

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2018**



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**ANNUAL FINANCIAL REPORT**  
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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Montgomery County Utility District No. 4  
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Utility District No. 4 (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

April 25, 2019



**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management's discussion and analysis of Montgomery County Utility District No. 4's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's assets exceeded liabilities and deferred inflows of resources by \$7,720,797 as of December 31, 2018. A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services. The following is a comparative analysis of government-wide changes in net position:

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 9,680,574	\$ 10,463,124	\$ (782,550)
Capital Assets (Net of Accumulated Depreciation)	10,525,064	10,330,882	194,182
Total Assets	\$ 20,205,638	\$ 20,794,006	\$ (588,368)
Long-Term Liabilities	\$ 10,938,853	\$ 11,414,044	\$ 475,191
Other Liabilities	1,176,912	984,014	(192,898)
Total Liabilities	\$ 12,115,765	\$ 12,398,058	\$ 282,293
Deferred Inflows of Resources	\$ 369,076	\$ 368,407	\$ (669)
Net Position:			
Net Investment in Capital Assets	\$ 4,640,907	\$ 4,626,129	\$ 14,778
Restricted	(92,623)	(102,103)	9,480
Unrestricted	3,172,513	3,503,515	(331,002)
Total Net Position	\$ 7,720,797	\$ 8,027,541	\$ (306,744)

The following table provides a summary of the District's operations for the years ending December 31, 2018 and December 31, 2017. The District's net position decreased by \$306,744.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 367,577	\$ 352,302	\$ 15,275
Charges for Services	1,174,071	1,154,309	19,762
Other Revenues	969,340	1,598,840	(629,500)
Total Revenues	\$ 2,510,988	\$ 3,105,451	\$ (594,463)
Expenses for Services	2,817,732	2,527,810	(289,922)
Change in Net Position	\$ (306,744)	\$ 577,641	\$ (884,385)
Net Position, Beginning of Year	8,027,541	7,449,900	577,641
Net Position, End of Year	\$ 7,720,797	\$ 8,027,541	\$ (306,744)

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The District's combined fund balances as of December 31, 2018, were \$8,874,172, a decrease of \$697,009 from the prior year.

The General Fund fund balance decreased by \$71,010, primarily due to a transfer of funds to the Debt Service Fund for debt payments.

The Debt Service Fund fund balance increased by \$3,596, primarily due to the structure of the District's outstanding debt and a transfer of funds from the General Fund for debt service payments.

The Capital Projects Fund fund balance decreased by \$629,595, primarily due to proceeds from bonds issued in previous years being expended on capital projects and a transfer of funds to the General Fund to reimburse prior year's construction costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the General Fund budget during the fiscal year. Actual revenues were \$100,549 more than budgeted revenues primarily due to higher than anticipated revenues across all categories except tap connection and inspection fees. Actual expenditures were \$11,596 less than budgeted expenditures primarily due to lower than anticipated costs across most categories with the exception of contracted services, utilities costs and repairs and maintenance costs.

**CAPITAL ASSETS**

Capital assets as of December 31, 2018, total \$10,525,064 (net of accumulated depreciation) and include land, as well as the water and wastewater systems. Significant capital asset activity completed during the current fiscal year included the water well no.1 emergency generator, drainage hotspots repair, puplex pump control for drainage rehabilitation and lift pump replacement.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 134,299	\$ 134,299	\$
Construction in Progress	74,696	448,726	(374,030)
Capital Assets, Net of Accumulated Depreciation:			
Water System	3,774,275	3,362,537	411,738
Wastewater System	6,541,794	6,385,320	156,474
Total Net Capital Assets	\$ 10,525,064	\$ 10,330,882	\$ 194,182

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**LONG-TERM DEBT ACTIVITY**

At year-end, the District had total bond debt payable of \$11,410,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bond Debt Payable, January 1, 2018	\$ 11,860,000
Less: Bond Principal Paid	<u>450,000</u>
Bond Debt Payable, December 31, 2018	<u>\$ 11,410,000</u>

The District has an underlying rating of "A+". The Series 2011 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2014 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Utility District No. 4, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, TX 77046.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 59,452	\$ 159,294
Investments	3,380,090	25,686
Receivables:		
Property Taxes	219,385	25,546
Penalty and Interest on Delinquent Taxes		
Service Accounts	109,648	
Accrued Interest	18,522	
Other	98,195	
Due from Other Funds	173,815	
Prepaid Costs	9,528	
Advance for Joint Wastewater Treatment		
Plant Operations	20,000	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 4,088,635</b>	<b>\$ 210,526</b>

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



<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,960,601	\$ 3,179,347	\$	\$ 3,179,347
2,587,775	5,993,551		5,993,551
	244,931		244,931
		6,852	6,852
	109,648		109,648
	18,522		18,522
	98,195		98,195
	173,815	(173,815)	
	9,528		9,528
	20,000		20,000
		134,299	134,299
		74,696	74,696
		<u>10,316,069</u>	<u>10,316,069</u>
<u>\$ 5,548,376</u>	<u>\$ 9,847,537</u>	<u>\$ 10,358,101</u>	<u>\$ 20,205,638</u>

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

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 138,512	\$
Accrued Interest Payable		
Annexation Deposits	16,636	
Due to Other Funds		161,735
Security Deposits	132,430	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 287,578	\$ 161,735
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 412,054	\$ 25,546
Standby Fees	67,772	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	\$ 479,826	\$ 25,546
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 9,528	\$
Joint Wastewater Treatment Plant		
Operating Advance	20,000	
Restricted for Authorized Construction		
Restricted for Debt Service		23,245
Assigned to 2019 Budget Deficit	25,000	
Unassigned	3,266,703	
<b>TOTAL FUND BALANCES</b>	\$ 3,321,231	\$ 23,245
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 4,088,635	\$ 210,526
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 6,600	\$ 145,112	\$ 259,468	\$ 404,580
		148,266	148,266
	16,636		16,636
12,080	173,815	(173,815)	
	132,430		132,430
		475,000	475,000
		10,938,853	10,938,853
<u>\$ 18,680</u>	<u>\$ 467,993</u>	<u>\$ 11,647,772</u>	<u>\$ 12,115,765</u>
\$	\$ 437,600	\$ (68,524)	\$ 369,076
	67,772	(67,772)	
<u>\$ -0-</u>	<u>\$ 505,372</u>	<u>\$ (136,296)</u>	<u>\$ 369,076</u>
\$	\$ 9,528	\$ (9,528)	\$
	20,000	(20,000)	
5,529,696	5,529,696	(5,529,696)	
	23,245	(23,245)	
	25,000	(25,000)	
	3,266,703	(3,266,703)	
<u>\$ 5,529,696</u>	<u>\$ 8,874,172</u>	<u>\$ (8,874,172)</u>	<u>\$ - 0 -</u>
<u>\$ 5,548,376</u>	<u>\$ 9,847,537</u>		
		\$ 4,640,907	\$ 4,640,907
		(92,623)	(92,623)
		3,172,513	3,172,513
		<u>\$ 7,720,797</u>	<u>\$ 7,720,797</u>

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

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

Total Fund Balances - Governmental Funds	\$	8,874,172
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		10,525,064
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable for the 2017 and prior tax levies and standby fees became part of recognized revenue in the governmental activities of the District.		143,148
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accounts Payable	\$ (259,468)	
Accrued Interest Payable	(148,266)	
Bonds Payable	<u>(11,413,853)</u>	<u>(11,821,587)</u>
Total Net Position - Governmental Activities		<u>\$ 7,720,797</u>

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

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**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 367,405	\$ 1,850
Water Service	464,821	
Wastewater Service	642,372	
Penalty and Interest	11,316	7,305
Tap Connection and Inspection Fees	48,425	
Investment Revenues	50,434	701
Contract Revenues	785,392	
Miscellaneous Revenues	40,534	
<b>TOTAL REVENUES</b>	<b>\$ 2,410,699</b>	<b>\$ 9,856</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 248,764	\$ 1,085
Contracted Services	383,789	5,127
Purchased Wastewater Service	210,989	
Utilities	16,379	
Repairs and Maintenance	594,420	
Depreciation		
Other	248,181	48
Capital Outlay	134,188	
Debt Service:		
Bond Principal		450,000
Bond Interest		456,685
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 1,836,710</b>	<b>\$ 912,945</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 573,989</b>	<b>\$ (903,089)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	<b>\$ (644,999)</b>	<b>\$ 906,685</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (71,010)</b>	<b>\$ 3,596</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JANUARY 1, 2018</b>	<b>3,392,241</b>	<b>19,649</b>
<b>FUND BALANCES/NET POSITION - DECEMBER 31, 2018</b>	<b>\$ 3,321,231</b>	<b>\$ 23,245</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 369,255	\$ (1,678)	\$ 367,577
	464,821		464,821
	642,372		642,372
	18,621	(168)	18,453
	48,425		48,425
92,998	144,133		144,133
	785,392		785,392
	40,534	(719)	39,815
\$ 92,998	\$ 2,513,553	\$ (2,565)	\$ 2,510,988
\$	\$ 249,849	\$ 18,100	\$ 267,949
	388,916	35,805	424,721
	210,989		210,989
	16,379		16,379
	594,420	197,938	792,358
		400,792	400,792
121	248,350	7,625	255,975
460,786	594,974	(594,974)	
	450,000	(450,000)	
	456,685	(8,116)	448,569
\$ 460,907	\$ 3,210,562	\$ (392,830)	\$ 2,817,732
\$ (367,909)	\$ (697,009)	\$ 390,265	\$ (306,744)
\$ (261,686)	\$ -0-	\$ -0-	\$ -0-
\$ (629,595)	\$ (697,009)	\$ 697,009	\$
		(306,744)	(306,744)
6,159,291	9,571,181	(1,543,640)	8,027,541
\$ 5,529,696	\$ 8,874,172	\$ (1,153,375)	\$ 7,720,797

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

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ (697,009)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(1,678)
Governmental funds report penalty and interest revenue on property taxes and standby fees when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest and standby fees are assessed.	(887)
Governmental funds report expenditures when the related fund liability is recorded. However, in the Statement of Activities, expenses incurred for previous years are recorded when the corresponding liability is accrued.	(259,468)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(400,792)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	594,974
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	450,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	8,116
Change in Net Position - Governmental Activities	<u>\$ (306,744)</u>

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



**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1. CREATION OF DISTRICT**

Montgomery County Utility District No. 4 (the “District”) was created effective May 24, 1971, by an act of the 62<sup>nd</sup> Legislature of the State of Texas, Regular Session, 1971. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on June 6, 1972, and the first bonds were sold on September 7, 1978.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The District has entered into a joint venture with Montgomery County Utility District No. 3 (“District No. 3”) for the construction and operation of joint wastewater treatment facilities. Oversight responsibility of the facilities is by District No. 3. Additional disclosure is provided in Note 8.

Financial Statement Presentation

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

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

The District has three major governmental funds.

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

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include 2017 taxes collected during the period October 1, 2017, to December 31, 2018. In addition, taxes collected from January 1, 2018, to December 31, 2018, for the 2016 and prior tax levies are included in revenue. The 2018 tax levy has been fully deferred to finance the District's 2019 fiscal year operations.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2018, the Debt Service Fund owes the General Fund \$161,735 for maintenance tax collections and the Capital Projects Fund owes the General Fund \$12,080 for engineering costs. During the current fiscal year, the General Fund transferred \$906,685 to the Debt Service Fund for debt service payments and the Capital Projects Fund transferred \$261,686 to the General Fund to reimburse construction costs expended in previous years.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
All Other Equipment	5-20

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be “employees” for Federal payroll tax purposes only.

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. The District’s fund balances are classified using the following hierarchy:

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Measurement Focus (Continued)

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2018, \$25,000 of the General Fund fund balance has been assigned for a projected budget deficit for the year ending December 31, 2019.

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

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

	Series 2011	Series 2014
Amount Outstanding - December 31, 2018	\$4,395,000	\$7,015,000
Interest Rates	3.00% - 5.50%	3.00% - 5.00%
Maturity Dates - Serially Beginning/Ending	March 1, 2019/2030	March 1, 2019/2039
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	March 1, 2019*	March 1, 2022*

\* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part in inverse order of maturity in integral multiples of \$5,000 at the option of the District. Series 2011 term bonds due March 1, 2026, March 1, 2028, and March 1, 2030 are subject to mandatory redemption beginning March 1, 2025, March 1, 2027, and March 1, 2029, respectively. Series 2014 term bonds due March 1, 2031, March 1, 2033, March 1, 2035, March 1, 2037, and March 1, 2039 are subject to mandatory redemption beginning March 1, 2030, March 1, 2032, March 1, 2034, March 1, 2036, and March 1, 2038, respectively.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2018:

	January 1, 2018	Additions	Retirements	December 31, 2018
Bonds Payable	\$ 11,860,000	\$	\$ 450,000	\$ 11,410,000
Unamortized Bond Premiums	4,044		191	3,853
Bonds Payable, net	<u>\$ 11,864,044</u>	<u>\$ -0-</u>	<u>\$ 450,191</u>	<u>\$ 11,413,853</u>
		Amount Due Within One Year		\$ 475,000
		Amount Due After One Year		<u>10,938,853</u>
		Bonds Payable, net		<u>\$ 11,413,853</u>

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

Fiscal Year	Principal	Interest	Total
2019	\$ 475,000	\$ 432,248	\$ 907,248
2020	500,000	411,122	911,122
2021	525,000	393,361	918,361
2022	550,000	374,353	924,353
2023	580,000	353,773	933,773
2024-2028	3,365,000	1,432,696	4,797,696
2029-2033	2,700,000	789,194	3,489,194
2034-2038	2,210,000	348,544	2,558,544
2039	505,000	10,731	515,731
	<u>\$ 11,410,000</u>	<u>\$ 4,546,022</u>	<u>\$ 15,956,022</u>

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 and are further payable from the net system revenues of the District.

During the year ended December 31, 2018, the District did not levy an ad valorem debt service tax. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

As of December 31, 2018, the District had authorized but unissued tax bonds in the amount of \$13,250,000 and refunding bonds authorization of \$5,243,683.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

The District's tax calendar is as follows:

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

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

- A. 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 sub-divisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risks, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political sub-divisions.
- B. The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.
- C. The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the



**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Deposits (Continued)

District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$5,539,492 and the bank balance was \$5,538,684. The District was not exposed to custodial credit risk at year-end.

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

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 59,452	\$ 2,360,145	\$ 2,419,597
DEBT SERVICE FUND	159,294		159,294
CAPITAL PROJECTS FUND	<u>2,960,601</u>		<u>2,960,601</u>
TOTAL DEPOSITS	<u>\$ 3,179,347</u>	<u>\$ 2,360,145</u>	<u>\$ 5,539,492</u>

Investments

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

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

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Investments (Continued)

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level 1 investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 1,019,945	\$ 1,019,945
Certificates of Deposit	2,360,145	2,360,145
<u>DEBT SERVICE FUND</u>		
Texas CLASS	25,686	25,686
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>2,587,775</u>	<u>2,587,775</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 5,993,551</u></b>	<b><u>\$ 5,993,551</u></b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the investment rating for Texas CLASS was AAAM. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

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

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 is as follows:

	January 1, 2018	Increases	Decreases	December 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 134,299		\$	\$ 134,299
Construction in Progress	448,726	594,974	969,004	74,696
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 583,025</u>	<u>\$ 594,974</u>	<u>\$ 969,004</u>	<u>\$ 208,995</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 5,248,616	\$ 558,671		\$ 5,807,287
Wastewater System	9,526,126	410,333		9,936,459
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 14,774,742</u>	<u>\$ 969,004</u>	<u>\$ -0-</u>	<u>\$ 15,743,746</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 1,886,079	\$ 146,933		\$ 2,033,012
Wastewater System	3,140,806	253,859		3,394,665
<b>Total Accumulated Depreciation</b>	<u>\$ 5,026,885</u>	<u>\$ 400,792</u>	<u>\$ -0-</u>	<u>\$ 5,427,677</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 9,747,857</u>	<u>\$ 568,212</u>	<u>\$ -0-</u>	<u>\$ 10,316,069</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 10,330,882</u>	<u>\$ 1,163,186</u>	<u>\$ 969,004</u>	<u>\$ 10,525,064</u>

**NOTE 7. MAINTENANCE TAX**

On April 1, 1978, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.0775 per \$100 of assessed valuation, which resulted in a tax levy of \$369,076 on the adjusted taxable valuation of \$475,639,178 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. The 2018 tax levy has been fully deferred.

**NOTE 8. CONTRACTS WITH OTHER DISTRICTS**

On October 22, 1979, the District amended the water supply and sanitary sewer service contract with District No. 3. This contract is for the term of forty years unless either party gives eighteen months' notice of termination. The contract calls for a monthly service charge per service connection, subject to yearly modifications for increased operating costs. Effective July 1989, the District's new water well was completed and placed in service, and the monthly purchase of water from District No. 3 was discontinued. In May 1991, the sewage treatment plant expansion was completed, and the districts began sharing operating costs. On April 18, 2011, the districts agreed to commence construction of a new wastewater treatment plant at the shared expense of the districts.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8. CONTRACTS WITH OTHER DISTRICTS (Continued)**

The districts jointly own the 950,000 gallons-per-day plant. District No. 3 operates the plant on behalf of the districts. Operating costs are shared based on costs per equivalent connection times the number of equivalent connections in each district. During the current fiscal year, the District was billed \$210,989 for its share of operating costs and had an advance for wastewater treatment plant operations of \$20,000 with District No. 3.

The following summary data of the joint wastewater treatment plant is presented for the fiscal year ended December 31, 2018. A copy of the financial statements for District No. 3 can be obtained by contacting Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, TX 77010-3095.

Total Assets	\$ 159,120
Total Liabilities	<u>119,120</u>
Total Fund Balance	<u>\$ 40,000</u>
Total Revenues	\$ 500,093
Total Expenditures	<u>500,093</u>
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	<u>40,000</u>
Ending Fund Balance	<u>\$ 40,000</u>

**NOTE 9. LONE STAR GROUNDWATER CONSERVATION DISTRICT AND GROUNDWATER REDUCTION PLAN**

The District is located within the boundaries of the Lone Star Groundwater Conservation District (the “Conservation District”). The Conservation District was created under Article 16, Section 59 of the Texas Constitution by House Bill 2362 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Conservation District for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Conservation District is overseeing that its participants comply with subsidence district pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9. LONE STAR GROUNDWATER CONSERVATION DISTRICT AND GROUNDWATER REDUCTION PLAN (Continued)**

The Conservation District charges a fee, currently \$0.105 per 1,000 gallons, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Conservation District, unless exempted. This fee enables the Conservation District to fulfill its purpose and regulatory functions.

**NOTE 10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT**

On February 22, 2013, the District entered into a Strategic Partnership Agreement (“SPA”) with the City of Conroe, Texas (the “City”) pursuant to Texas Local Government Code, Section 43.0751, which SPA provides for: (1) annexation of the territory of the District by the City for full purposes effective December 31, 2014; (2) continuation of the District, after annexation, as a “limited district” with powers and functions provided by law, including water, wastewater, storm sewer, and solid waste services, and also including the power to levy taxes and collect user fees; (3) provision of fire, police, and other municipal services by the City; (4) payments by the City to the District, including payments to defray debt service related to the Bonds; (5) binding each owner and future owners of land included within the territory of the District; and (6) other matters.

The SPA requires the District to reserve 150,000 gallons per day of treatment capacity from the District’s share of the total treatment capacity from the wastewater treatment plant for which the City will pay an annual reservation fee, which is subject to an annual true-up. Additionally, in consideration for the reservation of capacity, the City will make an annual payment to defray part of the District’s debt service. The SPA also requires the City to make an annual payment to the District in consideration of services provided to operate and maintain storm sewer facilities. During the current fiscal year, the District recorded \$487,785 and \$297,607 in contract revenues related to debt service and services provided, respectively, in accordance with the terms of the SPA.

**NOTE 12. ESCROW REQUIREMENTS**

The Commission required \$2,935,000 of the Series 2014 Bonds to be escrowed. On July 24, 2015, the Commission released \$75,000 of funds from escrow for land acquisition costs for water plant no. 1. As of December 31, 2018, \$2,860,000 remains in escrow.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13. USE OF SURPLUS FUNDS**

On June 27, 2017, the Commission approved the use of \$652,342 in surplus Capital Projects Fund monies to cover the cost of the natural gas emergency generator at water plant no. 1. During the prior fiscal year, the District expended \$403,333 on the project. During the current fiscal year, an additional \$135,867 was expended and the project was completed.

On August 31, 2018, the Commission approved the use of \$297,799 in surplus Capital Projects Fund monies towards paying for engineering and construction costs associated with the 2017 Drainage Hotspots repair project. During the current fiscal, this project was completed.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018**





**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 360,000	\$ 367,405	\$ 7,405
Water Service	450,000	464,821	14,821
Wastewater Service	633,600	642,372	8,772
Penalty and Interest	10,000	11,316	1,316
Tap Connection and Inspection Fees	68,500	48,425	(20,075)
Investment Revenues	18,200	50,434	32,234
Contract Revenues	732,850	785,392	52,542
Miscellaneous Revenues	<u>37,000</u>	<u>40,534</u>	<u>3,534</u>
<b>TOTAL REVENUES</b>	<b>\$ 2,310,150</b>	<b>\$ 2,410,699</b>	<b>\$ 100,549</b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 345,600	\$ 248,764	\$ 96,836
Contracted Services	373,000	383,789	(10,789)
Purchased Wastewater Service	215,231	210,989	4,242
Utilities	15,510	16,379	(869)
Repairs and Maintenance	372,800	594,420	(221,620)
Other	309,165	248,181	60,984
Capital Outlay	<u>217,000</u>	<u>134,188</u>	<u>82,812</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,848,306</b>	<b>\$ 1,836,710</b>	<b>\$ 11,596</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 461,844</b>	<b>\$ 573,989</b>	<b>\$ 112,145</b>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In (Out)	<u>\$ (460,844)</u>	<u>\$ (644,999)</u>	<u>\$ (184,155)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,000</b>	<b>\$ (71,010)</b>	<b>\$ (72,010)</b>
<b>FUND BALANCE - JANUARY 1, 2018</b>	<u>3,392,241</u>	<u>3,392,241</u>	<u></u>
<b>FUND BALANCE - DECEMBER 31, 2018</b>	<b>\$ 3,393,241</b>	<b>\$ 3,321,231</b>	<b>\$ (72,010)</b>

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**SUPPLEMENTARY INFORMATION REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**DECEMBER 31, 2018**





**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
SERVICES AND RATES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ <sup>3</sup> / <sub>4</sub> "	<u>1,500</u>	<u>1,484</u>	x 1.0	<u>1,484</u>
1"	<u>67</u>	<u>65</u>	x 2.5	<u>163</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>11</u>	<u>11</u>	x 8.0	<u>88</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	_____	_____	x 25.0	_____
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>1,584</u></u>	<u><u>1,566</u></u>		<u><u>1,820</u></u>
Total Wastewater Connections	<u><u>1,560</u></u>	<u><u>1,542</u></u>	x 1.0	<u><u>1,542</u></u>

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

Gallons billed to customers: 168,584,000\*      Water Accountability Ratio: 94.0%  
(Gallons billed/Gallons pumped)

\* The District is part of an integrated system with Montgomery County Utility District No. 3. Total water pumped for the integrated system was 295,517,000 gallons. District No. 3 billed its customers for 109,209,000 gallons of usage.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
SERVICES AND RATES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

City in which District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 12,250
Engineering	94,310
Legal	<u>142,204</u>
TOTAL PROFESSIONAL FEES	<u>\$ 248,764</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Wastewater Service	<u>\$ 210,989</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 38,400
Operations and Billing	<u>87,884</u>
TOTAL CONTRACTED SERVICES	<u>\$ 126,284</u>
UTILITIES:	
Electricity	\$ 16,371
Telephone	<u>8</u>
TOTAL UTILITIES	<u>\$ 16,379</u>
REPAIRS AND MAINTENANCE	<u>\$ 594,420</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 24,300
Election Costs	14,120
Insurance	25,675
Legal Notices	886
Office Supplies and Postage	21,100
Payroll Taxes	1,859
Travel and Meetings	<u>3,556</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 91,496</u>

See accompanying independent auditor's report.



**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 134,188
Expenditures Not Capitalized	
TOTAL CAPITAL OUTLAY:	<u>\$ 134,188</u>
TAP CONNECTIONS	<u>\$ 14,980</u>
SOLID WASTE DISPOSAL	<u>\$ 257,505</u>
OTHER EXPENDITURES:	
Chemicals	\$ 79,351
Laboratory Fees	3,132
Permit Fees	24,827
Reconnection Fees	18,316
Inspection Fees	7,702
Regulatory Assessment	5,393
Other	<u>2,984</u>
TOTAL OTHER EXPENDITURES	<u>\$ 141,705</u>
TOTAL EXPENDITURES	<u>\$ 1,836,710</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**INVESTMENTS**  
**DECEMBER 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 1,019,945	\$
Certificate of Deposit	XXXX4478	2.06%	07/09/19	240,000	2,371
Certificate of Deposit	XXXX5333	1.60%	01/17/19	150,000	1,670
Certificate of Deposit	XXXX0424	2.35%	06/27/19	240,000	958
Certificate of Deposit	XXXX9888	2.40%	09/19/19	240,000	1,641
Certificate of Deposit	XXXX0320	2.30%	10/12/19	100,000	504
Certificate of Deposit	XXXX6859	2.40%	10/29/19	190,000	787
Certificate of Deposit	XXXX1848	2.20%	06/08/19	95,000	1,180
Certificate of Deposit	XXXX0133	2.00%	04/12/19	95,145	1,371
Certificate of Deposit	XXXX2310	2.52%	12/13/19	190,000	262
Certificate of Deposit	XXXX7623	2.20%	05/31/19	240,000	3,096
Certificate of Deposit	XXXX6470	2.00%	04/16/19	240,000	2,157
Certificate of Deposit	XXXX0097	2.42%	11/13/19	100,000	318
Certificate of Deposit	XXXX6131	2.45%	08/16/19	<u>240,000</u>	<u>2,207</u>
TOTAL GENERAL FUND				<u>\$ 3,380,090</u>	<u>\$ 18,522</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	<u>\$ 25,686</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	<u>\$ 2,587,775</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 5,993,551</u>	<u>\$ 18,522</u>

See accompanying independent auditor's report.



**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 475,639,178</u>	<u>\$ 474,317,152</u>	<u>\$ 455,156,786</u>	<u>\$ 431,941,991</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.0000	\$ 0.0000	\$ 0.0000	\$ 0.00
Maintenance	<u>0.0775</u>	<u>0.0775</u>	<u>0.0775</u>	<u>0.08</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.0775</u>	<u>\$ 0.0775</u>	<u>\$ 0.0775</u>	<u>\$ 0.08</u>
ADJUSTED TAX LEVY*	<u>\$ 369,076</u>	<u>\$ 368,407</u>	<u>\$ 352,748</u>	<u>\$ 345,561</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>52.20 %</u>	<u>98.65 %</u>	<u>98.93 %</u>	<u>99.32 %</u>

\* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on April 1, 1978.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

S E R I E S - 2 0 1 1				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2019	\$ 270,000	\$ 163,410	\$	433,410
2020	285,000	151,710		436,710
2021	300,000	142,748		442,748
2022	315,000	132,941		447,941
2023	335,000	121,960		456,960
2024	350,000	109,754		459,754
2025	370,000	96,241		466,241
2026	390,000	81,516		471,516
2027	410,000	65,658		475,658
2028	435,000	48,546		483,546
2029	455,000	30,069		485,069
2030	480,000	10,200		490,200
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
	\$ 4,395,000	\$ 1,154,753	\$	5,549,753

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

S E R I E S - 2 0 1 4				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2019	\$ 205,000	\$ 268,838	\$	473,838
2020	215,000	259,412		474,412
2021	225,000	250,613		475,613
2022	235,000	241,412		476,412
2023	245,000	231,813		476,813
2024	255,000	223,087		478,087
2025	270,000	215,213		485,213
2026	280,000	206,962		486,962
2027	295,000	197,969		492,969
2028	310,000	187,750		497,750
2029	320,000	176,725		496,725
2030	335,000	164,425		499,425
2031	355,000	150,625		505,625
2032	370,000	136,125		506,125
2033	385,000	121,025		506,025
2034	405,000	105,225		510,225
2035	420,000	88,725		508,725
2036	440,000	70,975		510,975
2037	460,000	51,850		511,850
2038	485,000	31,769		516,769
2039	505,000	10,731		515,731
	\$ 7,015,000	\$ 3,391,269	\$	10,406,269

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 475,000	\$ 432,248	\$ 907,248
2020	500,000	411,122	911,122
2021	525,000	393,361	918,361
2022	550,000	374,353	924,353
2023	580,000	353,773	933,773
2024	605,000	332,841	937,841
2025	640,000	311,454	951,454
2026	670,000	288,478	958,478
2027	705,000	263,627	968,627
2028	745,000	236,296	981,296
2029	775,000	206,794	981,794
2030	815,000	174,625	989,625
2031	355,000	150,625	505,625
2032	370,000	136,125	506,125
2033	385,000	121,025	506,025
2034	405,000	105,225	510,225
2035	420,000	88,725	508,725
2036	440,000	70,975	510,975
2037	460,000	51,850	511,850
2038	485,000	31,769	516,769
2039	505,000	10,731	515,731
	<u>\$ 11,410,000</u>	<u>\$ 4,546,022</u>	<u>\$ 15,956,022</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Montgomery County Utility District No. 4 Unlimited Tax Bonds - Series 2011	\$ 5,755,000	\$ 4,650,000
Montgomery County Utility District No. 4 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2014	<u>7,750,000</u>	<u>7,210,000</u>
TOTAL	<u>\$ 13,505,000</u>	<u>\$ 11,860,000</u>
Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 35,160,000	\$ 14,160,000
Amount Issued	<u>21,910,000</u>	<u>8,916,317</u>
Remaining to be Issued	<u>\$ 13,250,000</u>	<u>\$ 5,243,683</u>
Debt Service Fund cash and investment balances as of December 31, 2018:		<u>\$ 184,980</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 759,811</u>

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

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

See accompanying independent auditor's report.



Current Year Transactions

Bonds Sold	Retirements		Bonds Outstanding December 31, 2018	Paying Agent
	Principal	Interest		
\$	\$ 255,000	\$ 177,848	\$ 4,395,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
	195,000	278,837	7,015,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
\$ - 0 -	\$ 450,000	\$ 456,685	\$ 11,410,000	

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amount		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 367,405	\$ 349,990	\$ 352,818
Water and Wastewater Service	1,107,193	1,067,358	1,096,560
Groundwater Reduction Plan Fees			32,739
Penalty and Interest	11,316	9,674	10,257
Tap Connection and Inspection Fees	48,425	66,233	195,804
Investment Revenues	50,434	21,950	13,841
Contract Revenues	785,392	779,113	765,742
Capacity Reservation Fee			
Sale of Asset			
Sale of Groundwater Credits		750,000	
Miscellaneous Revenues	40,534	35,332	53,082
<b>TOTAL REVENUES</b>	<b>\$ 2,410,699</b>	<b>\$ 3,079,650</b>	<b>\$ 2,520,843</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 248,764	\$ 310,842	\$ 233,778
Contracted Services	383,789	365,463	345,129
Purchased Wastewater Service	210,989	205,973	187,997
Utilities	16,379	15,569	14,689
Repairs and Maintenance	594,420	512,805	549,865
Other	248,181	271,668	292,502
Capital Outlay	134,188	329,122	299,551
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,836,710</b>	<b>\$ 2,011,442</b>	<b>\$ 1,923,511</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 573,989</b>	<b>\$ 1,068,208</b>	<b>\$ 597,332</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ (644,999)	\$ (919,113)	\$ (636,576)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (71,010)</b>	<b>\$ 149,095</b>	<b>\$ (39,244)</b>
<b>BEGINNING FUND BALANCE</b>	<b>3,392,241</b>	<b>3,243,146</b>	<b>3,282,390</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,321,231</b>	<b>\$ 3,392,241</b>	<b>\$ 3,243,146</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 1,244,656	\$ 561,696	15.2 %	11.3 %	14.0 %	35.0 %	28.0 %
1,103,268	1,105,261	45.9	34.7	43.5	31.0	54.9
37,380	60,990			1.3	1.1	3.0
10,262	10,490	0.5	0.3	0.4	0.3	0.5
56,610	67,750	2.0	2.2	7.8	1.6	3.4
7,438	3,516	2.1	0.7	0.5	0.2	0.2
739,751		32.6	25.3	30.4	20.8	
44,169					1.2	
273,318					7.7	
			24.4			
39,271	202,145	1.7	1.1	2.1	1.1	10.0
<u>\$ 3,556,123</u>	<u>\$ 2,011,848</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 272,356	\$ 291,041	10.3 %	10.1 %	9.3 %	7.7 %	14.5 %
338,801	305,432	15.9	11.9	13.7	9.5	15.2
223,545	257,927	8.8	6.7	7.5	6.3	12.8
15,058	15,511	0.7	0.5	0.6	0.4	0.8
411,671	574,257	24.7	16.7	21.8	11.6	28.5
218,578	246,146	10.3	8.8	11.6	6.1	12.2
474,857	184,981	5.6	10.7	11.9	13.4	9.2
<u>\$ 1,954,866</u>	<u>\$ 1,875,295</u>	<u>76.3 %</u>	<u>65.4 %</u>	<u>76.4 %</u>	<u>55.0 %</u>	<u>93.2 %</u>
\$ 1,601,257	\$ 136,553	<u>23.7 %</u>	<u>34.6 %</u>	<u>23.6 %</u>	<u>45.0 %</u>	<u>6.8 %</u>
\$ -0-	\$ -0-					
\$ 1,601,257	\$ 136,553					
1,681,133	1,544,580					
<u>\$ 3,282,390</u>	<u>\$ 1,681,133</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amount		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 1,850	\$ 1,209	\$ 5,516
Penalty and Interest	7,305	10,934	11,526
Investment Revenues	701	345	103
Miscellaneous Revenues	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUES</b>	<u>\$ 9,856</u>	<u>\$ 12,488</u>	<u>\$ 17,145</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 5,010	\$ 5,673	\$ 4,967
Debt Service Principal	450,000	435,000	410,000
Debt Service Interest and Fees	<u>457,935</u>	<u>481,310</u>	<u>503,623</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 912,945</u>	<u>\$ 921,983</u>	<u>\$ 918,590</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (903,089)</u>	<u>\$ (909,495)</u>	<u>\$ (901,445)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	<u>\$ 906,685</u>	<u>\$ 919,113</u>	<u>\$ 882,374</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 3,596	\$ 9,618	\$ (19,071)
<b>BEGINNING FUND BALANCE</b>	<u>19,649</u>	<u>10,031</u>	<u>29,102</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 23,245</u>	<u>\$ 19,649</u>	<u>\$ 10,031</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>1,566</u>	<u>1,539</u>	<u>1,524</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,542</u>	<u>1,515</u>	<u>1,501</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 237,406	\$ 970,377	18.8 %	9.6 %	32.2 %	94.3 %	99.1 %
14,063	8,952	74.1	87.6	67.2	5.6	0.9
136	257	7.1	2.8	0.6	0.1	
20						
<u>\$ 251,625</u>	<u>\$ 979,586</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 15,961	\$ 14,865	50.8 %	45.4 %	29.0 %	6.3 %	1.5 %
390,000	210,000	4,565.7	3,483.3	2,391.4	155.0	21.4
524,747	388,919	4,646.3	3,854.2	2,937.4	208.5	39.7
<u>\$ 930,708</u>	<u>\$ 613,784</u>	<u>9,262.8 %</u>	<u>7,382.9 %</u>	<u>5,357.8 %</u>	<u>369.8 %</u>	<u>62.6 %</u>
<u>\$ (679,083)</u>	<u>\$ 365,802</u>	<u>(9,162.8) %</u>	<u>(7,282.9) %</u>	<u>(5,257.8) %</u>	<u>(269.8) %</u>	<u>37.4 %</u>
<u>\$ -0-</u>	<u>\$ -0-</u>					
\$ (679,083)	\$ 365,802					
708,185	342,383					
<u>\$ 29,102</u>	<u>\$ 708,185</u>					
<u>1,526</u>	<u>1,493</u>					
<u>1,494</u>	<u>1,470</u>					

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2018**

District Mailing Address - Montgomery County Utility District No. 4  
c/o Coats Rose, P.C.  
9 Greenway Plaza, Suite 1000  
Houston, TX 77046

District Telephone Number - (713) 651-0111

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2018</u>	Expense Reimbursements for the year ended <u>December 31, 2018</u>	<u>Title</u>
Gary S. North	05/2018 05/2022 (Elected)	\$ 6,000	\$ 50	President
Maurice Williams	05/2016 05/2020 (Elected)	\$ 3,900	\$ -0-	Vice President
Carl D. Clay	05/2016 05/2020 (Elected)	\$ 4,950	\$ -0-	Secretary/ Treasurer
Mike Ganson	05/2018 05/2022 (Elected)	\$ 5,400	\$ 1,684	Assistant Secretary/ Treasurer
Ronald R. Cunningham	05/2016 05/2020 (Elected)	\$ 4,050	\$ -0-	Assistant Vice President/ Assistant Secretary- Treasurer

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
June 13, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 4**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2018**

	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2018</u>	<u>Title</u>
Coats Rose, P.C.	02/25/10	\$ 149,281	General Counsel
McCall Gibson Swedlund Barfoot PLLC	12/18/14	\$ 12,250	Auditor
Municipal Accounts & Consulting, LP	01/01/95	\$ 43,477	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP		\$ 1,085	Delinquent Tax Attorney
Bleyl & Associates	06/18/02	\$ 149,578	Engineer
Robert W. Baird & Co. Incorporated	03/26/15	\$ -0-	Financial Advisor
Hays Utility North Corporation	04/01/95	\$1,062,849	Operator
Tammy J. McRae	03/01/95	\$ 541	Tax Assessor/ Collector
Katherine Turner	08/01/05	\$ -0-	Investment Officer

See accompanying independent auditor's report.

