

MASON CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants



MASON CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

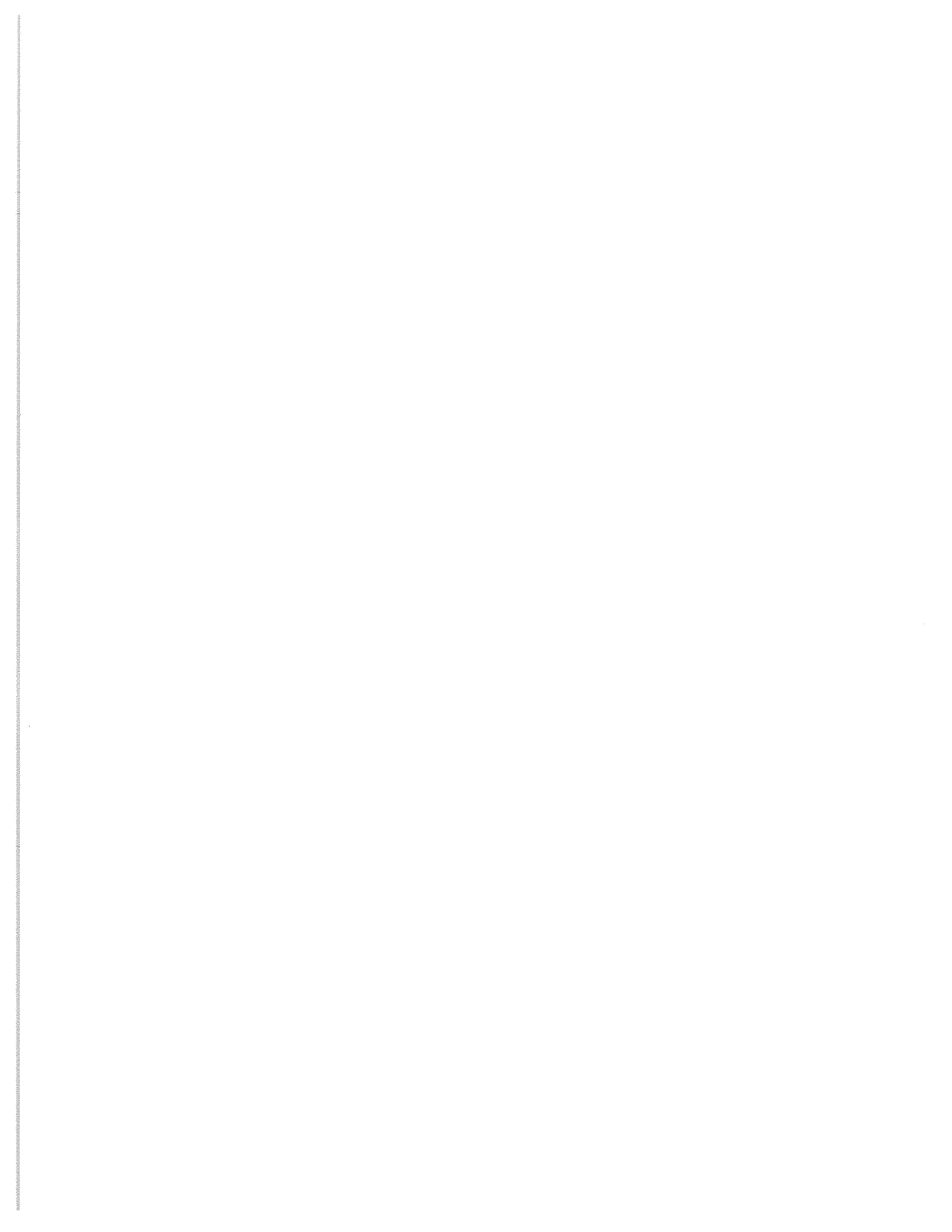
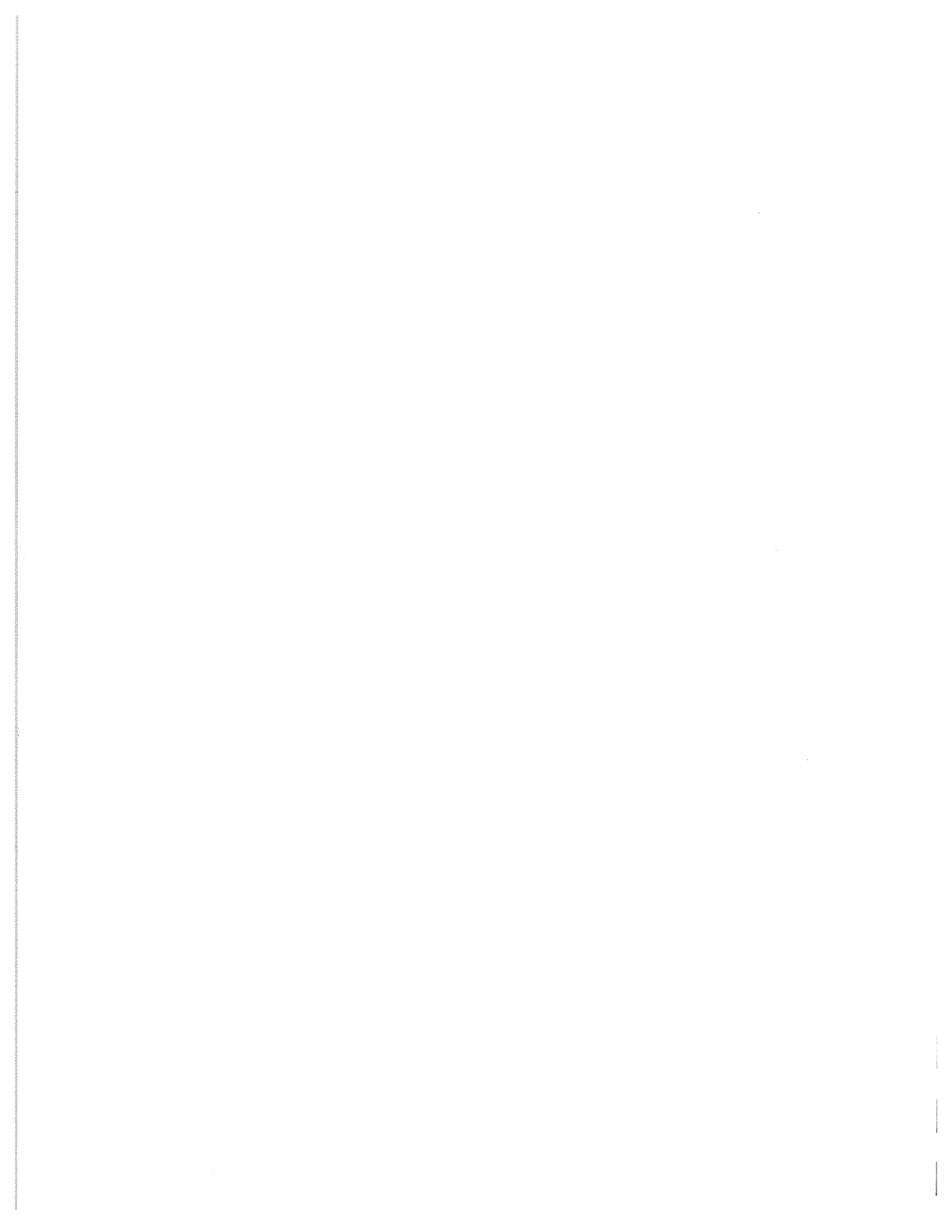


TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-30
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	32
SUPPLEMENTARY INFORMATION-REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	34-36
GENERAL FUND EXPENDITURES	37-38
INVESTMENTS	39
TAXES LEVIED AND RECEIVABLE	40-41
LONG-TERM DEBT SERVICE REQUIREMENTS	42-44
CHANGES IN LONG-TERM BOND DEBT	45-46
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	47-50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	51-52



McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

P.O. Box 29584
Austin, Texas 78755-5126
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mason Creek Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Mason Creek Utility District (the "District"), as of and for the year ended June 30, 2020, 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.

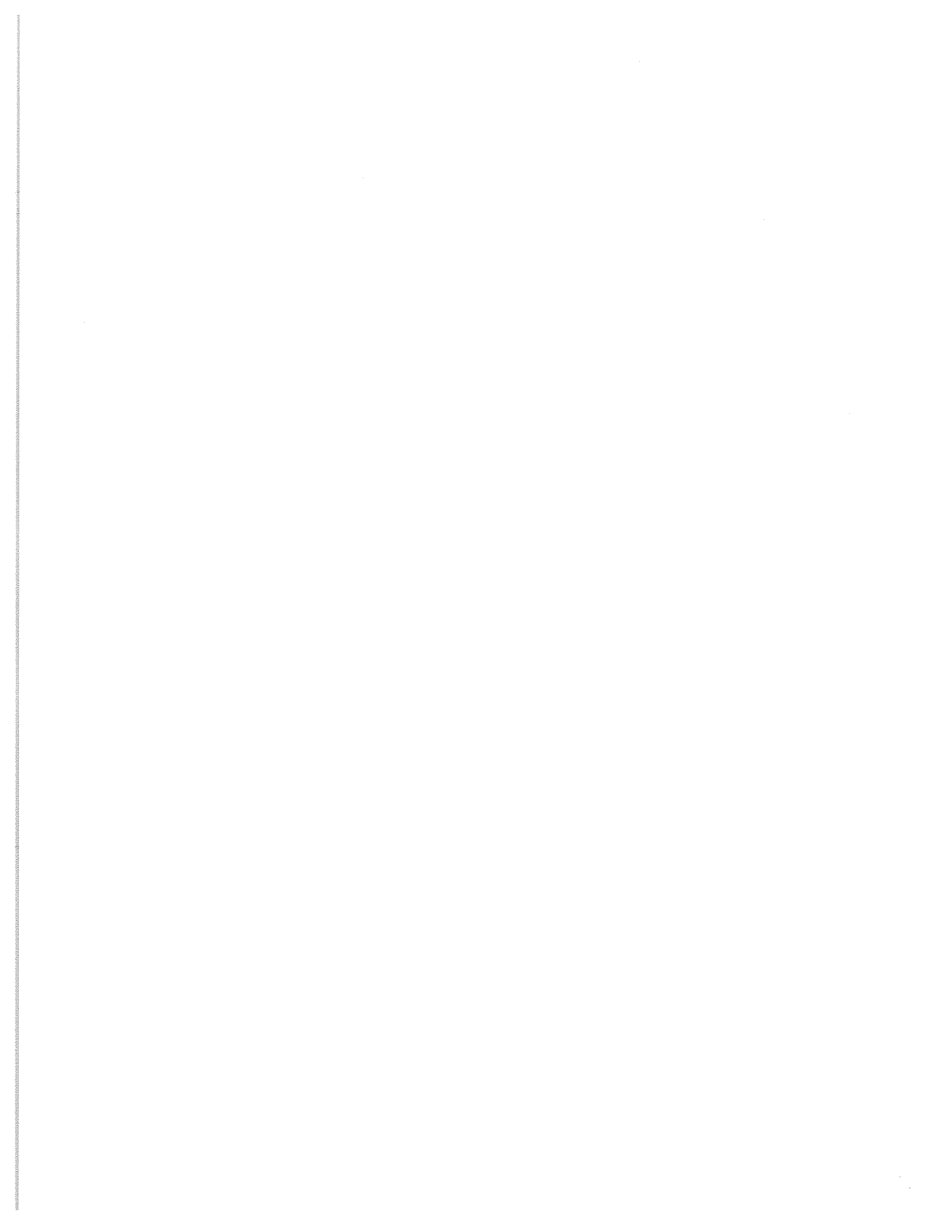
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 June 30, 2020, 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.

Member of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants



Corrections

As described in Note 15 to the financial statements, the District's government-wide financial statements as of and for the year ended June 30, 2019, have been restated to correct certain misstatements. Our opinions are not modified with respect to these matters.

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.

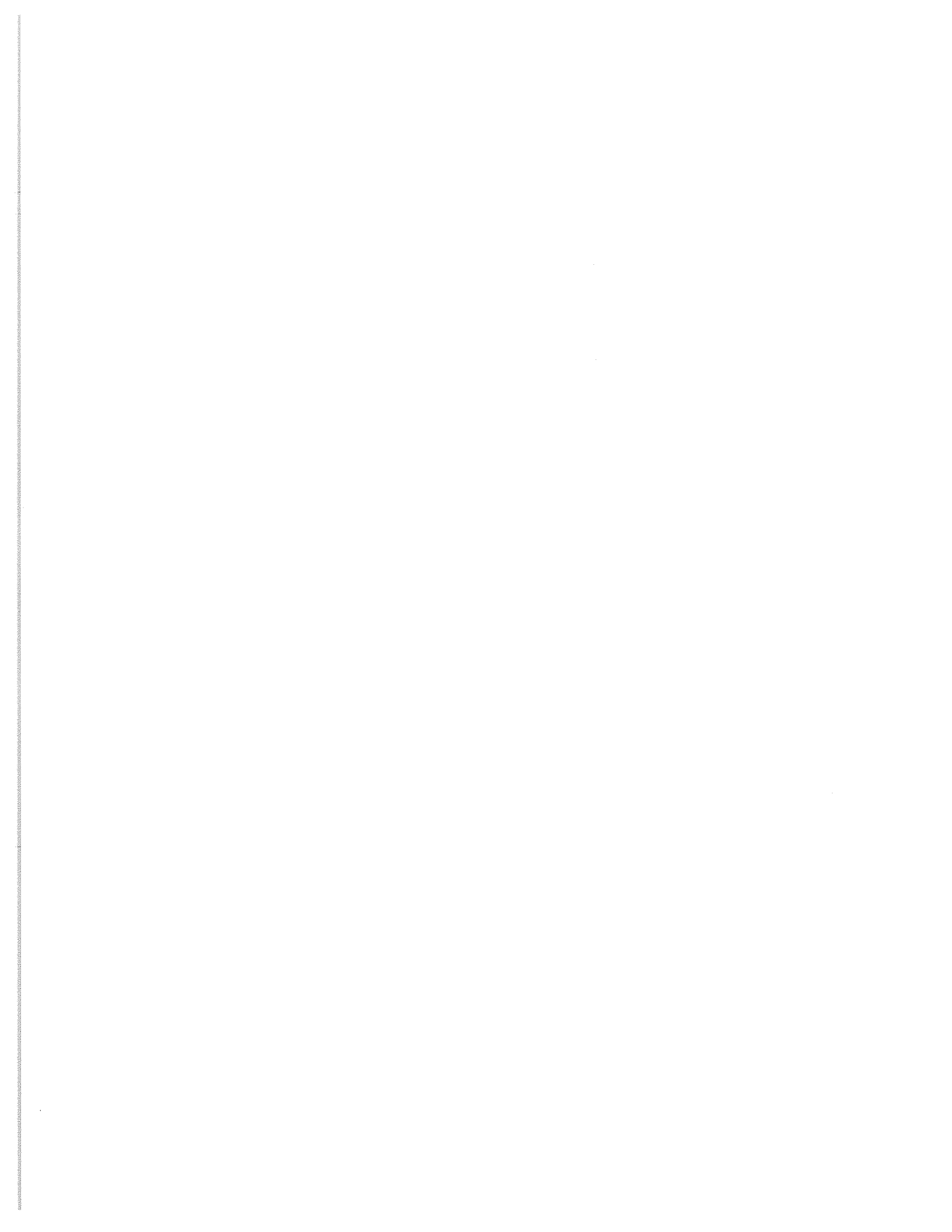
Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 14, 2020



**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Management's discussion and analysis of Mason Creek Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. 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 the District's assets, liabilities, and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

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

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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 assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$17,650,276 as of June 30, 2020. A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as the water, wastewater, drainage, and recreational facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the Statement of Net Position as of June 30, 2020, and June 30, 2019:

TAX RATE AND BUDGET INFORMATION for the fiscal year ending 6-30-2021 (“current year”) posted by Mason Creek Utility District (“District” or “taxing unit”), Harris County, Texas, in accordance with Sec. 26.18 of the Texas Tax Code (as amended by S.B. 2, 2019 Reg. Session)

Prepared for posting in January 2020, revised 9-15-2020

Information required by Sec. 26.18, Texas Tax Code, by subdivision number and description		Information posted (for the information item shown in left column)
(1)	the name of each member of the governing body of the taxing unit	The information is shown in the attached EXHIBIT A
(2)	the mailing address, e-mail address, and telephone number of the taxing unit	The information is shown in the attached EXHIBIT A
(3)	the official contact information for each member of the governing body of the taxing unit, if that information is different from the information described by Subdivision (2)	The information is shown in the attached EXHIBIT A
(4)	the taxing unit's budget for the preceding two years	The information is shown in the attached EXHIBIT B
(5)	the taxing unit's proposed or adopted budget for the current year	The information is shown in the attached EXHIBIT B
(6)	the change in the amount of the taxing unit's budget from the preceding year to the current year, by dollar amount and percentage	The information is shown in the attached EXHIBIT B (bottom of page 2)
(7)	in the case of a taxing unit other than a school district, the amount of property tax revenue budgeted for maintenance and operations for: (A) the preceding two years; and (B) the current year	The information is shown in the attached EXHIBIT B
(8)	in the case of a taxing unit other than a school district, the amount of property tax revenue budgeted for debt service for: (A) the preceding two years; and (B) the current year	The information is shown in the attached EXHIBIT B
(9)	the tax rate for maintenance and operations adopted by the taxing unit for the preceding two years	\$0.303 for TY 2018; \$0.307 for TY 2019
(10)	in the case of a taxing unit other than a school district, the tax rate for debt service adopted by the taxing unit for the preceding two years	\$0.027 for TY 2018; \$0.044 for TY 2019
(12)	the tax rate for maintenance and operations proposed by the taxing unit for the current year	[This rate is not yet proposed officially. For the official rate proposed, it is necessary to refer to the District's Board's official tax-rate proposal, which is expected to be adopted by September of 2020.]
(13)	in the case of a taxing unit other than a school district, the tax rate for debt service proposed by the taxing unit for the current year;	[This rate is not yet proposed officially. For the official rate proposed, it is necessary to refer to the District's Board's official tax-rate proposal, which is expected to be adopted by September of 2020.]
(14)	in the case of a school district, the interest and sinking fund tax rate proposed by the district for the current year; and	[This item does not apply to this taxing unit.]
(15)	the most recent financial audit of the taxing unit.	A copy of the financial audit is attached as EXHIBIT C

THE EXHIBITS LISTED BELOW ARE ATTACHED AND ARE INTEGRAL PARTS OF THE INFORMATION POSTED:

- EXHIBIT A**
- EXHIBIT B**
- EXHIBIT C**

EXHIBIT A (part of TAX RATE AND BUDGET INFORMATION)

District Registration Form

When completed, mail to:



UTILITIES AND DISTRICT SECTION, MC-152
 TCEQ
 PO BOX 13087
 Austin, Texas 78711-3087 or fax to: 512-239-6190

MASON CREEK UTILITY DISTRICT	
Legal Name of District or Authority	Katy Texas 77450
District's Mailing Address	City State Zip
281-578-7272	billing@mcsud.com www.mcsud.com
District's Telephone Number (AC)	E-mail Web Address

A. BOARD MEMBERS (as applicable):

TITLE	FULL NAME OF DIRECTOR (First, Middle, Last)	FULL MAILING ADDRESS <small>According to U.S. Post Office Standards</small>	TELEPHONE NUMBERS (Include Area Code)			TERM OF OFFICE		
			Business	Fax	Home	Elected/E Appointed (A) Precinct (P)	Term Begins (mm/dd/yyyy)	Term Ends (mm/dd/yyyy)
President or Chairman	Leonard R. Forsyth	1602 Hannington, Katy, Texas 77450	713-824-0422	281-578-1419	281-492-0056	E	05/2018	05/2022
Vice-President	James G. Hambilet, III	1146 Shillington, Katy, TX 77450	713-980-5988	281-578-1419	281-647-6026	E	05/2020	05/2024
Secretary	Brian C. Connolly	20706 Sea Pine Dr., Katy, TX 77450	281-578-7272	281-578-1419		E	05/2020	05/2024
Treasurer	John H. Cameron	1602 Hoveden Dr., Katy, TX 77450	281-578-7272	281-578-1419	281-492-0146	E	05/2020	05/2024
Director	Robert J. Willis	20214 Kings Camp, Katy, TX 77450	281-578-7272	281-578-1419	281-492-9954	E	05/2018	05/2022

B. CONSULTANTS AND REPRESENTATIVES (as applicable):

POSITION	FULL NAME OF INDIVIDUAL	NAME OF FIRM OR ORGANIZATION	FULL MAILING ADDRESS <small>According to U.S. Post Office Standards</small>	TELEPHONE NUMBERS (Include Area Code)	
				Business	Fax
General Manager	N/A	N/A	N/A	N/A	N/A
Operator	James E. "Jamie" Parrott	Mason Creek Utility District	847 Dominion, Katy, TX 77450	281-578-7272	281-578-1419
Attorney	James L. Dougherty, Jr.	James L. Dougherty Jr. Attorney at Law	12 Greenway Pl., Ste. 1100, Houston, TX 77046	713-880-8808	281-220-8984
Engineer	Jose de Leon, P.E.	Venturi Engineers, LLC	26310 Oak Ridge Dr., Ste. 22, Spring, TX 77380	1-832-447-1237	1-832-447-1237
Bookkeeper	Cynthia Colondres	Municipal Accounts & Consulting, L.P.	1281 Brittmoores Rd. Houston, TX 77043	713-623-4539	713-629-8859
Financial Advisor	Bill Birch	Birch Associates, Inc.	11111 Katy Fwy., Ste. 820, Houston, TX 77079	713-467-7344	713-467-3448
Tax Collector	Bob Leaned (Lina Loatza)	Bob Leaned Interests	11111 Katy Fwy., Ste. 725 Houston, TX 77079	713-932-9011	713-932-1150
Agent for Notice	Susan Saccoman	Mason Creek Utility District	847 Dominion, Katy, TX 77450	281-578-7272	281-578-1419

* All information provided herein is subject to the Public Information Act and will be made available on our web site (www.tceq.texas.gov)

EXHIBIT B (part of TAX RATE AND BUDGET INFORMATION)

Budgets for current year and two preceding years

Mason Creek Utility District
 AMENDED FY 21 BUDGET
 (Adopted, as amended,
 August 12, 2020)

	Adopted Budget FY 2019	Adopted Budget FY 2020	Adopted Budget FY 2021	Budget Variance \$ FY 2020-FY 2021	Budget Variance % FY 2020-FY 2021
Revenues					
14110 - Water - Customer Service	\$1,235,650	\$1,206,750	\$1,294,142	87,392	7%
14112 - Ground Water Reduction Program	332,200	333,900	345,300	11,400	3%
14125 - TCEQ Assessment Fees	11,450	11,450	12,280	830	7%
14140 - Transfer Fees	5,540	5,200	6,200	1,000	19%
14150 - Tap Connections	2,060	2,000	2,000	0	0%
14151 - Fire Tap Connection Fees	8,600	9,100	9,100	0	0%
14210 - Sewer - Customer Service Fee	1,074,750	1,145,300	1,161,868	16,568	1%
14310 - Penalties & Interest	23,600	25,000	25,000	0	0%
14330 - Miscellaneous Income	0	5,000	5,000	0	0%
14332 - Recycle Bin Sales	1,100	1,100	1,000	(100)	-9%
14333 - Reclaimed Water Revenue - Cinco	2,040	3,000	3,000	2,000	67%
14380 - Maintenance Tax Collections -(Transfer from Tax Fund)	1,758,837	1,813,000	1,942,700	127,700	7%
14370 - Interest Earned on Temp. Invest	90,300	150,000	141,260	(8,740)	-6%
14375 - COH Sales Tax Revenues	295,250	234,650	243,300	8,650	4%
14380 - Interest on Checking Accounts	690	690	650	(40)	-6%
14334 - Insurance Income	0	0	2,500	2,500	100%
Total Revenues	4,842,067	4,948,140	5,197,300	249,160	5%
Expenditures-District					
16010 - District Operator Fees	347,750	0	0	0	0%
16011 - Solid Waste Collection	670,000	670,000	670,000	0	0%
16012 - Garbage- Dumpster	9,350	11,000	14,000	3,000	27%
16013 - Recycle Bins & Carts	0	3,500	3,500	0	0%
16120 - Ground Water Fee	319,400	340,432	400,932	60,500	18%
16130-1 - Meter Change Out Program	43,850	43,850	100,000	56,150	128%
16130 - Maintenance & Repairs	473,150	550,000	1,000,000	450,000	82%
16132 - Valve Replacements	200,000	200,000	200,000	0	0%
16135 - Surface Water Projects	100,000	100,000	100,000	0	0%
16140 - Chemicals-Fuel-Gasoline	36,100	22,500	29,000	6,500	29%
16160 - Utilities	196,670	156,800	170,000	13,200	8%
16162 - Utilities-Streetlights	133,320	107,400	107,400	0	0%
16220-1 - Capital Outlay-WMM STP	200,000	200,000	100,000	(100,000)	-50%
16220-2 - Capital Outlay - Cinco STP	150,000	150,000	100,000	(50,000)	-33%
16220 - Purchase Sewer Service	342,400	342,400	342,400	0	0%
16270 - Rents & Leases	4,660	4,660	5,000	340	7%
16300 - Professional					
16330 - Legal Fees	55,000	20,000	20,000	0	0%
16340 - Auditing Fees	16,500	17,250	18,000	750	4%
16350 - Engineering Fees	15,100	90,000	90,000	0	0%
16351 - Lobbying Expense (Note 1)	0	0	0	0	0%
16365 - Directors Fees	18,450	23,400	23,400	0	0%
16366 - Directors Expenses & Conference	4,000	4,000	4,000	0	0%
16380 - Permit Expense	17,500	6,500	7,000	500	8%
16385 - TCEQ Assessment Fees	11,550	11,550	12,280	730	6%
16390 - Telephone Expense	20,600	25,000	25,000	0	0%
16420 - Billing & Collecting	42,300	44,000	47,000	3,000	7%
16430 - Bookkeeping Fees	41,600	42,500	45,000	2,500	6%
16435 - Sales Tax Monitoring	1,450	2,000	2,000	0	0%
16450 - Newspaper Notices Req. by Law (Sec. 140.0045, LGC)	1,400	2,100	2,100	0	0%
16460-1 - Office Furniture & Fixtures	0	5,000	5,000	0	0%
16460 - Office Supplies & Services	5,000	33,000	30,000	(3,000)	-9%
16465 - Bank Service Charges	450	740	13,000	12,260	1657%
16467 - ACH & Credit Card Fees	7,900	10,500	13,000	2,500	24%
16530 - Insurance & Surety Bond	71,300	71,300	77,000	5,700	8%
16550 - Security Expenses	18,300	18,300	22,000	3,700	20%
16560 - Miscellaneous Expense	25,150	25,150	25,150	0	0%
16563 - Sales Tax Expense	120	120	120	0	0%
16565 - Water Conservation&Water Wise	3,000	0	0	0	0%
16600 - Payroll Expenses					
1660001 - Salaries- Employees	248,250	466,700	466,700	0	0%
1660002 - Payroll Tax Expense	21,230	4,000	40,000	0	0%
16611 - Mileage Reimbursement-Employee	7,760	5,200	5,700	500	10%
16620 - Pension Costs	24,830	46,670	28,000	(18,670)	-40%
16610 - Employees Medical					
1661001 - Health Insurance	87,700	130,000	135,000	5,000	4%
1661002 - Reimbursements-Employee	12,000	20,000	20,000	0	0%
16500 - Tax Expenses					
46310 - Delinquent Attorney Fees	0	0	3,480	3,480	0%
46320 - HCAD Fees	0	0	14,300	14,300	0%
46340 - Assessor/Collector Fees	0	0	28,000	28,000	0%
46450 - Miscellaneous Expense	0	0	7,000	7,000	0%
Total 16500 - Tax Expenses					
17100 - Capital Outlay	150,000	150,000	150,000	0	0%
17100-4 - Capital - Admin Building Rehab	300,000	175,000	0	(175,000)	-100%
17100-5 - Capital - Bondsbury LS Rehab	0	1,000,000	1,000,000	0	0%
17100-6 - Capital - Rennie LS Rehab	0	100,000	100,000	0	0%
17100-7 - Capital - SS Lines - Repairs	0	250,000	250,000	0	0%
Total District Expenditures	4,455,090	5,738,522	6,071,462	332,940	5,405,582
Net Excess Revenues <Expenditures>	386,977	(790,382)	(874,161)	(83,779)	(706,603)
MCCC (Community Center) Fund					
MCCC Revenues					
14385 - MCCC-Room Rental Fee	50,600	35,000	35,000	0	0%
14390 - MCCC-Pool Usage Fees	25,850	25,000	25,000	0	0%
14395 - MCCC-Tennis Usage Fees	7,800	8,600	10,000	1,400	16%
Total MCCC Revenues	84,250	68,600	70,000	1,400	0
MCCC Expenditures					
16020 - MCCC-Pool Contracted Serv.	70,500	74,000	74,000	0	0%
16131-1 - Club House Repairs	100,000	50,000	25,000	(25,000)	-50%
16131-3 - MCCC Repairs - Pool	20,000	20,000	20,000	0	0%
16131 - MCCC-Maint. & Repairs	41,250	100,000	100,000	0	0%
16161 - MCCC_Utilities	22,330	15,000	15,000	0	0%
16391 - MCCC-Telephone	2,700	3,400	3,400	0	0%
16461 - MCCC-Bldg. Supplies & Services	21,100	2,000	15,000	13,000	650%
16466 - Pool Tags & Team Supplies	2,500	2,500	2,500	0	0%
16561 - MCCC-Miscellaneous Exp.	10,600	10,600	10,600	0	0%
16700 - MCCC Capital Outlay	12,000	20,000	10,000	(10,000)	-50%
Total MCCC Expenditures	302,980	297,500	275,500	(22,000)	319,500
Net MCCC Excess Expenditures	(218,730)	(228,900)	(205,500)	23,400	(252,300)
14900 - Use of Prior Years Reserves	0	1,019,282	1,079,661	60,379	6%
Net District & MCCC ExcessRevenues <Expenditures>	\$168,247	\$0	(\$0)	(\$0)	\$60,379

Note 1: Expenditures for directly or indirectly influencing or attempting to influence the outcome of legislation for administrative action, as those terms are defined in Section 305.002, Government Code

EXHIBIT B, cont. (part of TAX RATE AND BUDGET INFORMATION) *Budgets for current year and two preceding years*

Mason Creek Utility District
 AMENDED FY 21 BUDGET
 (Adopted, as amended,
 August 12, 2020)

	Adopted Budget FY 2019	Adopted Budget FY 2020	Adopted Budget FY 2021	Budget Variance \$ FY 2020-FY 2021	Budget Variance % FY 2020-FY 2021
TAX FUND					
Revenues					
Current & Prior Years Taxes	2,013,626	2,239,879	2,291,100	51,221	2%
Penalty & Interest	10,730	9,186	10,000	814	9%
Additional Collection Penalty	4,365	3,281	3,500	219	7%
Overpayments	3,425	7,678	5,000	(2,678)	-35%
Excess Escrow Distri/Sec 23.12	0	2,116	0	(2,116)	-100%
Special Inventory Tax/Overpayment	7,808	0	0	0	0%
Funds Pending Certification	8	(8)	0	8	-100%
Refund - due to adjustments	30,198	9,651	5,000	(4,651)	-48%
Unpaid Account	662	909	500	(409)	-45%
Substantial Error Penalty	88	0	0	0	0%
Rendition Penalty	300	168	0	(168)	-100%
Refund Rendition Penalty	58	0	0	0	0%
TOTAL REVENUES	2,071,268	2,272,860	2,315,100	42,241	(4)
Expenditures					
Ary's Fees, Delq. collection	4,193	4,069	520	(3,549)	-87%
CAD Quarterly Assessment	14,942	16,180	2,145	(14,035)	-87%
Newspaper Notices Req. by Law (Sec. 140.0045, LGC)	441	441	57	(384)	-87%
Refund - due to adjustments	32,646	21,685	25,000	3,315	15%
Refund - due to overpayments	3,332	7,627	5,000	(2,627)	-34%
Tax A/C Bond Premium	2,188	2,188	284	(1,904)	-87%
Transfer to Debt Service Fund (property tax revenue budgeted for debt service)	157,659	275,140	278,400	3,260	1%
Transfer to General Fund (property tax revenue budgeted for Maint. And Oper)	1,694,287	1,819,726	1,942,700	122,974	7%
Tax Assessor/Collector Fee	32,280	32,280	4,196	(28,084)	-87%
Unpaid Account	662	909	65	(844)	-93%
Rendition Penalty	12	0	0	0	0%
Rendition Penalty Refund	11	0	0	0	0%
Rendition Penalty CAD Portion	0	15	0	(15)	-100%
Computer Cost	0	35	5	(31)	-87%
Postage	1,555	1,704	221	(1,483)	-87%
Supplies	1,061	1,054	137	(918)	-87%
Audit Preparation	150	150	20	(131)	-87%
Additional Services BLI	325	325	42	(283)	-87%
Records Maintenance	120	120	16	(104)	-87%
Copies	527	484	65	(419)	-87%
Envelopes - Original Stmt	471	447	59	(389)	-87%
Notice to Purchaser	10	0	0	0	0%
Duplicate Statements	26	10	1	(9)	-87%
Supp/Corr/Name Chgs Envelopes	0	111	7	(104)	-94%
Envelopes - Feb Delinq Stmt	64	72	10	(62)	-86%
Envelopes - May Del Stmt	38	43	7	(36)	-83%
Tax Lien Transfers	0	50	0	(50)	-100%
Delinquent Report Assistance	155	0	0	0	0%
Exemption Assistance	150	150	20	(131)	-87%
SB 2 Compliance	0	100	13	(87)	-87%
TOTAL EXPENDITURES	\$1,947,304	\$2,185,114	\$2,258,988	\$73,873	(\$20)
Net Excess Revenues <Expenditures>	\$123,964	\$87,745	\$56,112	(\$31,633)	\$16

Adopted 7-15-20,
based on actuals

Total Amount (All Funds)	
REVENUES (including "Use of Prior Years Reserves" and disregarding "Transfer to General Fund" from Tax Fund)	
Total FY 2021	\$6,719,361
Change from FY 2020	\$ 225,479 or 4%
EXPENDITURES (disregarding "Transfer to General Fund" from Tax Fund)	
Total FY 2021	\$6,663,250
Change from FY 2020	\$ 261,840 or 4%

APPENDIX TO AMENDED FY 2021 BUDGET: On the internet at MCUD.com (see link to "APPENDIX TO ANNUAL BUDGET"), adopted by this reference and incorporated herein.

MASON CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

MASON CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-30
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	32
SUPPLEMENTARY INFORMATION-REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	34-36
GENERAL FUND EXPENDITURES	37-38
INVESTMENTS	39
TAXES LEVIED AND RECEIVABLE	40-41
LONG-TERM DEBT SERVICE REQUIREMENTS	42
CHANGES IN LONG-TERM BOND DEBT	43-44
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	45-48
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	49-50

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mason Creek Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Mason Creek Utility District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 16, 2019

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Management's discussion and analysis of Mason Creek Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$17,559,255 as of June 30, 2019. A portion of the District's net position reflects its net investment in capital assets (water, wastewater, drainage and recreational facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the Statement of Net Position as of June 30, 2019, and June 30, 2018:

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 8,164,886	\$ 7,642,687	\$ 522,199
Capital Assets (Net of Accumulated Depreciation)	11,434,100	11,233,952	200,148
Total Assets	\$ 19,598,986	\$ 18,876,639	\$ 722,347
Bonds Payable	\$ 1,651,064	\$ 1,747,709	\$ 96,645
Other Liabilities	388,667	405,871	17,204
Total Liabilities	\$ 2,039,731	\$ 2,153,580	\$ 113,849
Net Position:			
Net Investment in Capital Assets	\$ 9,783,036	\$ 9,486,243	\$ 296,793
Restricted	405,763	(55,192)	460,955
Unrestricted	7,370,456	7,292,008	78,448
Total Net Position	\$ 17,559,255	\$ 16,723,059	\$ 836,196

The following table provides a comparative analysis of the District's operations for the fiscal years ending June 30, 2019, and June 30, 2018:

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,022,901	\$ 1,991,939	\$ 30,962
Charges for Services	2,623,845	2,772,388	(148,543)
Sales Taxes	245,075	269,026	(23,951)
Other Revenues	339,766	537,467	(197,701)
Total Revenues	\$ 5,231,587	\$ 5,570,820	\$ (339,233)
Expenses for Services	4,395,391	4,566,284	170,893
Change in Net Position	\$ 836,196	\$ 1,004,536	\$ (168,340)
Net Position, Beginning of Year	16,723,059	15,718,523	1,004,536
Net Position, End of Year	\$ 17,559,255	\$ 16,723,059	\$ 836,196

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2019, were \$7,734,669, an increase of \$531,066 from the prior year.

The General Fund fund balance increased by \$69,844, primarily due to service and property tax revenues exceeding operating and capital expenditures as well as a transfer to the Debt Service Fund.

The Debt Service Fund fund balance increased by \$461,222, primarily due to the structure of the District's outstanding debt requirements and the recording of a transfer from the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$132,027 more than budgeted, primarily due to higher than projected property tax and investment revenues as well as a FEMA reimbursement. Actual expenditures were \$275,894 less than budgeted, primarily due to lower than expected purchased wastewater service, utilities, and capital expenditures.

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the District had total bond debt payable of \$1,695,000. The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	\$ 1,795,000
Less: Bond Principal Paid	<u>100,000</u>
Bond Debt Payable, June 30, 2019	<u>\$ 1,695,000</u>

The District's Series 2011 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The District's underlying rating is "A+". Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The ratings above include all changes, if any, through June 30, 2019.

**MASON CREEK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS

Capital assets as of June 30, 2019, total \$11,434,100 and include buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset activity during the current fiscal year included the District's share of improvements at the West Memorial Municipal Utility District Regional Sewage Treatment Plant, various motors, pumps and other equipment, various improvements to recreational facilities and other improvements at the community center.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 729,167	\$ 729,167	\$
Construction in Progress	325,079		325,079
Capital Assets, Net of Accumulated Depreciation:			
Community Center	268,249	316,186	(47,937)
Recreational Facility	39,679	43,942	(4,263)
Buildings and Improvements	507,654	400,055	107,599
Furniture and Equipment	699,980	738,806	(38,826)
Water System	4,671,142	4,798,096	(126,954)
Wastewater System	4,106,094	4,100,650	5,444
Drainage System	87,056	107,050	(19,994)
Total Net Capital Assets	\$ 11,434,100	\$ 11,233,952	\$ 200,148

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 Mason Creek Utility District, 847 Dominion, Katy, Texas 77450.

MASON CREEK UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,108,066	\$ 429,217
Investments	5,114,955	
Receivables:		
Property Taxes	48,153	4,498
Penalty and Interest on Delinquent Taxes		
Service Accounts	258,312	
Accrued Interest	44,189	
Prepaid Costs	1,509	
Due from the City of Houston	69,579	
Joint Facilities Operating Advances	70,832	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 7,715,595	\$ 433,715

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,537,283	\$	\$ 2,537,283
5,114,955		5,114,955
52,651		52,651
	15,576	15,576
258,312		258,312
44,189		44,189
1,509		1,509
69,579		69,579
70,832		70,832
	729,167	729,167
	325,079	325,079
	<u>10,379,854</u>	<u>10,379,854</u>
<u>\$ 8,149,310</u>	<u>\$ 11,449,676</u>	<u>\$ 19,598,986</u>

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

MASON CREEK UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 289,251	\$ 999
Accrued Interest Payable		
Due to Taxpayers		15,852
Security Deposits	55,888	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 345,139	\$ 16,851
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 48,153	\$ 4,498
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 1,509	\$
Joint Facilities Operating Advances	70,832	
Restricted for Debt Service		412,366
Assigned For 2020 Budget Deficit	1,019,282	
Unassigned	6,230,680	
TOTAL FUND BALANCES	\$ 7,322,303	\$ 412,366
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,715,595	\$ 433,715
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 290,250	\$ 26,677	\$ 290,250
15,852		26,677
55,888		15,852
		55,888
	105,000	105,000
	<u>1,546,064</u>	<u>1,546,064</u>
<u>\$ 361,990</u>	<u>\$ 1,677,741</u>	<u>\$ 2,039,731</u>
<u>\$ 52,651</u>	<u>\$ (52,651)</u>	<u>\$ - 0 -</u>
\$ 1,509	\$ (1,509)	\$
70,832	(70,832)	
412,366	(412,366)	
1,019,282	(1,019,282)	
<u>6,230,680</u>	<u>(6,230,680)</u>	
<u>\$ 7,734,669</u>	<u>\$ (7,734,669)</u>	<u>\$ - 0 -</u>
<u>\$ 8,149,310</u>		
	\$ 9,783,036	\$ 9,783,036
	405,763	405,763
	<u>7,370,456</u>	<u>7,370,456</u>
	<u>\$ 17,559,255</u>	<u>\$ 17,559,255</u>

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

MASON CREEK UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds \$ 7,734,669

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. 11,434,100

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District. 68,227

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (26,677)	
Bonds Payable	<u>(1,651,064)</u>	<u>(1,677,741)</u>

Total Net Position - Governmental Activities \$ 17,559,255

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

THIS PAGE INTENTIONALLY LEFT BLANK

MASON CREEK UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,848,767	\$ 164,858
Water Service	1,173,294	
Wastewater Service	1,074,650	
Groundwater Reduction Fees	311,791	
Sales Tax Revenues	245,075	
Penalty and Interest	26,148	15,439
Tap Connection and Inspection Fees	25,129	
Community Center Fees	63,818	
Proceeds from Sale of Assets	34,600	
Investment, FEMA, and Miscellaneous Revenues	255,072	1,783
TOTAL REVENUES	\$ 5,058,344	\$ 182,080
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 404,672	\$
Professional Fees	109,321	4,865
Contracted Services	1,111,522	47,922
Purchased Wastewater Service	302,137	
Utilities	319,981	
Groundwater Reduction Costs	313,588	
Repairs and Maintenance	678,116	
Depreciation		
Community Center	328,748	
Other	237,301	8,370
Capital Outlay	676,790	
Debt Service:		
Bond Principal		100,000
Bond Interest		66,025
TOTAL EXPENDITURES/EXPENSES	\$ 4,482,176	\$ 227,182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 576,168	\$ (45,102)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (506,324)	\$ 506,324
NET CHANGE IN FUND BALANCES	\$ 69,844	\$ 461,222
CHANGE IN NET POSITION		
FUND BALANCES(DEFICIT)/NET POSITION - JULY 1, 2018	7,252,459	(48,856)
FUND BALANCES/NET POSITION - JUNE 30, 2019	\$ 7,322,303	\$ 412,366

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 2,013,625	\$ 9,276	\$ 2,022,901
1,173,294		1,173,294
1,074,650		1,074,650
311,791		311,791
245,075		245,075
41,587	(2,606)	38,981
25,129		25,129
63,818		63,818
34,600	(15,507)	19,093
256,855		256,855
<u>\$ 5,240,424</u>	<u>\$ (8,837)</u>	<u>\$ 5,231,587</u>
\$ 404,672	\$	\$ 404,672
114,186		114,186
1,159,444		1,159,444
302,137		302,137
319,981		319,981
313,588		313,588
678,116		678,116
	547,056	547,056
328,748	(85,921)	242,827
245,671		245,671
676,790	(676,790)	
100,000	(100,000)	
66,025	1,688	67,713
<u>\$ 4,709,358</u>	<u>\$ (313,967)</u>	<u>\$ 4,395,391</u>
<u>\$ 531,066</u>	<u>\$ 305,130</u>	<u>\$ 836,196</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 531,066	\$ (531,066)	\$
	836,196	836,196
<u>7,203,603</u>	<u>9,519,456</u>	<u>16,723,059</u>
<u>\$ 7,734,669</u>	<u>\$ 9,824,586</u>	<u>\$ 17,559,255</u>

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

MASON CREEK UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds \$ 531,066

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. 9,276

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. (2,606)

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. (547,056)

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. 747,204

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. 100,000

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. (1,688)

Change in Net Position - Governmental Activities \$ 836,196

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF DISTRICT

Mason Creek Utility District of Harris County, Texas (the “District”) was created by the Acts of the 62nd Legislature of Texas, Regular Session, 1971, page 2164, chapter 664, pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution. The District operates under the provisions of Chapters 49 and 54, Texas Water Code, as amended. The Board of Directors held its first meeting on December 29, 1971 and its first bonds were sold on July 23, 1973.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- 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.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses 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 financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has two governmental funds and considers each to be a major fund.

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

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. During the current fiscal year, the District recorded a transfer of \$506,324 from the General Fund to the Debt Service Fund in order to eliminate the interfund liability between the funds which reflects the Board’s intent not to reimburse the General Fund. The District’s policy is to cover any deficits with transfers from the General Fund.

Capital Assets

Capital assets which include property, plant and equipment 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. Engineering fees and certain other costs are capitalized as part of the asset.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$2,500 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	50
Water System	50
Wastewater System	50
Drainage System	40
Sewer Plant Contribution	50
Community Center	20
Machinery and Equipment	15
Furniture and Equipment	20
Transportation Equipment	5

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 established a simplified pension plan. It has also elected to provide social security coverage to all employees who are not participating in a public retirement system. See Note 10. The Internal Revenue Service determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll 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.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$1,019,282 of its General Fund fund balance to cover a budgeted shortfall in fiscal year 2020.

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.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT

	Series 2011
Amounts Outstanding - June 30, 2019	\$ 1,695,000
Interest Rates	3.00% - 4.30%
Maturity Dates – Serially Beginning/Ending	August 1, 2019/2031
Interest Payment Dates	August 1 / February 1
Callable Dates	August 1, 2019*

* Or on any date thereafter, in whole or part, at a price of par value plus accrued interest to the date fixed for redemption. Series 2011 Term Bonds maturing on August 1, 2021, 2023, 2025, 2027, 2029, and 2031, are subject to mandatory redemption beginning August 1, 2020, 2022, 2024, 2026, 2028, and 2030, respectively.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	\$ 1,795,000	\$	\$ 100,000	\$ 1,695,000
Unamortized Discounts	(47,291)		(3,355)	(43,936)
Bonds Payable, Net	\$ 1,747,709	\$ -0-	\$ 96,645	\$ 1,651,064
			Amount Due Within One Year	\$ 105,000
			Amount Due After One Year	1,546,064
			Bonds Payable, Net	\$ 1,651,064

As of June 30, 2019, the District had authorized but unissued bonds in the amount of \$2,779,000 for utility facilities. 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. As of June 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 105,000	\$ 61,926	\$ 166,926
2021	105,000	58,249	163,249
2022	110,000	55,025	165,025
2023	115,000	51,478	166,478
2024	120,000	47,600	167,600
2025-2029	665,000	168,703	833,703
2030-2032	475,000	31,151	506,151
	\$ 1,695,000	\$ 474,132	\$ 2,169,132

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of \$0.027 per \$100 of assessed valuation, which resulted in a tax levy of \$166,984 on the adjusted taxable valuation of \$618,458,540 for the 2018 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

Lien Date	- January 1.
Levy Date	- October 1 or as soon thereafter as practicable.
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

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

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.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$7,652,238 and the bank balance was \$7,625,232. 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 June 30, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 2,108,066	\$ 5,114,955	\$ 7,223,021
DEBT SERVICE FUND	429,217		429,217
TOTAL DEPOSITS	\$ 2,537,283	\$ 5,114,955	\$ 7,652,238

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.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2019, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 year</u>	<u>1-5 Years</u>
<u>GENERAL FUND</u>			
Certificates of Deposit	<u>\$5,114,955</u>	<u>\$ 4,871,881</u>	<u>\$ 243,074</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage or that are covered by pledged securities for balances that exceed FDIC coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than two years.

Restrictions

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

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 729,167	\$	\$	\$ 729,167
Construction in Progress		762,711	437,632	325,079
Total Capital Assets Not Being Depreciated	<u>\$ 729,167</u>	<u>\$ 762,711</u>	<u>\$ 437,632</u>	<u>\$ 1,054,246</u>
Capital Assets Subject to Depreciation				
Community Center	\$ 1,310,627	\$	\$	\$ 1,310,627
Recreational Facility	99,752			99,752
Buildings and Improvements	691,239	118,350		809,589
Furniture and Equipment	1,763,582	46,925	55,326	1,755,181
Water System	11,151,203	110,608		11,261,811
Wastewater System	8,786,404	161,749		8,948,153
Drainage System	4,333,210			4,333,210
Total Capital Assets Subject to Depreciation	<u>\$ 28,136,017</u>	<u>\$ 437,632</u>	<u>\$ 55,326</u>	<u>\$ 28,518,323</u>
Accumulated Depreciation				
Community Center	\$ 994,441	\$ 47,937	\$	\$ 1,042,378
Recreational Facility	55,810	4,263		60,073
Buildings and Improvements	291,184	10,751		301,935
Furniture and Equipment	1,024,776	70,244	39,819	1,055,201
Water System	6,353,107	237,562		6,590,669
Wastewater System	4,685,754	156,305		4,842,059
Drainage System	4,226,160	19,994		4,246,154
Total Accumulated Depreciation	<u>\$ 17,631,232</u>	<u>\$ 547,056</u>	<u>\$ 39,819</u>	<u>\$ 18,138,469</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,504,785</u>	<u>\$ (109,424)</u>	<u>\$ 15,507</u>	<u>\$ 10,379,854</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,233,952</u>	<u>\$ 653,287</u>	<u>\$ 453,139</u>	<u>\$ 11,434,100</u>

NOTE 7. MAINTENANCE TAX

On May 1, 1999, the voters within the District approved for the District to levy an unlimited maintenance tax rate per \$100 of assessed valuation on property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended June 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.303 per \$100 of assessed valuation, which resulted in a tax levy of \$1,873,930 on the adjusted taxable valuation of \$618,458,540 for the 2018 tax year.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES

West Memorial Regional Wastewater Treatment Plant

On December 18, 1972, the District entered into agreements with Harris County Municipal Utility District No. 81, West Memorial Municipal Utility District (“West Memorial”), then known as Harris County Water Control and Improvement District No. 134, and Cimarron Municipal Utility District (the “Participants”) for the provision of a regional waste treatment facility. The Plant is owned and operated by West Memorial and expanded by the Participants.

On August 30, 1983, the District and the Participants amended the agreement to include Interstate Municipal Utility District. On January 25, 1994, West Memorial purchased 29,000 gallons per day (gpd) of capacity from Cimarron Municipal Utility District. The amendment also provided for the expansion of the Plant to a capacity of 6,475,000 gpd. The Participants agreed to finance the expansion to include the issuance of bonds, if required. The term of the agreement is 40 years from the effective date of the amendment. Current capacity ownership is as follows:

	Owned Capacity in Gallons Per Day	Percentage of Ownership
The District	800,000	12.36%
West Memorial Municipal Utility District	599,000	9.25
Harris County Municipal Utility District No. 81	1,255,000	19.38
Cimarron Municipal Utility District	2,471,000	38.16
Interstate Municipal Utility District	1,350,000	20.85
TOTAL	6,475,000	100.00%

Oversight of the Plant is exercised by the Board of Directors of West Memorial. The terms of the agreement provide for an operating reserve equivalent to three months operation and maintenance costs as set forth in the annual budget allocated to the Participants based on equivalent connections. The allocation of the operating reserve at June 30, 2019, is as follows:

The District	\$ 40,832
West Memorial Municipal Utility District	52,690
Harris County Municipal Utility District No. 81	87,113
Cimarron Municipal Utility District	144,129
Interstate Municipal Utility District	89,036
Total	\$ 413,800

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES (Continued)

West Memorial Regional Wastewater Treatment Plant (Continued)

The District's pro rata share of current year operating expenditures was \$152,567. The Participants are billed for operations based on a budgeted cost per connection. At fiscal year-end, revenues are adjusted to equal actual expenditures. Overages are disbursed to participants and shortages are billed to participants. The following summary financial data of the West Memorial Regional Wastewater Plant is presented for the fiscal year ended June 30, 2019.

Total Assets	\$ 832,805
Total Liabilities	<u>419,005</u>
Total Fund Balance	<u>\$ 413,800</u>
Total Revenues	\$ 3,412,642
Total Expenditures	<u>3,412,642</u>
Net Change in Fund Balance	\$ - 0 -
Increase (Decrease) in Operating Reserve	(3,388)
Beginning Fund Balance	<u>417,188</u>
Ending Fund Balance	<u>\$ 413,800</u>

Cinco Regional Sewage Treatment Plant

Cinco Regional Sewage Treatment Plant (the Plant) was established by agreements between Cornerstones Municipal Utility District, Harris County Municipal Utility District No. 81 (District No. 81), the District and Memorial Municipal Utility District on May 15, 1978, and as subsequently amended and restated. The agreement and subsequent amendments were entered into for the purpose of sharing the costs of constructing and operating a regional sewage treatment plant. Current capacity and ownership is as follows:

	Owned Capacity in Gallons Per Day	Percentage of Ownership
The District	500,000	16.67%
Cornerstones Municipal Utility District	1,000,000	33.33
Harris County Municipal Utility District No. 81	560,000	18.67
Memorial Municipal Utility District	<u>940,000</u>	<u>31.33</u>
TOTAL	<u>3,000,000</u>	<u>100.00%</u>

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. WASTEWATER TREATMENT PLANT FACILITIES (Continued)

Cinco Regional Sewage Treatment Plant (Continued)

The participants are billed for fixed and variable plant operating costs on a monthly basis. Variable costs, consisting primarily of chemicals, sludge, and electricity costs, are allocated to each participant based on the number of connections served for each participant divided by the total number of connections served by the plant. Fixed costs are allocated based on ownership percentage and consist of all other costs of operating the plant. Major capital costs may be allocated as fixed or variable costs, depending on the nature of the costs. Each participant has made equal cash deposits for an operating reserve totaling \$120,000, of which the District's share is \$30,000. The District's pro rata share of current year operating expenditures was \$149,570. The following summary financial data of the Cinco Regional Sewage Treatment Plant is presented for the fiscal year ended December 31, 2018.

Total Assets	\$ 178,085
Total Liabilities	<u>58,085</u>
Total Fund Balance	<u>\$ 120,000</u>
Total Revenues	\$ 1,288,892
Total Other Financing Sources	243,971
Total Expenditures	<u>(1,532,863)</u>
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	<u>120,000</u>
Ending Fund Balance	<u>\$ 120,000</u>

The participants have also entered into a Reclaimed Water Agreement dated May 11, 2016, which was amended on February 15, 2017. Under this agreement Cinco MUD No. 1 will construct and operate a wastewater treatment plant effluent reuse facility for the benefit of all participants.

NOTE 9. COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation, sick days and holidays based on meeting certain criteria. These benefits are determined on a calendar year basis and may not be carried over to the succeeding year. The District has elected not to accrue immaterial, compensated absences as of June 30, 2019.

NOTE 10. RETIREMENT PLAN

The District established a simplified employee pension plan (defined contribution) on December 13, 1995. The plan has a calendar year end and provides for a maximum contribution of 25% of wages for eligible employees. Eligible employees are fully vested in plan balances. The District contributed 10% of the eligible employees' salaries to the plan which totaled \$22,971 for the current fiscal year.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11. GROUNDWATER REDUCTION PLAN

On January 8, 2003 the District executed an agreement between the City of Houston and the District, which was effective as of the date countersigned by the City of Houston ("GRP Manager"). The agreement was countersigned on July 18, 2003 and is known as the "City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Coastal Subsidence District," (the "Agreement"). The Agreement, which expires at noon on October 31, 2040, relates to a project for water to be supplied pursuant to this Agreement which must be derived primarily from surface water. By January 2030, groundwater withdrawals are to comprise no more than 20% of the pumper's total water demand. The District's costs for the year ended June 30, 2019 totaled \$313,588.

NOTE 12. 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 there have been no settlements.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 2, 2002, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District.

Upon annexation, the City began imposing a Sales and Use Tax within the boundaries of the Subject Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller's office. During the current fiscal year, the District collected \$245,075 in sales tax revenue from the City of Houston, of which \$69,579 was recorded as receivable at year end.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

MASON CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14. EMERGENCY WATER SUPPLY CONTRACTS

On January 1, 1998, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 81. The parties agree to furnish water to each other on an emergency basis for a maximum period of 15 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is \$1.75 per 1,000 gallons of water used. This contract will remain in effect until terminated in writing by either party.

On October 16, 2006, the District executed an emergency water supply contract with Interstate Municipal Utility District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 15 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is \$1.75 per 1,000 gallons of water used. This contract will remain in effect until terminated in writing by either party.

On June 15, 2012, the District executed an emergency water supply contract with Green Trails Municipal Utility District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 30 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is the first increment of volume used above the minimum monthly charge by single-family residential customers inside the district's boundaries, plus an additional amount necessary to cover City of Houston groundwater reduction fees. This contract will remain in effect until terminated in writing by either party.

THIS PAGE INTENTIONALLY LEFT BLANK

MASON CREEK UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

MASON CREEK UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,758,837	\$ 1,848,767	\$ 89,930
Water Service	1,235,650	1,173,294	(62,356)
Wastewater Service	1,074,750	1,074,650	(100)
Groundwater Reduction Fees	332,200	311,791	(20,409)
Sales Tax Revenues	295,250	245,075	(50,175)
Penalty and Interest	23,600	26,148	2,548
Tap Connection and Inspection Fees	10,660	25,129	14,469
Community Center Fees	84,250	63,818	(20,432)
Miscellaneous Revenues	111,120	289,672	178,552
TOTAL REVENUES	<u>\$ 4,926,317</u>	<u>\$ 5,058,344</u>	<u>\$ 132,027</u>
EXPENDITURES			
Services Operations:			
Personnel	\$ 394,010	\$ 404,672	\$ (10,662)
Professional Fees	86,600	109,321	(22,721)
Contracted Services	1,130,750	1,111,522	19,228
Purchased Wastewater Service	342,400	302,137	40,263
Utilities	350,590	319,981	30,609
Groundwater Reduction Costs	319,400	313,588	5,812
Repairs and Maintenance	717,000	678,116	38,884
Community Center	302,980	328,748	(25,768)
Other	214,340	237,301	(22,961)
Capital Outlay	900,000	676,790	223,210
TOTAL EXPENDITURES	<u>\$ 4,758,070</u>	<u>\$ 4,482,176</u>	<u>\$ 275,894</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 168,247</u>	<u>\$ 576,168</u>	<u>\$ 407,921</u>
OTHER FINANCING SOURCES(USES)			
Transfers In(Out)	<u>\$ -0-</u>	<u>\$ (506,324)</u>	<u>\$ (506,324)</u>
NET CHANGE IN FUND BALANCE	\$ 168,247	\$ 69,844	\$ (98,403)
FUND BALANCE - JULY 1, 2018	<u>7,252,459</u>	<u>7,252,459</u>	<u></u>
FUND BALANCE - JUNE 30, 2019	<u><u>\$ 7,420,706</u></u>	<u><u>\$ 7,322,303</u></u>	<u><u>\$ (98,403)</u></u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

MASON CREEK UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2019

**MASON CREEK UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order adopted April 17, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.58	3,000	N	\$ 2.03	3,001 to 10,000
				\$ 3.08	10,001 to 15,000
				\$ 3.39	15,001 to 20,000
				\$ 5.22	20,001 and up
WASTEWATER:	\$ 20.40	3,000	N	\$2.01	3,001 to 10,000
				\$2.82	10,001 to 15,000
				\$3.10	15,001 to 20,000
				\$3.10	20,001 and up
SURCHARGE:					
Groundwater Reduction				\$1.06	Per 1,000 gallons
Regulatory Assessment Fee	.5% of water and wastewater billed				

District employs winter averaging for wastewater usage?

		<u>X</u>
Yes	No	No

Total monthly charges per 10,000 gallons usage: Water: \$34.79 Wastewater: \$35.49 Surcharge: \$10.95

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
$\leq 3/4$ "	<u>2,463</u>	<u>2,448</u>	x 1.0	<u>2,448</u>
1"	<u>50</u>	<u>46</u>	x 2.5	<u>115</u>
1 1/2"	<u>15</u>	<u>14</u>	x 5.0	<u>70</u>
2"	<u>40</u>	<u>40</u>	x 8.0	<u>320</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>9</u>	<u>9</u>	x 50.0	<u>450</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"			x 115.0	
Total Water Connections	<u><u>2,582</u></u>	<u><u>2,562</u></u>		<u><u>3,628</u></u>
Total Wastewater Connections	<u><u>2,360</u></u>	<u><u>2,341</u></u>	x 1.0	<u><u>2,341</u></u>

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

Gallons pumped into system:	318,931,000	Water Accountability Ratio: 91% (Gallons billed/Gallons pumped)
Gallons billed to customers:	291,223,000	

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

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:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>404,672</u>
PROFESSIONAL FEES:	
Auditing	\$ 17,250
Engineering	32,955
Legal	<u>59,116</u>
TOTAL PROFESSIONAL FEES	\$ <u>109,321</u>
PURCHASED WASTEWATER SERVICE	\$ <u>302,137</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 41,490
Operations and Billing	397,346
Tax Collector - Sales Tax Monitoring	<u>1,987</u>
TOTAL CONTRACTED SERVICES	\$ <u>440,823</u>
UTILITIES:	
Electricity	\$ 176,109
Telephone	<u>25,305</u>
TOTAL UTILITIES	\$ <u>201,414</u>
REPAIRS AND MAINTENANCE	\$ <u>678,116</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 23,400
Insurance	69,116
Office Supplies and Postage	31,768
Service Charges/Credit Card Fees	11,277
Travel and Meetings	10,912
Rent and Leases	13,248
Other	<u>27,825</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>187,546</u>

See accompanying independent auditor's report.

**MASON CREEK UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL OUTLAY	\$ <u>676,790</u>
SOLID WASTE DISPOSAL	\$ <u>650,140</u>
STREET LIGHTS	\$ <u>118,567</u>
SECURITY	\$ <u>20,559</u>
COMMUNITY CENTER	\$ <u>328,748</u>
OTHER EXPENDITURES:	
Chemicals	\$ 32,137
Groundwater Reduction Costs	313,588
Permit Fees	6,381
Regulatory Assessment	<u>11,237</u>
TOTAL OTHER EXPENDITURES	\$ <u>363,343</u>
TOTAL EXPENDITURES	\$ <u><u>4,482,176</u></u>

Number of persons employed by the District 7 Full-Time 2 Part-Time

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Certificate of Deposit	XXXX0243	2.25%	09/08/20	\$ 243,074	\$ 1,708
Certificate of Deposit	XXXX9123	2.04%	09/09/19	508,110	3,152
Certificate of Deposit	XXXX1422	2.07%	12/16/19	1,250,000	7,373
Certificate of Deposit	XXXX7087	2.38%	07/21/19	250,000	5,575
Certificate of Deposit	XXXX0664	2.16%	08/01/19	1,000,000	8,581
Certificate of Deposit	XXXX8605	2.25%	10/07/19	1,052,759	17,262
Certificate of Deposit	XXXX9628	2.20%	06/19/20	392,425	260
Certificate of Deposit	XXXX9631	2.20%	06/19/20	418,587	278
TOTAL GENERAL FUND				<u>\$ 5,114,955</u>	<u>\$ 44,189</u>

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2018	\$	39,549	\$	3,826
Adjustments to Beginning				
Balance		<u>(16,559)</u>		<u>(1,454)</u>
	\$	22,990	\$	2,372
Original 2018 Tax Levy	\$	1,817,569	\$	161,962
Adjustment to 2018 Tax Levy		<u>56,361</u>	<u>1,873,930</u>	<u>5,022</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,896,920	\$
				169,356
TAX COLLECTIONS:				
Prior Years	\$	(1,011)	\$	26
Current Year		<u>1,849,778</u>	<u>1,848,767</u>	<u>164,832</u>
				<u>164,858</u>
TAXES RECEIVABLE -				
JUNE 30, 2019		<u>\$</u>	<u>48,153</u>	<u>\$</u>
				<u>4,498</u>
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	24,152	\$	2,152
2017		6,454		589
2016		5,032		534
2015		3,439		365
2014		1,777		198
2013		1,681		239
2012		2,244		318
2011 and prior		<u>3,374</u>		<u>103</u>
TOTAL	\$	<u>48,153</u>	\$	<u>4,498</u>

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 189,462,463	\$ 189,483,570	\$ 188,095,696	\$ 184,944,479
Improvements	599,097,402	605,037,707	594,144,014	588,870,571
Personal Property	42,315,529	40,551,871	42,677,882	40,332,036
Exemptions	<u>(212,416,854)</u>	<u>(214,880,064)</u>	<u>(224,220,136)</u>	<u>(254,182,537)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 618,458,540</u></u>	<u><u>\$ 620,193,084</u></u>	<u><u>\$ 600,697,456</u></u>	<u><u>\$ 559,964,549</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.027	\$ 0.027	\$ 0.031	\$ 0.031
Maintenance	<u>0.303</u>	<u>0.296</u>	<u>0.292</u>	<u>0.292</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 0.330</u></u>	<u><u>\$ 0.323</u></u>	<u><u>\$ 0.323</u></u>	<u><u>\$ 0.323</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 2,040,914</u></u>	<u><u>\$ 2,003,223</u></u>	<u><u>\$ 1,940,253</u></u>	<u><u>\$ 1,808,685</u></u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.71 %</u>	<u>99.65 %</u>	<u>99.71 %</u>	<u>99.79 %</u>

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

** Maintenance Tax - Unlimited tax rate per \$100 of assessed valuation approved by voters on May 1, 1999.

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 105,000	\$ 61,926	\$ 166,926
2021	105,000	58,249	163,249
2022	110,000	55,025	165,025
2023	115,000	51,478	166,478
2024	120,000	47,600	167,600
2025	120,000	43,460	163,460
2026	125,000	39,050	164,050
2027	135,000	34,184	169,184
2028	140,000	28,856	168,856
2029	145,000	23,153	168,153
2030	150,000	17,069	167,069
2031	160,000	10,535	170,535
2032	165,000	3,547	168,547
	\$ 1,695,000	\$ 474,132	\$ 2,169,132

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Mason Creek Utility District Unlimited Tax Bonds - Series 2011	<u>\$ 2,350,000</u>	<u>\$ 1,795,000</u>
Bond Authority:		Tax Bonds
Amount Authorized by Voters		\$ 21,999,000
Amount Issued		19,220,000
Remaining to be Issued		\$ 2,779,000
Debt Service Fund cash and investment balances as of June 30, 2019:		\$ 429,217
Average annual debt service payment (principal and interest) for remaining term of all debt:		\$ 166,856

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ - 0 -</u>	<u>\$ 100,000</u>	<u>\$ 66,025</u>	<u>\$ 1,695,000</u>	Wells Fargo Bank N.A. Dallas, TX

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,848,767	\$ 1,823,418	\$ 1,737,527
Water Service	1,173,294	1,286,332	1,303,251
Wastewater Service	1,074,650	1,093,110	1,126,350
Groundwater Reduction Fees	311,791	329,729	348,441
Sales Tax Revenues	245,075	269,026	263,465
Penalty and Interest	26,148	23,436	27,679
Tap Connection and Inspection Fees	25,129	21,241	11,253
Community Center Fees	63,818	77,596	74,231
Proceeds from Sale of Assets	34,600		18,000
Investment, FEMA and Miscellaneous Revenues	<u>255,072</u>	<u>75,380</u>	<u>48,037</u>
TOTAL REVENUES	<u>\$ 5,058,344</u>	<u>\$ 4,999,268</u>	<u>\$ 4,958,234</u>
EXPENDITURES			
Personnel	\$ 404,672	\$ 390,752	\$ 344,588
Professional Fees	109,321	128,061	55,539
Contracted Services	1,111,522	1,073,643	1,057,725
Purchased Wastewater Service	302,137	336,046	305,735
Utilities	319,981	330,054	356,751
Groundwater Reduction Costs	313,588	321,493	352,579
Repairs and Maintenance	678,116	733,564	663,950
Community Center	328,748	98,550	129,175
Other	237,301	238,007	216,129
Capital Outlay	<u>676,790</u>	<u>1,832,840</u>	<u>989,242</u>
TOTAL EXPENDITURES	<u>\$ 4,482,176</u>	<u>\$ 5,483,010</u>	<u>\$ 4,471,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 576,168</u>	<u>\$ (483,742)</u>	<u>\$ 486,821</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ (506,324)	\$	\$
Developer Contributions		<u>383,049</u>	<u>446,627</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (506,324)</u>	<u>\$ 383,049</u>	<u>\$ 446,627</u>
NET CHANGE IN FUND BALANCE	\$ 69,844	\$ (100,693)	\$ 933,448
BEGINNING FUND BALANCE	<u>7,252,459</u>	<u>7,353,152</u>	<u>6,419,704</u>
ENDING FUND BALANCE	<u>\$ 7,322,303</u>	<u>\$ 7,252,459</u>	<u>\$ 7,353,152</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,621,302	\$ 1,510,565	36.6 %	36.4 %	35.0 %	33.9 %	33.5 %
1,242,085	1,165,792	23.2	25.7	26.3	26.0	25.8
1,108,874	1,051,536	21.2	21.9	22.7	23.2	23.4
331,564	312,240	6.2	6.6	7.0	6.9	6.9
307,281	308,296	4.8	5.4	5.3	6.4	6.9
31,129	29,252	0.5	0.5	0.6	0.7	0.7
11,121	11,332	0.5	0.4	0.2	0.2	0.3
78,799	71,455	1.3	1.6	1.5	1.6	1.6
		0.7		0.4		
52,152	39,254	5.0	1.5	1.0	1.1	0.9
<u>\$ 4,784,307</u>	<u>\$ 4,499,722</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 283,509	\$ 265,700	8.0 %	7.8 %	6.9 %	5.9 %	5.9 %
103,095	74,478	2.2	2.6	1.1	2.2	1.7
1,063,428	1,016,268	22.0	21.5	21.3	22.2	22.6
302,249	331,796	6.0	6.7	6.2	6.3	7.4
344,704	336,361	6.3	6.6	7.2	7.2	7.5
340,576	310,755	6.2	6.4	7.1	7.1	6.9
436,680	350,398	13.4	14.7	13.4	9.1	7.8
210,854	212,770	6.5	2.0	2.6	4.4	4.7
236,551	199,384	4.7	4.8	4.4	4.9	4.5
418,836	339,491	13.4	36.7	20.0	8.8	7.5
<u>\$ 3,740,482</u>	<u>\$ 3,437,401</u>	<u>88.7 %</u>	<u>109.8 %</u>	<u>90.2 %</u>	<u>78.1 %</u>	<u>76.5 %</u>
\$ 1,043,825	\$ 1,062,321	11.3 %	(9.8) %	9.8 %	21.9 %	23.5 %
\$	\$ 99,399					
<u>\$ - 0 -</u>	<u>\$ 99,399</u>					
\$ 1,043,825	\$ 1,161,720					
5,375,879	4,214,159					
<u>\$ 6,419,704</u>	<u>\$ 5,375,879</u>					

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 164,858	\$ 166,502	\$ 184,474
Penalty and Interest	15,439	14,866	8,008
Investment and Miscellaneous Revenues	1,783	1,442	421
TOTAL REVENUES	\$ 182,080	\$ 182,810	\$ 192,903
EXPENDITURES			
Tax Collection Expenditures	\$ 60,607	\$ 60,111	\$ 55,382
Debt Service Principal	100,000	100,000	95,000
Debt Service Interest and Fees	66,575	70,575	74,475
TOTAL EXPENDITURES	\$ 227,182	\$ 230,686	\$ 224,857
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (45,102)	\$ (47,876)	\$ (31,954)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 506,324	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 461,222	\$ (47,876)	\$ (31,954)
BEGINNING FUND BALANCE (DEFICIT)	(48,856)	(980)	30,974
ENDING FUND BALANCE (DEFICIT)	\$ 412,366	\$ (48,856)	\$ (980)
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,562	2,550	2,540
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,341	2,337	2,317

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 172,036	\$ 168,147	90.5 %	91.1 %	95.6 %	75.0 %	93.8 %
13,258	10,459	8.5	8.1	4.2	5.8	5.8
<u>43,964</u>	<u>718</u>	<u>1.0</u>	<u>0.8</u>	<u>0.2</u>	<u>19.2</u>	<u>0.4</u>
<u>\$ 229,258</u>	<u>\$ 179,324</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 52,773	\$ 56,157	33.3 %	32.9 %	28.7 %	23.0 %	31.3 %
95,000	90,000	54.9	54.7	49.2	41.4	50.2
<u>78,275</u>	<u>81,975</u>	<u>36.6</u>	<u>38.6</u>	<u>38.6</u>	<u>34.1</u>	<u>45.7</u>
<u>\$ 226,048</u>	<u>\$ 228,132</u>	<u>124.8 %</u>	<u>126.2 %</u>	<u>116.5 %</u>	<u>98.5 %</u>	<u>127.2 %</u>
\$ 3,210	\$ (48,808)	<u>(24.8) %</u>	<u>(26.2) %</u>	<u>(16.5) %</u>	<u>1.5 %</u>	<u>(27.2) %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 3,210	\$ (48,808)					
<u>27,764</u>	<u>76,572</u>					
<u>\$ 30,974</u>	<u>\$ 27,764</u>					
<u>2,531</u>	<u>2,526</u>					
<u>2,341</u>	<u>2,333</u>					

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

District Mailing Address - Mason Creek Utility District
847 Dominion
Katy, TX 77450

District Telephone Number - (281) 578-7272

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2019	Expense Reimbursements for the year ended June 30, 2019	Title
Len Forsyth	05/18 05/22 (Elected)	\$ 7,200	\$ 1,089	President
James Hamblet III	05/16 05/20 (Elected)	\$ 3,150	\$ -0-	Vice President
Brian C. Connolly	05/16 05/20 (Elected)	\$ 3,750	\$ -0-	Secretary/Treasurer
John H. Cameron	05/16 05/20 (Elected)	\$ 6,750	\$ 2,614	Assistant Secretary/ Assistant Treasurer
Robert J. Wills	05/18 05/22 (Elected)	\$ 2,550	\$ -0-	Director

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

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054): July 31, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

MASON CREEK UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2019</u>	<u>Title</u>
James L. Dougherty	08/1984	\$ 58,883	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/2013	\$ 17,250	Auditor
Municipal Accounts & Consulting LP	12/2011	\$ 45,120	Bookkeeper
Hal R. Gordon	08/1984	\$ 3,881	Delinquent Tax Attorney
Susan Saccomen	07/2002	\$ 71,463	District Office Manager
Venturi Engineers, LLC	01/2017	\$ 119,835	Engineer
Blitch Associates, Inc.	10/2010	\$ -0-	Financial Advisor
James Parrott Utility Operations, Inc.	07/1981 to 06/2019	\$ 452,017	Operator
Bob Leared Interest	06/1995	\$ 36,932	Tax Collector/ Sales Tax Consultant

See accompanying independent auditor's report.

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF HARRIS }

I, Noel W. Barfoot of the Mason Creek Utility District

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 16th day of October, 2019, its annual audit report for the fiscal year or period ended June 30, 2019 and that copies of the annual audit report have been filed in the district office, located at

847 Dominion - Katy, TX 77450

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

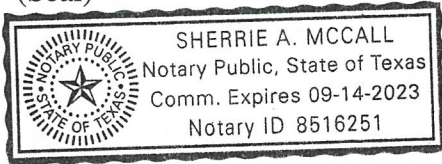
Date: October 31, 2019

By: [Signature of Noel W. Barfoot] (Signature of District Representative)

Noel W. Barfoot, Auditor (Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this the 31st day of October, 2019.

(Seal)



[Signature of Sherrie A. McCall] (Signature of Notary)

My Commission Expires On: September 14, 2023. Notary Public in the State of Texas.