

Trail of the Lakes Municipal Utility District
Harris County, Texas
Independent Auditor's Report and Financial Statements
September 30, 2018



Trail of the Lakes Municipal Utility District

September 30, 2018

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Independent Auditor's Report

Board of Directors
Trail of the Lakes Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Trail of the Lakes Municipal Utility District (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 September 30, 2018, and the respective changes in financial position thereof 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 budgetary comparison schedules listed in the table of contents 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. 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 financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
February 11, 2019

Trail of the Lakes Municipal Utility District

Management's Discussion and Analysis

September 30, 2018

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

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, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste 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, liabilities, and deferred inflows and outflows of 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 assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' 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. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 year.

Trail of the Lakes Municipal Utility District

Management's Discussion and Analysis (Continued)

September 30, 2018

Although the statement of activities looks different from a commercial enterprise's statement of income, 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 Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes 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, sewer and drainage 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 assets, liabilities, and deferred inflows and outflows of resources 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 is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to 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.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Trail of the Lakes Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2018	2017
Current and other assets	\$ 15,213,955	\$ 11,038,595
Capital assets	20,590,222	20,589,975
Total assets	35,804,177	31,628,570
Deferred outflows of resources	432,859	478,488
Total assets and deferred outflows of resources	\$ 36,237,036	\$ 32,107,058
Long-term liabilities	\$ 29,560,749	\$ 25,965,761
Other liabilities	749,530	868,516
Total liabilities	30,310,279	26,834,277
Deferred inflows of resources	3,320,598	3,143,444
Net position:		
Net investment in capital assets	(2,657,848)	(3,170,475)
Restricted	3,008,907	2,979,271
Unrestricted	2,255,100	2,320,541
Total net position	\$ 2,606,159	\$ 2,129,337

The total net position of the District increased by \$476,822, or about 22 percent. The majority of the increase in net position is related to property tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Trail of the Lakes Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018

Summary of Changes in Net Position

	2018	2017
Revenues:		
Property taxes	\$ 3,412,660	\$ 3,107,180
Tax rebates	105,989	101,652
Charges for services	3,135,197	3,034,736
Other revenues	317,504	265,637
	<hr/>	<hr/>
Total revenues	6,971,350	6,509,205
	<hr/>	<hr/>
Expenses:		
Services	4,258,129	3,481,818
Depreciation	833,415	832,902
Conveyance of capital assets	163,762	118,626
Debt service	1,239,222	872,205
	<hr/>	<hr/>
Total expenses	6,494,528	5,305,551
	<hr/>	<hr/>
Change in net position	476,822	1,203,654
Net position, beginning of year	2,129,337	925,683
	<hr/>	<hr/>
Net position, end of year	<u>\$ 2,606,159</u>	<u>\$ 2,129,337</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, 2018, were \$11,027,961, an increase of \$4,111,517 from the prior year.

The general fund's fund balance decreased by \$66,785 primarily due to service operation expenditures exceeding service revenues.

The special revenue fund's fund balance remained the same, as all expenditures were billed to participants.

The debt service fund's fund balance increased by \$485 because property tax revenues generated were greater than bond principal and interest requirements.

The capital projects fund's fund balance increased by \$4,177,817. This net increase was primarily due to unexpended proceeds received from the sale of bonds.

**Trail of the Lakes Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018**

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to sewer service revenues and regional water fee revenues and related expenditures, professional fees, contracted services and repairs and maintenance expenditures being greater than anticipated. In addition, a transfer from the capital projects fund was not included in the budget. The fund balance as of September 30, 2018, was expected to be \$2,473,152 and the actual end-of-year fund balance was \$2,233,289.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2018	2017
Land and improvements	\$ 2,447,908	\$ 2,447,908
Construction in progress	1,726,833	1,128,907
Water facilities	9,511,839	9,929,333
Wastewater facilities	6,903,642	7,083,827
Total capital assets	\$ 20,590,222	\$ 20,589,975

During the current year, additions to capital assets were as follows:

Construction in progress related to waterline rehabilitation, Phase 2, wastewater treatment plant rehabilitation and waterline modifications	\$ 997,364
Facilities for Clayton's Park East, Section 2	35
Total additions to capital assets	\$ 997,399

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2018, are summarized as follows.

**Trail of the Lakes Municipal Utility District
Management's Discussion and Analysis (Continued)
September 30, 2018**

Long-term debt payable, beginning of year	\$	25,965,761
Increases in long-term debt		7,406,711
Decreases in long-term debt		<u>(3,811,723)</u>
 Long-term debt payable, end of year	 \$	 <u>29,560,749</u>

At September 30, 2018, the District had \$19,765,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$1,895,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving park and recreation facilities within the District.

The District's bonds carry an underlying rating of "A-" from Standard & Poor's. The District's Series 2008, 2009, 2011, 2012 refunding and 2018 park bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The District's Series 2013 refunding, 2016A, 2016 refunding and 2017 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

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 City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth as follows.

Strategic Partnership Agreement

Effective June 8, 2015, the District entered into a Strategic Partnership Agreement with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years.

Trail of the Lakes Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	\$ 289,081	\$ 36,432	\$ 356,466	\$ 4,799,855	\$ 5,481,834	\$ -	\$ 5,481,834
Certificates of deposit	731,035	-	1,818,429	-	2,549,464	-	2,549,464
Short-term investments	1,348,263	-	414,545	1,545,796	3,308,604	-	3,308,604
Receivables:							
Property taxes	630,635	-	2,755,075	-	3,385,710	-	3,385,710
Service accounts	239,413	-	-	-	239,413	-	239,413
Accrued penalty and interest	-	-	-	-	-	32,951	32,951
Accrued interest	5,389	-	9,139	-	14,528	-	14,528
Interfund receivable	40,010	31,690	-	-	71,700	(71,700)	-
Due from participants	-	49,408	-	-	49,408	-	49,408
Tax rebates	26,120	-	-	-	26,120	16,562	42,682
Due from others	875	-	-	-	875	-	875
Prepaid expenditures	108,486	-	-	-	108,486	-	108,486
Capital assets (net of accumulated depreciation):							
Land and improvements	-	-	-	-	-	2,447,908	2,447,908
Construction in progress	-	-	-	-	-	1,726,833	1,726,833
Infrastructure	-	-	-	-	-	16,415,481	16,415,481
Total assets	3,419,307	117,530	5,353,654	6,345,651	15,236,142	20,568,035	35,804,177
Deferred Outflows of Resources							
Deferred amount on debt refundings	0	0	0	0	0	432,859	432,859
Total assets and deferred outflows of resources	\$ 3,419,307	\$ 117,530	\$ 5,353,654	\$ 6,345,651	\$ 15,236,142	\$ 21,000,894	\$ 36,237,036

Trail of the Lakes Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
September 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	\$ 158,542	\$ 62,530	\$ 2,217	\$ 22,294	\$ 245,583	\$ -	\$ 245,583
Customer deposits	364,260	-	-	-	364,260	-	364,260
Due to other districts	-	10,000	-	-	10,000	-	10,000
Due to others	657	-	-	-	657	-	657
Interfund payable	31,690	35,000	5,010	-	71,700	(71,700)	-
Retainage payable	-	-	-	129,030	129,030	-	129,030
Long-term liabilities:							
Due within one year	-	-	-	-	-	1,460,000	1,460,000
Due after one year	-	-	-	-	-	28,100,749	28,100,749
Total liabilities	555,149	107,530	7,227	151,324	821,230	29,489,049	30,310,279
Deferred Inflows of Resources							
Deferred property tax revenues	630,869	0	2,756,082	0	3,386,951	(66,353)	3,320,598
Fund Balances/Net Position							
Fund balances:							
Nonspendable, prepaid expenditures	108,486	-	-	-	108,486	(108,486)	-
Restricted:							
Unlimited tax bonds	-	-	2,590,345	-	2,590,345	(2,590,345)	-
Water, sewer, drainage and parks	-	-	-	6,194,327	6,194,327	(6,194,327)	-
Committed, wastewater collection and treatment	-	10,000	-	-	10,000	(10,000)	-
Unassigned	2,124,803	-	-	-	2,124,803	(2,124,803)	-
Total fund balances	2,233,289	10,000	2,590,345	6,194,327	11,027,961	(11,027,961)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 3,419,307	\$ 117,530	\$ 5,353,654	\$ 6,345,651	\$ 15,236,142		
Net position:							
Net investment in capital assets						(2,657,848)	(2,657,848)
Restricted for plant operations						10,000	10,000
Restricted for debt service						2,684,400	2,684,400
Restricted for capital projects						314,507	314,507
Unrestricted						2,255,100	2,255,100
Total net position						\$ 2,606,159	\$ 2,606,159

Trail of the Lakes Municipal Utility District
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended September 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 443,895	\$ -	\$ 2,966,737	\$ -	\$ 3,410,632	\$ 2,028	\$ 3,412,660
Sales tax rebates	106,043	-	-	-	106,043	(54)	105,989
Water service	716,293	-	-	-	716,293	-	716,293
Sewer service	1,173,858	738,002	-	-	1,911,860	(403,392)	1,508,468
Regional water fee	719,434	-	-	-	719,434	-	719,434
Security service	191,002	-	-	-	191,002	-	191,002
Penalty and interest	70,274	-	30,751	-	101,025	3,701	104,726
Tap connection and inspection fees	78,754	-	-	-	78,754	-	78,754
Investment income	32,261	40	31,025	24,820	88,146	-	88,146
Other income	45,878	-	-	-	45,878	-	45,878
Total revenues	3,577,692	738,042	3,028,513	24,820	7,369,067	(397,717)	6,971,350
Expenditures/Expenses							
Service operations:							
Purchased services	403,392	-	-	-	403,392	(403,392)	-
Regional water fee	683,563	-	-	-	683,563	-	683,563
Professional fees	269,654	12,084	12,038	-	293,776	3,480	297,256
Contracted services	768,245	71,359	65,495	-	905,099	64,177	969,276
Solid waste	465,843	1,406	-	-	467,249	-	467,249
Utilities	87,140	118,033	-	-	205,173	-	205,173
Repairs and maintenance	870,127	515,952	-	-	1,386,079	-	1,386,079
Other expenditures	198,358	19,208	6,029	-	223,595	-	223,595
Tap connections	25,938	-	-	-	25,938	-	25,938
Capital outlay	12,433	-	-	2,680,060	2,692,493	(2,692,493)	-
Depreciation	-	-	-	-	-	833,415	833,415
Conveyance of capital assets	-	-	-	-	-	163,762	163,762
Debt service:							
Principal retirement	-	-	2,090,000	-	2,090,000	(2,090,000)	-
Interest and fees	-	-	854,466	-	854,466	(48,682)	805,784
Debt issuance costs	30,417	-	-	403,021	433,438	-	433,438
Total expenditures/expenses	3,815,110	738,042	3,028,028	3,083,081	10,664,261	(4,169,733)	6,494,528
Excess (Deficiency) of Revenues Over Expenditures	(237,418)	0	485	(3,058,261)	(3,295,194)	3,772,016	
Other Financing Sources (Uses)							
Interfund transfers in (out)	170,633	-	-	(170,633)	-	-	
General obligation bonds issued	-	-	-	7,585,000	7,585,000	(7,585,000)	
Discount on debt issued	-	-	-	(178,289)	(178,289)	178,289	
Total other financing sources	170,633	0	0	7,236,078	7,406,711	(7,406,711)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(66,785)	-	485	4,177,817	4,111,517	(4,111,517)	
Change in Net Position						476,822	476,822
Fund Balances/Net Position							
Beginning of year	2,300,074	10,000	2,589,860	2,016,510	6,916,444	-	2,129,337
End of year	\$ 2,233,289	\$ 10,000	\$ 2,590,345	\$ 6,194,327	\$ 11,027,961	\$ 0	\$ 2,606,159

Trail of the Lakes Municipal Utility District

Notes to Financial Statements

September 30, 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Trail of the Lakes Municipal Utility District (the District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective April 22, 1974, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

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, such as the provision of water, wastewater, drainage and other related services. 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 with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Trail of the Lakes Municipal Utility District

Notes to Financial Statements

September 30, 2018

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Special Revenue Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

Trail of the Lakes Municipal Utility District

Notes to Financial Statements

September 30, 2018

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Trail of the Lakes Municipal Utility District

Notes to Financial Statements

September 30, 2018

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2018, include collections during the current period or within 60 days of year-end related to the 2017 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2018, the 2017 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives, as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds 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 debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 20,590,222
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	66,353
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	32,951
Tax rebates that are not receivable in the current period and not reported in the funds.	16,562

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	\$ 432,859
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(29,560,749)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (8,421,802)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 4,111,517
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation, conveyance of capital assets and noncapitalized costs in the current period.	1,627,659
Governmental funds report proceeds of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(5,495,000)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	178,289
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	5,675
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 governmental funds.	<u>48,682</u>
Change in net position of governmental activities.	<u><u>\$ 476,822</u></u>

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At September 30, 2018, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At September 30, 2018, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 3,308,604	\$ 3,308,604	\$ 0	\$ 0	\$ 0

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2018, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at September 30, 2018, as follows.

Carrying value:		
Deposits	\$	8,031,298
Investments		<u>3,308,604</u>
Total	\$	<u><u>11,339,902</u></u>

Included in the following statement of net position captions:

Cash	\$	5,481,834
Certificates of deposit		2,549,464
Short-term investments		<u>3,308,604</u>
Total	\$	<u><u>11,339,902</u></u>

Investment Income

Investment income of \$88,146 for the year ended September 30, 2018, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2018, is presented as follows.

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

Governmental Activities	Balances, Beginning of Year	Additions	Retirements/ Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 2,447,908	\$ -	\$ -	\$ 2,447,908
Construction in progress	1,128,907	997,364	(399,438)	1,726,833
Total capital assets, non-depreciable	<u>3,576,815</u>	<u>997,364</u>	<u>(399,438)</u>	<u>4,174,741</u>
Capital assets, depreciable:				
Water production and distribution facilities	15,110,551	10	69,531	15,180,092
Wastewater collection and treatment facilities	11,916,810	25	166,170	12,083,005
Total capital assets, depreciable	<u>27,027,361</u>	<u>35</u>	<u>235,701</u>	<u>27,263,097</u>
Less accumulated depreciation:				
Water production and distribution facilities	(5,181,218)	(487,035)	-	(5,668,253)
Wastewater collection and treatment facilities	(4,832,983)	(346,380)	-	(5,179,363)
Total accumulated depreciation	<u>(10,014,201)</u>	<u>(833,415)</u>	<u>0</u>	<u>(10,847,616)</u>
Total governmental activities, net	<u>\$ 20,589,975</u>	<u>\$ 163,984</u>	<u>\$ (163,737)</u>	<u>\$ 20,590,222</u>

The District capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

Interest costs capitalized	\$ 38,698
Interest costs charged to expense	<u>805,784</u>
Total interest incurred	<u>\$ 844,482</u>

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2018, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 23,785,000	\$ 7,585,000	\$ 2,090,000	\$ 29,280,000	\$ 1,460,000
Add premiums on bonds	852,855	-	80,298	772,557	-
Less discounts on bonds	338,204	178,289	24,685	491,808	-
	24,299,651	7,406,711	2,145,613	29,560,749	1,460,000
Due to developers	1,666,110	-	1,666,110	-	-
Total governmental activities long-term liabilities	<u>\$ 25,965,761</u>	<u>\$ 7,406,711</u>	<u>\$ 3,811,723</u>	<u>\$ 29,560,749</u>	<u>\$ 1,460,000</u>

General Obligation Bonds

	Series 2008	Series 2009
Amounts outstanding, September 30, 2018	\$625,000	\$1,205,000
Interest rates	3.45% to 4.70%	4.20% to 4.55%
Maturity dates, serially beginning/ending	April 1, 2019/2022	April 1, 2019/2022
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	April 1, 2018	April 1, 2019
	Series 2011	Refunding Series 2012
Amounts outstanding, September 30, 2018	\$3,760,000	\$2,060,000
Interest rates	2.00% to 4.00%	2.50% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2019/2031	April 1, 2019/2025
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	April 1, 2021	April 1, 2022

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

	Refunding Series 2013	Series 2016A
Amounts outstanding, September 30, 2018	\$1,325,000	\$7,665,000
Interest rates	2.00% to 3.50%	2.00% to 3.25%
Maturity dates, serially beginning/ending	April 1, 2019/2025	April 1, 2019/2037
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	April 1, 2022	April 1, 2023
	Refunding Series 2016	Series 2017
Amounts outstanding, September 30, 2018	\$5,055,000	\$2,480,000
Interest rates	4.00% to 5.00%	2.05% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2019/2028	April 1, 2019/2043
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	April 1, 2023	April 1, 2025
		Series 2018 Park
Amount outstanding, September 30, 2018		\$5,105,000
Interest rates		2.00% to 4.00%
Maturity dates, serially beginning/ending		April 1, 2020/2044
Interest payment dates		April 1/October 1
Callable date*		April 1, 2025

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The District has been paying the amount due October 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2018.

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

Year	Principal	Interest	Total
2019	\$ 1,460,000	\$ 996,582	\$ 2,456,582
2020	1,650,000	930,223	2,580,223
2021	1,725,000	871,867	2,596,867
2022	1,830,000	808,667	2,638,667
2023	1,930,000	739,095	2,669,095
2024-2028	9,250,000	2,674,730	11,924,730
2029-2033	4,760,000	1,489,547	6,249,547
2034-2038	4,055,000	777,276	4,832,276
2039-2043	2,270,000	274,283	2,544,283
2044	350,000	6,343	356,343
Total	<u>\$ 29,280,000</u>	<u>\$ 9,568,613</u>	<u>\$ 38,848,613</u>

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

Tax bonds voted	\$ 66,320,000
Tax bonds sold	46,555,000
Tax refunding bonds voted	14,500,000
Park and recreation bonds voted	7,000,000
Park and recreation bonds sold	5,105,000
Park and recreation refunding bonds voted	7,000,000

In a prior year, the District defeased certain bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the unpaid defeased bonds is not included in the District's financial statements. As of September 30, 2018, the outstanding balances of the defeased debt were \$2,440,000.

Note 5: Significant Bond Resolutions and Commission Requirements

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2018, the District levied an ad valorem debt service tax at the rate of \$0.5600 per \$100 of assessed valuation, which resulted in a tax levy of \$2,694,978, on the taxable valuation of \$481,246,094 for the 2018 tax year. The interest and principal requirements to be paid from the 2018 tax revenues and available resources are \$2,456,582.

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

- B. The Bond Resolutions state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry such insurance. At September 30, 2018, the District had real and personal property and boiler and machinery coverage in the amount of \$19,852,435 each, general liability insurance with an aggregate limit of \$5,000,000 and pollution liability coverage with an aggregate limit of \$5,000,000.

- C. During the current year, the District transferred \$170,633 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held May 9, 2015, voters authorized a maintenance tax not to exceed \$0.70 per \$100 valuation on all property within the District subject to taxation. During the year ended September 30, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.1300 per \$100 of assessed valuation, which resulted in a tax levy of \$625,620, on the taxable valuation of \$481,246,094 for the 2018 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of September 30, 2018, the Authority was billing the District \$2.70 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases.

Note 8: Contracts With Other Districts

On June 27, 2001, the District entered into an agreement with Harris County Municipal Utility District No. 290 (District No. 290) and Harris County Municipal Utility District No. 292 (District No. 292) to construct a regional sewage treatment plant (the Plant) with a capacity of 1,140,000 gallons per day (gpd). On January 29, 2007, the agreement was amended to provide for a 610,000 gpd expansion to the Plant, which has been completed. In addition, each district's

Trail of the Lakes Municipal Utility District
Notes to Financial Statements
September 30, 2018

ownership capacity in the Plant was revised due to the dissolution of District No. 292. Under the terms of the amended agreement, the District owns 52 percent of the current sewage treatment plant capacity of 1,750,000 gpd and District No. 290 owns 48 percent. The District manages and operates the Plant. Participants are billed monthly for fixed costs based on ownership and variable costs based on the ratio of each participant's number of connections to total connections served by the Plant.

Transactions for the current year included in the special revenue fund are presented below:

	The District	District No. 290	Total
Receivable, beginning of year	\$ 31,650	\$ 52,076	\$ 83,726
Billings to participants	403,392	334,610	738,002
Payments by participants	(403,352)	(337,278)	(740,630)
Receivable, end of year	\$ 31,690	\$ 49,408	\$ 81,098

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. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10: Strategic Partnership Agreement

Effective June 8, 2015, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$105,989 in revenue related to the Agreement.

Required Supplementary Information

Trail of the Lakes Municipal Utility District
Budgetary Comparison Schedule – General Fund
Year Ended September 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 420,000	\$ 436,000	\$ 443,895	\$ 7,895
Sales tax rebates	90,000	90,000	106,043	16,043
Water service	820,000	765,000	716,293	(48,707)
Sewer service	1,100,000	1,100,000	1,173,858	73,858
Regional water fee	590,000	650,000	719,434	69,434
Security service	188,400	188,400	191,002	2,602
Penalty and interest	73,000	60,000	70,274	10,274
Tap connection and inspection fees	81,000	81,000	78,754	(2,246)
Investment income	10,000	15,000	32,261	17,261
Other income	-	-	45,878	45,878
Total revenues	<u>3,372,400</u>	<u>3,385,400</u>	<u>3,577,692</u>	<u>192,292</u>
Expenditures				
Service operations:				
Purchased services	381,316	381,316	403,392	(22,076)
Regional water fee	570,000	605,000	683,563	(78,563)
Professional fees	176,000	176,000	269,654	(93,654)
Contracted services	705,000	705,000	768,245	(63,245)
Solid waste	455,000	455,000	465,843	(10,843)
Utilities	88,000	88,000	87,140	860
Repairs and maintenance	541,940	553,606	870,127	(316,521)
Other expenditures	211,400	223,400	198,358	25,042
Tap connections	25,000	25,000	25,938	(938)
Capital outlay	-	-	12,433	(12,433)
Debt service, debt issuance costs	-	-	30,417	(30,417)
Total expenditures	<u>3,153,656</u>	<u>3,212,322</u>	<u>3,815,110</u>	<u>(602,788)</u>
Excess (Deficiency) of Revenues Over Expenditures	218,744	173,078	(237,418)	(410,496)
Other Financing Sources				
Interfund transfers in	-	-	170,633	170,633
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	218,744	173,078	(66,785)	(239,863)
Fund Balance, Beginning of Year	<u>2,300,074</u>	<u>2,300,074</u>	<u>2,300,074</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,518,818</u>	<u>\$ 2,473,152</u>	<u>\$ 2,233,289</u>	<u>\$ (239,863)</u>

Trail of the Lakes Municipal Utility District
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended September 30, 2018

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sewer service	\$ 733,300	\$ 738,002	\$ 4,702
Investment income	-	40	40
Total revenues	733,300	738,042	4,742
Expenditures			
Service operations:			
Professional fees	10,900	12,084	(1,184)
Contracted services	68,100	71,359	(3,259)
Solid waste	-	1,406	(1,406)
Utilities	126,600	118,033	8,567
Repairs and maintenance	508,000	515,952	(7,952)
Other expenditures	19,700	19,208	492
Total expenditures	733,300	738,042	(4,742)
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	10,000	10,000	-
Fund Balance, End of Year	\$ 10,000	\$ 10,000	\$ 0

Trail of the Lakes Municipal Utility District
Notes to Required Supplementary Information
September 30, 2018

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general and special revenue funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended and the special revenue fund budget was not amended during fiscal 2018.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules - General Fund and Special Revenue Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Trail of the Lakes Municipal Utility District
Other Schedules Included Within This Report
September 30, 2018

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Trail of the Lakes Municipal Utility District

Schedule of Services and Rates

Year Ended September 30, 2018

1. Services provided by the District:

<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 checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" 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):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 16.00	8,000	N	\$ 1.00	8,001 to 12,000
				\$ 1.25	12,001 to 16,000
				\$ 1.50	16,001 to 25,000
				\$ 2.00	25,001 to No Limit
Wastewater:	\$ 34.00	0	Y		
Security:	\$ 5.00				
Regional water fee:	\$ 2.97	1	N	\$ 2.97	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

Total charges per 10,000 gallons usage (including fees): Water \$ 52.70 Wastewater \$ 34.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	2,813	2,782	x1.0	2,782
1"	17	17	x2.5	43
1 1/2"	6	6	x5.0	30
2"	30	30	x8.0	240
3"	2	2	x15.0	30
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	1	1	x80.0	80
10"	1	1	x115.0	115
Total water	2,871	2,840		3,345
Total wastewater	2,831	2,800	x1.0	2,800

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	257,613
Gallons billed to customers:	247,033
Water accountability ratio (gallons billed/gallons pumped):	95.89%

*"ESFC" means equivalent single-family connections

Trail of the Lakes Municipal Utility District
Schedule of General Fund Expenditures
Year Ended September 30, 2018

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	19,800	
Legal		147,143	
Engineering		102,711	
Financial advisor		-	269,654
		<hr/>	
Purchased Services for Resale			
Bulk water and wastewater service purchases			403,392
Regional Water Fee			683,563
Contracted Services			
Bookkeeping		17,132	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		529,379	
Other contracted services		221,734	768,245
		<hr/>	
Utilities			87,140
Repairs and Maintenance			870,127
Administrative Expenditures			
Directors' fees		35,250	
Office supplies		74,958	
Insurance		17,480	
Other administrative expenditures		70,670	198,358
		<hr/>	
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		12,433	12,433
		<hr/>	
Tap Connection Expenditures			25,938
Solid Waste Disposal			465,843
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			30,417
			<hr/>
Total expenditures			<u>\$ 3,815,110</u>

Trail of the Lakes Municipal Utility District
Schedule of Temporary Investments
September 30, 2018

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 1852001723	1.00%	10/25/18	\$ 246,941	\$ 2,300
No. 8044500	2.00%	05/26/19	244,094	2,100
No. 51202954	2.35%	07/28/19	240,000	989
TexPool	2.12%	Demand	<u>1,348,263</u>	<u>-</u>
			<u>2,079,298</u>	<u>5,389</u>
Debt Service Fund				
Certificates of Deposit				
No. 0107362811	1.87%	03/16/19	246,144	2,497
No. 1002672690	1.00%	03/20/19	240,000	1,276
No. 31160028411	1.25%	03/15/19	244,183	1,664
No. 12485	1.25%	03/20/19	244,858	1,627
No. 36127100	2.28%	06/30/19	240,000	1,373
No. 3300041514	2.40%	09/12/19	240,000	284
No. 520858	2.40%	10/12/19	123,244	146
No. 66000133	2.30%	09/12/19	240,000	272
TexPool	2.12%	Demand	<u>414,545</u>	<u>-</u>
			<u>2,232,974</u>	<u>9,139</u>
Capital Projects Fund				
TexPool	2.12%	Demand	<u>1,545,796</u>	<u>0</u>
Totals			<u><u>\$ 5,858,068</u></u>	<u><u>\$ 14,528</u></u>

Trail of the Lakes Municipal Utility District
Analysis of Taxes Levied and Receivable
Year Ended September 30, 2018

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 413,864	\$ 2,793,895
Additions and corrections to prior years' taxes	35,280	233,947
Adjusted receivable, beginning of year	<u>449,144</u>	<u>3,027,842</u>
 2018 Original Tax Levy	 625,620	 2,694,978
Additions and corrections	-	-
Adjusted tax levy	<u>625,620</u>	<u>2,694,978</u>
 Tax collections:		
Current year	(234)	(1,008)
Prior years	<u>(443,895)</u>	<u>(2,966,737)</u>
Receivable, end of year	<u>\$ 630,635</u>	<u>\$ 2,755,075</u>
 Receivable, by Years		
2018	\$ 625,386	\$ 2,693,971
2017	4,346	28,974
2016	680	6,025
2015	223	4,969
2014	-	3,938
2013	-	2,237
2012	-	1,737
2011	-	1,863
2010	-	1,905
2009	-	2,197
2008	-	2,428
2007	-	2,170
2006	-	886
2005	-	985
2004	-	790
Receivable, end of year	<u>\$ 630,635</u>	<u>\$ 2,755,075</u>

Trail of the Lakes Municipal Utility District
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations				
Land	\$ 61,926,662	\$ 70,276,860	\$ 67,992,583	\$ 65,826,166
Improvements	421,651,860	449,926,737	409,574,476	377,423,709
Personal property	11,328,917	13,213,986	13,565,626	12,475,382
Exemptions	<u>(13,661,345)</u>	<u>(39,200,108)</u>	<u>(40,653,222)</u>	<u>(52,352,429)</u>
Total property valuations	<u>\$ 481,246,094</u>	<u>\$ 494,217,475</u>	<u>\$ 450,479,463</u>	<u>\$ 403,372,828</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.5600	\$ 0.6000	\$ 0.6200	\$ 0.6700
Maintenance tax rates*	<u>0.1300</u>	<u>0.0900</u>	<u>0.0700</u>	<u>0.0300</u>
Total tax rates per \$100 valuation	<u>\$ 0.6900</u>	<u>\$ 0.6900</u>	<u>\$ 0.6900</u>	<u>\$ 0.7000</u>
Tax Levy	<u>\$ 3,320,598</u>	<u>\$ 3,410,101</u>	<u>\$ 3,108,309</u>	<u>\$ 2,823,611</u>
Percent of Taxes Collected to Taxes Levied**				
	<u>1%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$0.70 on May 9, 2015

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

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2008		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ 145,000	\$ 21,214	\$ 166,214
2020	150,000	15,683	165,683
2021	160,000	9,750	169,750
2022	170,000	3,315	173,315
Totals	<u>\$ 625,000</u>	<u>\$ 49,962</u>	<u>\$ 674,962</u>

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2009		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ 275,000	\$ 47,023	\$ 322,023
2020	290,000	34,745	324,745
2021	310,000	21,835	331,835
2022	330,000	7,508	337,508
Totals	<u>\$ 1,205,000</u>	<u>\$ 111,111</u>	<u>\$ 1,316,111</u>

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2011		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ 205,000	\$ 132,825	\$ 337,825
2020	220,000	126,450	346,450
2021	230,000	119,700	349,700
2022	240,000	112,650	352,650
2023	255,000	104,588	359,588
2024	270,000	95,400	365,400
2025	285,000	85,688	370,688
2026	300,000	75,450	375,450
2027	315,000	63,900	378,900
2028	330,000	51,000	381,000
2029	350,000	37,400	387,400
2030	370,000	23,000	393,000
2031	390,000	7,800	397,800
Totals	<u>\$ 3,760,000</u>	<u>\$ 1,035,851</u>	<u>\$ 4,795,851</u>

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Refunding Series 2012		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ 255,000	\$ 71,875	\$ 326,875
2020	265,000	63,413	328,413
2021	275,000	53,963	328,963
2022	290,000	44,075	334,075
2023	310,000	32,800	342,800
2024	325,000	20,100	345,100
2025	340,000	6,800	346,800
Totals	<u>\$ 2,060,000</u>	<u>\$ 293,026</u>	<u>\$ 2,353,026</u>

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Refunding Series 2013		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ 165,000	\$ 40,013	\$ 205,013
2020	175,000	35,763	210,763
2021	180,000	30,875	210,875
2022	190,000	24,850	214,850
2023	195,000	18,113	213,113
2024	205,000	11,113	216,113
2025	215,000	3,763	218,763
Totals	\$ 1,325,000	\$ 164,490	\$ 1,489,490

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2016A		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ 245,000	\$ 207,969	\$ 452,969
2020	260,000	202,919	462,919
2021	270,000	197,619	467,619
2022	285,000	192,069	477,069
2023	300,000	186,219	486,219
2024	315,000	180,069	495,069
2025	335,000	173,569	508,569
2026	350,000	166,280	516,280
2027	370,000	157,719	527,719
2028	390,000	147,244	537,244
2029	410,000	135,244	545,244
2030	430,000	122,644	552,644
2031	450,000	109,444	559,444
2032	475,000	95,568	570,568
2033	500,000	80,944	580,944
2034	525,000	65,240	590,240
2035	555,000	48,018	603,018
2036	585,000	29,494	614,494
2037	615,000	9,994	624,994
Totals	\$ 7,665,000	\$ 2,508,266	\$ 10,173,266

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Refunding Series 2016		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ 120,000	\$ 211,400	\$ 331,400
2020	130,000	205,150	335,150
2021	135,000	198,525	333,525
2022	150,000	191,400	341,400
2023	685,000	170,525	855,525
2024	725,000	138,900	863,900
2025	770,000	109,000	879,000
2026	805,000	77,500	882,500
2027	850,000	44,400	894,400
2028	685,000	13,700	698,700
Totals	<u>\$ 5,055,000</u>	<u>\$ 1,360,500</u>	<u>\$ 6,415,500</u>

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2017		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ 50,000	\$ 82,750	\$ 132,750
2020	55,000	80,650	135,650
2021	55,000	78,450	133,450
2022	60,000	76,150	136,150
2023	60,000	73,750	133,750
2024	65,000	71,250	136,250
2025	70,000	68,550	138,550
2026	70,000	66,275	136,275
2027	75,000	64,416	139,416
2028	80,000	62,231	142,231
2029	85,000	59,756	144,756
2030	90,000	57,131	147,131
2031	95,000	54,297	149,297
2032	100,000	51,250	151,250
2033	100,000	48,125	148,125
2034	110,000	44,775	154,775
2035	115,000	41,119	156,119
2036	120,000	37,225	157,225
2037	125,000	33,091	158,091
2038	130,000	28,788	158,788
2039	140,000	24,231	164,231
2040	145,000	19,422	164,422
2041	155,000	14,262	169,262
2042	160,000	8,750	168,750
2043	170,000	2,975	172,975
Totals	<u>\$ 2,480,000</u>	<u>\$ 1,249,669</u>	<u>\$ 3,729,669</u>

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Series 2018 Park		
	Principal Due April 1	Interest Due April 1, October 1	Total
2019	\$ -	\$ 181,513	\$ 181,513
2020	105,000	165,450	270,450
2021	110,000	161,150	271,150
2022	115,000	156,650	271,650
2023	125,000	153,100	278,100
2024	130,000	150,550	280,550
2025	135,000	147,731	282,731
2026	140,000	144,463	284,463
2027	150,000	140,838	290,838
2028	155,000	136,831	291,831
2029	165,000	132,225	297,225
2030	175,000	127,125	302,125
2031	185,000	121,725	306,725
2032	190,000	115,981	305,981
2033	200,000	109,888	309,888
2034	210,000	103,350	313,350
2035	225,000	96,281	321,281
2036	235,000	88,513	323,513
2037	245,000	80,113	325,113
2038	260,000	71,275	331,275
2039	270,000	62,000	332,000
2040	285,000	52,109	337,109
2041	300,000	41,506	341,506
2042	315,000	30,359	345,359
2043	330,000	18,669	348,669
2044	350,000	6,343	356,343
Totals	<u>\$ 5,105,000</u>	<u>\$ 2,795,738</u>	<u>\$ 7,900,738</u>

The District pays the amount due October 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Trail of the Lakes Municipal Utility District
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2018

Due During Fiscal Years Ending September 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,460,000	\$ 996,582	\$ 2,456,582
2020	1,650,000	930,223	2,580,223
2021	1,725,000	871,867	2,596,867
2022	1,830,000	808,667	2,638,667
2023	1,930,000	739,095	2,669,095
2024	2,035,000	667,382	2,702,382
2025	2,150,000	595,101	2,745,101
2026	1,665,000	529,968	2,194,968
2027	1,760,000	471,273	2,231,273
2028	1,640,000	411,006	2,051,006
2029	1,010,000	364,625	1,374,625
2030	1,065,000	329,900	1,394,900
2031	1,120,000	293,266	1,413,266
2032	765,000	262,799	1,027,799
2033	800,000	238,957	1,038,957
2034	845,000	213,365	1,058,365
2035	895,000	185,418	1,080,418
2036	940,000	155,232	1,095,232
2037	985,000	123,198	1,108,198
2038	390,000	100,063	490,063
2039	410,000	86,231	496,231
2040	430,000	71,531	501,531
2041	455,000	55,768	510,768
2042	475,000	39,109	514,109
2043	500,000	21,644	521,644
2044	350,000	6,343	356,343
Totals	<u>\$ 29,280,000</u>	<u>\$ 9,568,613</u>	<u>\$ 38,848,613</u>

Trail of the Lakes Municipal Utility District
Changes in Long-term Bonded Debt
Year Ended September 30, 2018

	Bond			
	Refunding Series 2007	Series 2008	Series 2009	Series 2011
Interest rates	4.00%	3.45% to 4.70%	4.20% to 4.55%	2.00% to 4.00%
Dates interest payable	April 1 / October 1	April 1 / October 1	April 1 / October 1	April 1 / October 1
Maturity dates		April 1, 2019/2022	April 1, 2019/2022	April 1, 2019/2031
Bonds outstanding, beginning of current year	\$ 585,000	\$ 760,000	\$ 1,465,000	\$ 3,955,000
Bonds sold during current year	-	-	-	-
Retirements, principal	585,000	135,000	260,000	195,000
Bonds outstanding, end of current year	\$ -	\$ 625,000	\$ 1,205,000	\$ 3,760,000
Interest paid during current year	\$ 11,700	\$ 26,464	\$ 59,060	\$ 138,825

Paying agent's name and address:

Series 2007	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2008	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2009	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2011	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2012	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2013	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2016A	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2016	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2018	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Park and Recreation Bonds	Tax Refunding Bonds	Park and Recreation Refunding Bonds
Amount authorized by voters	\$ 66,320,000	\$ 7,000,000	\$ 14,500,000	\$ 7,000,000
Authorization used	\$ 46,555,000	\$ 5,105,000	\$ -	\$ -
Remaining authorization to be issued	\$ 19,765,000	\$ 1,895,000	\$ 14,500,000	\$ 7,000,000

Debt service fund cash and temporary investment balances as of September 30, 2018: \$ 2,589,440

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,494,177

Issues

Refunding Series 2012	Refunding Series 2013	Series 2016A	Refunding Series 2016	Series 2017	Series 2018 Park	Totals
2.50% to 4.00%	2.00% to 3.50%	2.00% to 3.25%	4.00% to 5.00%	2.05% to 4.00%	2.00% to 4.00%	
April 1 / October 1	April 1 / October 1	April 1 / October 1	April 1 / October 1	April 1 / October 1	April 1 / October 1	
April 1, 2019/2025	April 1, 2019/2025	April 1, 2019/2037	April 1, 2019/2028	April 1, 2019/2043	April 1, 2020/2044	
\$ 2,465,000	\$ 1,485,000	\$ 7,900,000	\$ 5,170,000	\$ -	\$ -	\$ 23,785,000
-	-	-	-	2,480,000	5,105,000	7,585,000
405,000	160,000	235,000	115,000	-	-	2,090,000
<u>\$ 2,060,000</u>	<u>\$ 1,325,000</u>	<u>\$ 7,665,000</u>	<u>\$ 5,055,000</u>	<u>\$ 2,480,000</u>	<u>\$ 5,105,000</u>	<u>\$ 29,280,000</u>
<u>\$ 81,775</u>	<u>\$ 43,675</u>	<u>\$ 212,769</u>	<u>\$ 217,275</u>	<u>\$ 76,771</u>	<u>\$ -</u>	<u>\$ 868,314</u>

Trail of the Lakes Municipal Utility District
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2018	2017	2016	2015	2014
General Fund					
Revenues					
Property taxes	\$ 443,895	\$ 312,057	\$ 120,391	\$ -	\$ -
Sales tax rebates	106,043	85,036	102,160	-	-
Water service	716,293	695,145	677,186	660,039	626,279
Sewer service	1,173,858	1,132,281	1,137,856	936,767	623,854
Regional water fee	719,434	636,892	554,698	505,203	452,369
Garbage service	-	-	-	140,585	430,602
Security service	191,002	189,764	247,130	259,786	-
Penalty and interest	70,274	63,755	70,084	76,657	64,722
Tap connection and inspection fees	78,754	84,243	117,684	179,201	89,300
Investment income	32,261	8,884	5,715	5,307	5,663
Other income	45,878	40,856	59,695	43,497	37,638
Total revenues	<u>3,577,692</u>	<u>3,248,913</u>	<u>3,092,599</u>	<u>2,807,042</u>	<u>2,330,427</u>
Expenditures					
Service operations:					
Purchased services	403,392	344,102	312,157	589,650	331,234
Regional water fee	683,563	604,181	515,739	474,920	430,960
Professional fees	269,654	243,065	160,359	219,422	153,187
Contracted services	768,245	642,193	537,840	453,664	194,780
Solid waste	465,843	451,450	447,428	407,125	426,930
Utilities	87,140	85,237	82,315	89,436	80,043
Repairs and maintenance	870,127	462,250	450,187	405,044	461,365
Other expenditures	198,358	155,507	161,432	174,904	136,326
Tap connections	25,938	24,644	45,345	56,203	28,960
Capital outlay	12,433	-	107,026	7,476	-
Debt service, debt issuance costs	30,417	25,951	-	-	-
Total expenditures	<u>3,815,110</u>	<u>3,038,580</u>	<u>2,819,828</u>	<u>2,877,844</u>	<u>2,243,785</u>
Excess (Deficiency) of Revenues Over Expenditures	(237,418)	210,333	272,771	(70,802)	86,642
Other Financing Sources					
Interfund transfers in	170,633	-	249,976	-	-
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	(66,785)	210,333	522,747	(70,802)	86,642
Fund Balance, Beginning of Year	2,300,074	2,089,741	1,566,994	1,637,796	1,551,154
Fund Balance, End of Year	<u>\$ 2,233,289</u>	<u>\$ 2,300,074</u>	<u>\$ 2,089,741</u>	<u>\$ 1,566,994</u>	<u>\$ 1,637,796</u>
Total Active Retail Water Connections	<u>2,840</u>	<u>2,782</u>	<u>2,708</u>	<u>2,602</u>	<u>2,509</u>
Total Active Retail Wastewater Connections	<u>2,800</u>	<u>2,743</u>	<u>2,671</u>	<u>2,568</u>	<u>2,477</u>

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
12.4 %	9.6 %	3.9 %	- %	- %
3.0	2.6	3.3	-	-
20.0	21.4	21.9	23.5	26.9
32.8	34.8	36.8	33.4	26.8
20.1	19.6	17.9	18.0	19.4
-	-	-	5.0	18.5
5.3	5.8	8.0	9.3	-
2.0	2.0	2.3	2.7	2.8
2.2	2.6	3.8	6.4	3.8
0.9	0.3	0.2	0.2	0.2
1.3	1.3	1.9	1.5	1.6
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
11.3	10.6	10.1	21.0	14.2
19.1	18.6	16.7	16.9	18.5
7.5	7.5	5.2	7.8	6.6
21.5	19.8	17.4	16.2	8.4
13.0	13.9	14.5	14.5	18.3
2.4	2.6	2.7	3.2	3.4
24.3	14.2	14.6	14.4	19.8
5.5	4.8	5.2	6.2	5.9
0.7	0.8	1.4	2.0	1.2
0.4	-	3.4	0.3	-
0.9	0.8	-	-	-
<u>106.6</u>	<u>93.6</u>	<u>91.2</u>	<u>102.5</u>	<u>96.3</u>
<u>(6.6) %</u>	<u>6.4 %</u>	<u>8.8 %</u>	<u>(2.5) %</u>	<u>3.7 %</u>

Trail of the Lakes Municipal Utility District
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2018	2017	2016	2015	2014
Debt Service Fund					
Revenues					
Property taxes	\$ 2,966,737	\$ 2,773,630	\$ 2,708,790	\$ 2,435,414	\$ 2,139,330
Penalty and interest	30,751	28,413	27,987	23,498	21,469
Investment income	31,025	14,057	11,215	10,418	11,331
Total revenues	<u>3,028,513</u>	<u>2,816,100</u>	<u>2,747,992</u>	<u>2,469,330</u>	<u>2,172,130</u>
Expenditures					
Current:					
Professional fees	12,038	7,464	6,934	5,228	5,457
Contracted services	65,495	59,457	56,240	53,234	47,507
Other expenditures	6,029	11,131	4,307	3,722	7,346
Debt service:					
Principal retirement	2,090,000	1,830,000	1,625,000	1,490,000	1,590,000
Interest and fees	854,466	861,846	832,006	908,791	812,100
Debt issuance costs	-	-	242,729	-	-
Total expenditures	<u>3,028,028</u>	<u>2,769,898</u>	<u>2,767,216</u>	<u>2,460,975</u>	<u>2,462,410</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>485</u>	<u>46,202</u>	<u>(19,224)</u>	<u>8,355</u>	<u>(290,280)</u>
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	5,210,000	-	-
Premium on debt issued	-	-	632,264	-	-
Payments to escrow agent	-	-	(5,603,910)	-	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>238,354</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	485	46,202	219,130	8,355	(290,280)
Fund Balance, Beginning of Year	<u>2,589,860</u>	<u>2,543,658</u>	<u>2,324,528</u>	<u>2,316,173</u>	<u>2,606,453</u>
Fund Balance, End of Year	<u><u>\$ 2,590,345</u></u>	<u><u>\$ 2,589,860</u></u>	<u><u>\$ 2,543,658</u></u>	<u><u>\$ 2,324,528</u></u>	<u><u>\$ 2,316,173</u></u>

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
98.0 %	98.5 %	98.6 %	98.6 %	98.5 %
1.0	1.0	1.0	1.0	1.0
1.0	0.5	0.4	0.4	0.5
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.4	0.3	0.3	0.2	0.3
2.2	2.0	2.1	2.2	2.2
0.2	0.4	0.2	0.2	0.3
69.0	65.0	59.1	60.3	73.2
28.2	30.6	30.2	36.8	37.4
-	-	8.8	-	-
<u>100.0</u>	<u>98.3</u>	<u>100.7</u>	<u>99.7</u>	<u>113.4</u>
<u><u>0.0 %</u></u>	<u><u>1.7 %</u></u>	<u><u>(0.7) %</u></u>	<u><u>0.3 %</u></u>	<u><u>(13.4) %</u></u>

**Trail of the Lakes Municipal Utility District
Board Members, Key Personnel and Consultants
Year Ended September 30, 2018**

Complete District mailing address:	Trail of the Lakes Municipal Utility District c/o Radcliffe Bobbitt Adams Polley PLLC 2929 Allen Parkway, Suite 3450 Houston, Texas 77019-7120
District business telephone number:	713.237.1221
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	October 31, 2017
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Jeff Campbell	Elected 05/15- 05/19	\$ 7,200	\$ 7,287	President
Jo A. Smith	Elected 05/17- 05/21	7,200	6,065	Vice President
Virginia Elkins	Elected 05/17- 05/21	7,200	2,545	Secretary
Crystal Kirby	Elected 05/17- 05/21	6,600	5,398	Assistant Secretary
Ileta K. Pendleton	Appointed 10/17- 05/19	7,050	4,752	Director
William Sheppard	Appointed 11/16- 10/17	0	0	Resigned

*Fees are the amounts actually paid to a director during the District's fiscal year.

Trail of the Lakes Municipal Utility District
Board Members, Key Personnel and Consultants (Continued)
Year Ended September 30, 2018

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BGE, Inc.	03/18/75	\$ 296,967	Engineer
BKD, LLP	07/25/84	34,750	Auditor
Harris County Appraisal District	Legislative Action	25,564	Appraiser
Bob Leared Interests	10/30/78	49,835	Tax Assessor/ Collector
Myrtle Cruz, Inc.	10/16/95	29,040	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/03/82	12,038	Delinquent Tax Attorney
RBC Capital Markets, LLC	06/30/03	155,450	Financial Advisor
Radcliffe Bobbitt Adams Polley PLLC	03/27/12	313,458	Attorney
Si Environmental, LLC	06/15/12	1,128,196	Operator
Investment Officer			
Mary Jarmon	06/02/03	N/A	Bookkeeper