEPTEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>										
Property taxes	\$ 1,011,445	\$ 1,006,473	\$ 1,016,242	\$ 1,033,697	\$ 1,017,855	95.9 %	97.8 %	98.3 %	98.5 %	98.0 %
Penalty and interest	15,288	12,424	10,161	10,322	16,342	1.4	1.2	1.0	1.0	1.6
Accrued interest on bonds received at date of sale	11,303	0	0	0	0	1.1	0.0	0.0	0.0	0.0
Interest on deposits and investments	<u>17,222</u>	<u>10,383</u>	<u>6,912</u>	<u>5,091</u>	<u>3,808</u>	<u>1.6</u>	<u>1.0</u>	<u>0.7</u>	<u>0.5</u>	<u>0.4</u>
<b>TOTAL REVENUES</b>	<u>1,055,258</u>	<u>1,029,280</u>	<u>1,033,315</u>	<u>1,049,110</u>	<u>1,038,005</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>EXPENDITURES</b>										
Current:										
Professional fees	3,824	3,931	3,061	3,217	4,421	0.4	0.4	0.3	0.3	0.4
Contracted services	39,203	40,219	37,798	38,494	38,442	3.7	3.9	3.7	3.7	3.7
Other expenditures	4,161	4,555	2,984	3,064	4,131	0.4	0.4	0.3	0.3	0.4
Debt service:										
Principal retirement	740,000	730,000	710,000	705,000	680,000	70.0	71.0	68.7	67.1	65.5
Refunding contribution	104,000	0	0	0	0	9.9	0.0	0.0	0.0	0.0
Interest and fees	<u>160,231</u>	<u>287,181</u>	<u>307,281</u>	<u>327,081</u>	<u>347,881</u>	<u>15.2</u>	<u>27.9</u>	<u>29.7</u>	<u>31.2</u>	<u>33.6</u>
<b>TOTAL EXPENDITURES</b>	<u>1,051,419</u>	<u>1,065,886</u>	<u>1,061,124</u>	<u>1,076,856</u>	<u>1,074,875</u>	<u>99.6</u>	<u>103.6</u>	<u>102.7</u>	<u>102.6</u>	<u>103.6</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>\$ 3,839</u>	<u>\$ (36,606)</u>	<u>\$ (27,809)</u>	<u>\$ (27,746)</u>	<u>\$ (36,870)</u>	<u>0.4 %</u>	<u>(3.6) %</u>	<u>(2.7) %</u>	<u>(2.6) %</u>	<u>(3.6) %</u>

See accompanying independent auditor's report.



MEMORIAL MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2019

Complete District Mailing Address: Memorial Municipal Utility District  
c/o Jeanne H. McDonald, P.C.  
2277 Plaza Drive, Suite 280  
Sugar Land, Texas 77479

District Business Telephone No.: 281-313-2213

Submission date of the most recent District Registration Form: May 5, 2018

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Timothy C. Miller c/o Jeanne H. McDonald, P.C. 2277 Plaza Drive, Suite 280 Sugar Land, Texas 77479	Elected 5/05/18- 5/07/22	\$ 7,200	\$ 2,507	President
Miguel G. Hull c/o Jeanne H. McDonald, P.C. 2277 Plaza Drive, Suite 280 Sugar Land, Texas 77479	Elected 5/07/16- 5/02/20	7,200	2,482	Vice President/ Investment Officer
W. F. Trotter, Jr. c/o Jeanne H. McDonald, P.C. 2277 Plaza Drive, Suite 280 Sugar Land, Texas 77479	Elected 5/05/18- 5/07/22	4,950	451	Secretary
Thomas H. Williams c/o Jeanne H. McDonald, P.C. 2277 Plaza Drive, Suite 280 Sugar Land, Texas 77479	Elected 5/07/16- 5/02/20	7,200	2,511	Investment Officer
Crystal Sampson c/o Jeanne H. McDonald, P.C. 2277 Plaza Drive, Suite 280 Sugar Land, Texas 77479	Elected 5/05/18- 5/07/22	5,700	0	Assistant Secretary

See accompanying independent auditor's report.

MEMORIAL MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2019

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Jeanne H. McDonald, P.C. 2277 Plaza Drive, Suite 280 Sugar Land, Texas 77479	12/01/99	\$ 46,306 44,100 Bonds	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	3/07/96	3,824	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	1/07/93	24,910 2,500 Bonds	Bookkeeper
Si Environmental, LLC 6420 Reading Road Rosenberg, Texas 77471	4/23/12	345,702	Operator
Triton Consulting Group, LLC 810 South Mason Road, Suite 309 Katy, Texas 77450	4/01/13	63,173	Website/ Communication Consultant
Costello, Inc. 2107 City West Blvd., 3 <sup>rd</sup> Floor Houston, Texas 77042	6/03/04	200,341	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	2/09/84	27,028 2,500 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	14,854	Central Appraisal District
Fort Bend Central Appraisal District 2801 B. F. Terry Rosenberg, Texas 77471	Legislative Action	42	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	5/21/18	57,530 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950 750 Bonds	Independent Auditor

See accompanying independent auditor's report.