

DIRECTOR AND AGENT QUESTIONNAIRE FOR CONFLICTS DISCLOSURE STATEMENT

In 2005, the Texas Legislature approved changes in disclosure requirements for public officials in Texas. The requirements became effective on January 1, 2006 and were clarified and amended by the legislature in 2007 and in 2015. Many public officials, including water district directors, agents, and employees, will not need to file a report or take any action under the act. This questionnaire will assist you in determining if you need to fill out a Texas Ethics Commission Form CIS, Local Government Officer Conflicts Disclosure Statement, for filing with the District. Please complete and sign this questionnaire and return it to the attorney for the District.

Name: A.F. Gessel
District: Timber Lane Utility District
Office Held: Director

Definition: A "business relationship" in the questions below means a connection between two or more parties based on the commercial activity of one of the parties but does not include the following: a) a transaction that is subject to rate or fee regulation by a federal, state or local government entity; b) a transaction conducted at a price and subject to terms available to the public; or c) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Definition: A "family member" in the questions below includes: your mother and her spouse; your father and his spouse; your son and his spouse; your daughter and her spouse; your spouse; and your spouse's mother, father, son, and daughter.

Definition: A "family relationship" in the questions below includes: your mother and her spouse; your father and his spouse; your son and his spouse; your daughter and her spouse; your grandmother and her spouse; your grandfather and his spouse; your brother and his spouse; your sister and her spouse; your grandson; your granddaughter; your aunt; your uncle; your niece; your nephew; your great-grandson; your great-granddaughter; your great-grandmother; your great-grandfather; your spouse; your spouse's mother; your spouse's father; your spouse's son; your spouse's daughter; your spouse's grandmother; your spouse's grandfather; your spouse's grandson; your spouse's granddaughter; your spouse's brother; or your spouse's sister.

Definition: A "vendor" in the questions below includes anyone who contracts with the District for the sale or purchase of real property, goods, personal property, or services (skilled or unskilled labor or professional services) or anyone who SEEKS to contract with the District. Agents and employees of the vendor are included.

1. Do you or any Family Member have an employment relationship with any Vendor or potential Vendor that could result in you or your Family Member receiving taxable income (other than investment income) of more than \$2,500?

_____ Yes ☒ No

2. Do you or any Family Member have a Business Relationship with any Vendor or potential Vendor that could result in you or your Family Member receiving taxable income (other than investment income) of more than \$2,500?

_____ Yes ☒ No

3. Has a Vendor or potential Vendor given you or any Family Member one or more gifts (not including food accepted as a guest or a political contribution) with a total value of more than \$100?

_____ Yes ✓ No

4. Does any Vendor or potential Vendor have a Family Relationship with you?

_____ Yes ✓ No

If the answer to any of your questions is yes, please notify the attorney for the District as soon as possible. You may need to complete a Conflicts Disclosure Statement for filing with the District.

If your answer to any of these questions changes at any time in the future, please notify the attorney for the District at once and update this form.

By: _____

A.F. Gessel

Date signed: _____

5-12-20

Please note, Form CIS (attached) need only be completed if you answered YES to any questions on this "Director Questionnaire for Conflicts Disclosure Statement."

**LOCAL GOVERNMENT OFFICER
CONFLICTS DISCLOSURE STATEMENT**

FORM CIS

(Instructions for completing and filing this form are provided on the next page.)

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This is the notice to the appropriate local governmental entity that the following local government officer has become aware of facts that require the officer to file this statement in accordance with Chapter 176, Local Government Code.

OFFICE USE ONLY

Timber Lane Utility
District

1 Name of Local Government Officer

A.F. Gessel

2 Office Held

DIRECTOR

3 Name of vendor described by Sections 176.001(7) and 176.003(a), Local Government Code

4 Description of the nature and extent of each employment or other business relationship and each family relationship with vendor named in item 3.

5 List gifts accepted by the local government officer and any family member, if aggregate value of the gifts accepted from vendor named in item 3 exceeds \$100 during the 12-month period described by Section 176.003(a)(2)(B).

Date Gift Accepted _____ Description of Gift _____

Date Gift Accepted _____ Description of Gift _____

Date Gift Accepted _____ Description of Gift _____

(attach additional forms as necessary)

6 **AFFIDAVIT**

I swear under penalty of perjury that the above statement is true and correct. I acknowledge that the disclosure applies to each family member (as defined by Section 176.001(2), Local Government Code) of this local government officer. I also acknowledge that this statement covers the 12-month period described by Section 176.003(a)(2)(B), Local Government Code.

A.F. Gessel

Signature of Local Government Officer

AFFIX NOTARY STAMP / SEAL ABOVE

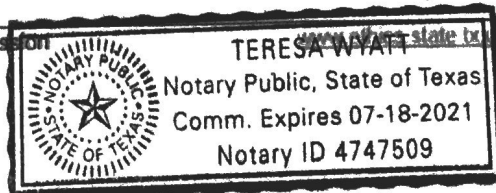
Sworn to and subscribed before me, by the said A.F. Gessel, this the 12th day of MAY, 20 20, to certify which, witness my hand and seal of office.

Teresa Wyatt
Signature of officer administering oath

TERESA WYATT
Printed name of officer administering oath

NOTARY
Title of officer administering oath

Form provided by Texas Ethics Commission



Revised 11/30/2015

LOCAL GOVERNMENT OFFICER CONFLICTS DISCLOSURE STATEMENT

Section 176.003 of the Local Government Code requires certain local government officers to file this form. A "local government officer" is defined as a member of the governing body of a local governmental entity; a director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity; or an agent of a local governmental entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor. This form is required to be filed with the records administrator of the local governmental entity not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of this statement.

A local government officer commits an offense if the officer knowingly violates Section 176.003, Local Government Code. An offense under this section is a misdemeanor.

Refer to chapter 176 of the Local Government Code for detailed information regarding the requirement to file this form.

INSTRUCTIONS FOR COMPLETING THIS FORM

The following numbers correspond to the numbered boxes on the other side.

- 1. Name of Local Government Officer.** Enter the name of the local government officer filing this statement.
- 2. Office Held.** Enter the name of the office held by the local government officer filing this statement.
- 3. Name of vendor described by Sections 176.001(7) and 176.003(a), Local Government Code.** Enter the name of the vendor described by Section 176.001(7), Local Government Code, if the vendor: a) has an employment or other business relationship with the local government officer or a family member of the officer as described by Section 176.003(a)(2)(A), Local Government Code; b) has given to the local government officer or a family member of the officer one or more gifts as described by Section 176.003(a)(2)(B), Local Government Code; or c) has a family relationship with the local government officer as defined by Section 176.001(2-a), Local Government Code.
- 4. Description of the nature and extent of each employment or other business relationship and each family relationship with vendor named in item 3.** Describe the nature and extent of the employment or other business relationship the vendor has with the local government officer or a family member of the officer as described by Section 176.003(a)(2)(A), Local Government Code, and each family relationship the vendor has with the local government officer as defined by Section 176.001(2-a), Local Government Code.
- 5. List gifts accepted, if the aggregate value of the gifts accepted from vendor named in item 3 exceeds \$100.** List gifts accepted during the 12-month period (described by Section 176.003(a)(2)(B), Local Government Code) by the local government officer or family member of the officer from the vendor named in item 3 that in the aggregate exceed \$100 in value.
- 6. Affidavit.** Signature of local government officer.

Local Government Code § 176.001(2-a): "Family relationship" means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms are defined by Subchapter B, Chapter 573, Government Code.

Local Government Code § 176.003(a)(2)(A):

(a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that:

- (i) a contract between the local governmental entity and vendor has been executed; or
- (ii) the local governmental entity is considering entering into a contract with the vendor.

Timber Lane Utility District

Information Required by Section 26.18, Texas Tax Code

Date: January 2, 2020

(1) Name of each member of the governing body:

Daniel M. Meacham
Robert B. Schenck
James F. Messer
A.F. (Bud) Gessel
Eric Langstaff

(2) Mailing address, e-mail address, and telephone number:

2727 Allen Parkway, Suite 1100
Houston, Texas 77019
713-652-6500
94056@smithmur.com

(3) Official contact information for each member of the governing body:

Same as Item (2) above.

(4) District's budget for the preceding two years:

See Attached.

(5) Proposed or adopted budget for the current year:

See Attached.

(6) Change in amount of District budget from the preceding year to current year, by dollar amount and percentage:

<u>2019 Budget Revenues</u>	<u>2020 Budget Revenues</u>	<u>\$ Amt of Change</u>	<u>% Change</u>
\$7,609,000	\$8,270,000	\$600,500	8.6799395%

(7) Amount of property tax revenue budgeted for maintenance and operations for the preceding two years and the current year:

See attached budgets.

(8) Amount of property tax revenue budgeted for debt service for the preceding two years and the current year:

The District does not budget for debt service.

(9) Tax rate for maintenance and operations adopted by the taxing unit for the preceding two years:

2019: \$0.390

2018: \$0.355

(10) The tax rate for debt service adopted by the taxing unit for the preceding two years:

2019: \$0.51

2018: \$0.56

(11) This information required by Section 26.18 is applicable only to school districts.

(12) Tax rate for maintenance and operations proposed by the taxing unit for the current year:

As of the date of the report, no proposed tax rate has been established for the current year.

(13) Tax rate for debt service proposed by the taxing unit for the current year:

As of the date of the report, no proposed tax rate has been established for the current year.

(14) This information required by Section 26.18 is applicable only to school districts.

(15) The most recent financial audit of the District.

See attached.

TIMBER LANE U.D. BUDGET
For Year Ending JUNE 30, 2018

	BUDGET 06/30/17	Actual 10 months	Projected 12 months	FISCAL YEAR ENDING 06/30/18
INCOME:				
Water Revenue	1,450,000	1,363,110	1,635,732	1,450,000
Sewer Revenue	1,250,000	1,227,322	1,472,786	1,300,000
Penalties/ Other water revenues	170,000	168,136	201,763	175,000
Tap Fees	124,500	618,815	742,578	124,500
Sewer Inspection Fees	65,000	11,553	13,864	65,000
N.H.C.R.W.A. fees	950,000	1,133,691	1,140,000	1,400,000
Interest earned	10,000	12,020	14,424	12,500
Maintenance Tax Revenues	2,228,000	2,186,239	2,623,487	2,160,000
Sales Tax Revenue (C.O.H.)	145,000	116,710	140,052	145,000
Miscellaneous Revenue	50,000	97,436	116,923	50,000
Total Income	6,442,500	6,935,031	8,101,608	6,882,000
EXPENSES:				
Sludge Hauling	175,000	144,501	173,401	150,000
Director Fees	36,000	35,700	42,840	36,000
Payroll Taxes	3,500	704	845	3,500
Legal Fees	90,000	110,986	133,183	100,000
Electronic Records Mgmt	0	0	0	15,000
Auditing Fees	17,000	17,300	20,760	18,000
Engineering Fees	80,000	189,714	227,657	100,000
Engineering Fees (Park)	50,000	28,087	33,704	50,000
Engineering Fees (WWTP Permit)	0	0	0	25,000
Laboratory Expense	70,000	62,465	74,958	100,000
Permit Fees	40,000	43,205	51,846	50,000
N.H.C.R.W.A. assessment	950,000	1,287,453	1,544,943	1,400,000
Operators Fees	275,000	278,161	333,794	310,000
Bookkeeping Fees	40,000	38,050	45,660	40,000
Repairs & Maintenance	650,000	713,497	856,196	800,000
R/M Detention Ponds (Champions)	350,000	305,618	366,742	320,000
Park Maint/ Operations (incl bldg maint)	300,000	316,499	379,798	300,000
Membership Fee/ Travel Expenses	25,000	21,467	25,761	30,000
Office Expenses	90,000	88,027	105,633	100,000
Chemicals	10,000	12,004	14,405	15,000
Utilities (all)	320,000	281,878	338,254	310,000
Insurance/Bonds	60,000	65,911	79,093	60,000
Recon/Discon /Serv Agreements	50,000	45,815	54,977	50,000
Tap Connection Expense	62,250	49,737	59,685	62,250
Sewer Inspection Expense	32,500	10,222	12,266	32,500
Costs for G.I.S.	12,000	6,400	7,680	12,000
Law Enforcement Services	756,072	738,006	885,607	805,000
Land Purchase	400,000	377,013		0
Park Projects	400,000	178,853		418,000
District Projects	300,000	117,342		350,000
Sink Hole	750,000	327,292	392,751	50,000
Publication & Legal Notice/Election	5,000	561	673	2,500
Water Conservation Ed	10,000	4,991	5,990	10,000
General Manager Parks	0	0	0	42,250
Miscellaneous Expenses ***	50,000	49,918	59,902	50,000
Total Expense	6,459,322	5,947,378	6,329,004	6,217,000
SURPLUS (DEFICIT)	(16,822)	987,653	1,772,604	665,000

TIMBER LANE U.D. BUDGET
For Year Ending JUNE 30, 2019

	BUDGET 06/30/18	Actual 10 months	Projected 12 months	FISCAL YEAR ENDING 06/30/19
INCOME:				
Water Revenue	1,450,000	1,328,762	1,594,514	1,500,000
Sewer Revenue	1,300,000	1,223,154	1,467,785	1,300,000
Penalties/ Other water revenues	175,000	133,978	160,773	175,000
Tap Fees	124,500	47,930	57,516	124,500
Sewer Inspection Fees	65,000	9,762	11,714	65,000
N.H.C.R.W.A. fees	1,400,000	1,282,400	1,680,000	1,700,000
Interest earned	12,500	55,982	67,178	50,000
Maintenance Tax Revenues	2,160,000	2,368,755	2,842,507	2,500,000
Sales Tax Revenue (C.O.H.)	145,000	129,054	154,865	145,000
Miscellaneous Revenue	50,000	218,766	262,520	50,000
Total Income	6,882,000	6,798,543	8,299,372	7,609,500
EXPENSES:				
Sludge Hauling	150,000	137,943	165,531	150,000
Director Fees	36,000	25,650	30,780	36,000
Payroll Taxes	3,500	6,215	7,458	3,500
Legal Fees	100,000	100,119	120,143	100,000
Electronic Records Mgmt	15,000	0	0	15,000
Auditing Fees	18,000	17,800	21,360	18,000
Engineering Fees	100,000	235,103	282,124	150,000
Engineering Fees (Park)	50,000	36,286	43,543	50,000
Engineering Fees (WWTP Permit)	25,000	0	0	25,000
Laboratory Expense	100,000	84,467	101,360	100,000
Permit Fees	50,000	43,180	51,816	50,000
N.H.C.R.W.A. assessment	1,400,000	1,331,217	1,597,460	1,700,000
Operators Fees	310,000	263,325	315,990	310,000
Bookkeeping Fees	40,000	38,575	46,290	51,000
Repairs & Maintenance	800,000	801,704	962,044	850,000
R/M Detention Ponds (Champions)	320,000	361,512	433,815	320,000
Park Maint/ Operations (incl bldg maint)	300,000	433,108	519,730	300,000
Membership Fee/ Travel Expenses	30,000	26,638	31,966	30,000
Office Expenses	100,000	91,467	109,760	125,000
Chemicals	15,000	16,502	19,802	17,500
Utilities (all)	310,000	288,822	346,586	310,000
Insurance/Bonds	60,000	66,053	79,264	70,000
Recon/Discon /Serv Agreements	50,000	45,528	54,633	50,000
Tap Connection Expense	62,250	15,085	18,102	62,250
Sewer Inspection Expense	32,500	5,963	7,155	32,500
Costs for G.I.S.	12,000	11,534	13,841	12,000
Law Enforcement Services	805,000	879,084	1,054,901	950,000
Land Purchase	0	0	0	0
Park Projects	418,000	0	0	1,000,000
District Projects	350,000	450,642	0	350,000
Sink Hole	50,000	33,647	40,377	50,000
Publication & Legal Notice/Election	2,500	0	0	2,500
Water Conservation Ed	10,000	0	0	10,000
General Manager Parks	42,250	0	0	42,250
Miscellaneous Expenses **	50,000	19,006	22,807	50,000
Total Expense	6,217,000	5,866,172	6,498,637	7,392,500
SURPLUS (DEFICIT)	665,000	932,371	1,800,735	217,000

TIMBER LANE U.D. BUDGET
For Year Ending JUNE 30, 2020

	BUDGET 06/30/19	Actual 11 months	Projected 12 months	FISCAL YEAR ENDING 06/30/20
INCOME:				
Water Revenue	1,500,000	1,385,061	1,510,975	1,500,000
Sewer Revenue	1,300,000	1,222,550	1,333,691	1,350,000
Penalties/ Other water revenues	175,000	173,126	188,864	200,000
Tap Fees	124,500	43,160	47,084	50,000
Sewer Inspection Fees	65,000	13,223	14,425	25,000
N.H.C.R.W.A. fees	1,700,000	1,539,952	1,679,947	2,000,000
Interest earned	50,000	143,941	157,026	150,000
Maintenance Tax Revenues	2,500,000	2,673,521	2,916,569	2,800,000
Sales Tax Revenue (C.O.H.)	145,000	112,707	122,953	145,000
Miscellaneous Revenue	50,000	71,994	78,539	50,000
Total Income	7,609,500	7,379,234	8,050,073	8,270,000
EXPENSES:				
Sludge Hauling	150,000	150,229	163,886	175,000
Director Fees	36,000	32,700	35,673	36,000
Payroll Taxes	3,500	4,501	4,910	3,500
Legal Fees	100,000	109,944	119,939	120,000
Electronic Records Mgmt	15,000	15,000	16,364	15,000
Auditing Fees	18,000	18,300	19,964	20,000
Engineering Fees	150,000	111,328	121,449	150,000
Engineering Fees (Park)	50,000	19,299	21,053	50,000
Engineering Fees (WWTP Permit)	25,000	0	0	25,000
Laboratory Expense	100,000	81,311	88,703	100,000
Permit Fees	50,000	43,556	47,516	50,000
N.H.C.R.W.A assessment	1,700,000	1,672,153	1,824,166	2,000,000
Operators Fees	310,000	271,946	296,669	310,000
Bookkeeping Fees	51,000	46,769	51,020	51,000
Repairs & Maintenance	850,000	594,194	648,211	800,000
R/M Detention Ponds (Champions)	320,000	292,711	319,321	325,000
Park Maint/ Operations (incl bldg maint)	300,000	285,220	311,149	350,000
Membership Fee/ Travel Expenses	30,000	30,388	33,151	35,000
Office Expenses	125,000	90,375	98,591	125,000
Chemicals	17,500	21,746	23,723	30,000
Utilities (all)	310,000	281,540	307,134	325,000
Insurance/Bonds	70,000	83,843	91,466	85,000
Recon/Discon /Serv Agreements	50,000	38,689	42,206	50,000
Tap Connection Expense	62,250	15,355	16,751	25,000
Sewer Inspection Expense	32,500	7,768	8,474	12,500
Costs for G.I.S.	12,000	7,200	7,855	12,000
Law Enforcement Services	950,000	847,374	924,408	1,000,000
Land Purchase	0	0	0	0
Park Projects	1,000,000	40,500	44,182	1,000,000
District Projects	350,000	269,323	293,806	400,000
Sink Hole	50,000	0	0	50,000
Publication & Legal Notice/Election	2,500	1,501	1,638	2,500
Water Conservation Ed	10,000	0	0	10,000
General Manager Parks	42,250	34,170	37,276	42,250
Miscellaneous Expenses **	50,000	59,133	64,509	50,000
Total Expense	7,392,500	5,578,066	6,085,162	7,834,750
SURPLUS (DEFICIT)	217,000	1,801,168	1,964,911	435,250

TIMBER LANE UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

TIMBER LANE UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Timber Lane Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Timber Lane 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.

Board of Directors
Timber Lane Utility District

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 on 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 10, 2019

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

Management's discussion and analysis of Timber Lane 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 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.

**TIMBER LANE 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 explains 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"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$20,675,262 as of June 30, 2019.

A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**TIMBER LANE 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	\$ 25,854,422	\$ 19,314,030	\$ 6,540,392
Capital Assets (Net of Accumulated Depreciation)	52,330,920	51,537,511	793,409
Total Assets	\$ 78,185,342	\$ 70,851,541	\$ 7,333,801
Deferred Outflows of Resources	\$ 581,284	\$ 468,695	\$ 112,589
Due to Developer	\$ 1,018,819	\$ 1,018,819	\$
Long-Term Liabilities	54,709,379	50,118,358	(4,591,021)
Other Liabilities	2,363,166	2,126,337	(236,829)
Total Liabilities	\$ 58,091,364	\$ 53,263,514	\$ (4,827,850)
Net Position:			
Net Investment in Capital Assets	\$ 5,192,984	\$ 4,265,434	\$ 927,550
Restricted	5,404,090	5,304,545	99,545
Unrestricted	10,078,188	8,486,743	1,591,445
Total Net Position	\$ 20,675,262	\$ 18,056,722	\$ 2,618,540

The following table provides a summary of the District's operations for the 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	\$ 7,029,930	\$ 7,034,496	\$ (4,566)
Charges for Services	4,899,379	4,653,655	245,724
Other Revenues	832,769	316,707	516,062
Total Revenues	\$ 12,762,078	\$ 12,004,858	\$ 757,220
Expenses for Services	10,143,538	9,193,546	(949,992)
Change in Net Position	\$ 2,618,540	\$ 2,811,312	\$ (192,772)
Net Position, Beginning of Year	18,056,722	15,245,410	2,811,312
Net Position, End of Year	\$ 20,675,262	\$ 18,056,722	\$ 2,618,540

**TIMBER LANE 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 \$23,438,456, an increase of \$5,978,699 from the prior year.

The General Fund fund balance increased by \$1,298,095, primarily due to tax and service revenues exceeding operating expenditures and capital costs.

The Debt Service Fund fund balance increased by \$68,031, primarily due to the structure of the District's outstanding debt requirements.

The Capital Projects Fund fund balance increased by \$4,612,573 due to proceeds received from the sale of bonds exceeding capital expenditures and issuance costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$371,003 higher than budgeted, primarily due to higher than expected property tax, investment revenues and FEMA reimbursements. Actual expenditures were \$661,919 lower than budgeted, primarily due to lower than expected repairs and maintenance and capital costs.

CAPITAL ASSETS

Capital assets as of June 30, 2019, total \$52,330,920 (net of accumulated depreciation) and include land, as well as the water, wastewater, drainage and recreational facilities. Significant capital asset activity during the current fiscal year included ultraviolet system replacement at the wastewater treatment plant and storm sewer outfall replacement at Stargazer. Current year construction in progress relates to the construction of the Timber Lane Community Center, sanitary sewer rehabilitation, various generator additions, Breckenridge West outfall channel and other park and trail improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,444,821	\$ 3,444,821	\$
Construction in Progress	4,114,880	1,865,762	2,249,118
Capital Assets, Net of Accumulated Depreciation:			
Water System	13,843,836	14,315,213	(471,377)
Wastewater System	19,004,386	19,664,674	(660,288)
Drainage System	9,447,213	9,636,162	(188,949)
Parks and Buildings	2,475,784	2,610,879	(135,095)
Total Net Capital Assets	<u>\$ 52,330,920</u>	<u>\$ 51,537,511</u>	<u>\$ 793,409</u>

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

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the District had total bond debt payable of \$54,305,000. 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	\$ 50,215,000
Add: Bond Sales - Series 2018A and 2019 Refunding	16,450,000
Less: Bond Principal Paid and Refunded	<u>12,360,000</u>
Bond Debt Payable, June 30, 2019	<u>\$ 54,305,000</u>

The District's bonds carry an underlying rating of "A2" from Moody's. The Series 2012 refunding, 2013 refunding and 2015 refunding bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2010 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Corporation. The Series 2014, 2014A, 2014B refunding, 2015A, 2018A and 2019 Refunding bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual. The Series 2009 and 2016 bonds do not carry insured ratings. The above ratings include all rating changes, if any, through June 30, 2019.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Timber Lane Utility District, c/o Smith Murdaugh Little & Bonham LLP, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

TIMBER LANE UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 8,845,812	\$ 5,000,852
Investments	265,412	1,050,994
Receivables:		
Property Taxes	90,124	164,780
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$2,000)	844,255	
Accrued Interest		3,649
Due from Other Funds	803,670	
Prepaid Costs	174,470	
Due from Other Governmental Units	64,969	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 11,088,712</u>	<u>\$ 6,220,275</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 11,088,712</u>	<u>\$ 6,220,275</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 8,964,882	\$ 22,811,546	\$	\$ 22,811,546
	1,316,406		1,316,406
	254,904		254,904
		83,451	83,451
	844,255		844,255
	3,649		3,649
	803,670	(803,670)	
	174,470	30,772	205,242
	64,969	270,000	334,969
		3,444,821	3,444,821
		4,114,880	4,114,880
		44,771,219	44,771,219
<u>\$ 8,964,882</u>	<u>\$ 26,273,869</u>	<u>\$ 51,911,473</u>	<u>\$ 78,185,342</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 581,284</u>	<u>\$ 581,284</u>
<u>\$ 8,964,882</u>	<u>\$ 26,273,869</u>	<u>\$ 52,492,757</u>	<u>\$ 78,766,626</u>

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

TIMBER LANE UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 453,271	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		292,612
Security Deposits	858,025	
Accrued Interest at Time of Sale		20,697
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 1,311,296</u>	<u>\$ 313,309</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 90,124</u>	<u>\$ 164,780</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 174,470	\$
Restricted for Authorized Construction		
Restricted for Debt Service		5,742,186
Unassigned	<u>9,512,822</u>	
TOTAL FUND BALANCES	<u>\$ 9,687,292</u>	<u>\$ 5,742,186</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 11,088,712</u>	<u>\$ 6,220,275</u>
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>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 444,846	\$ 898,117	\$	\$ 898,117
		607,024	607,024
		1,018,819	1,018,819
511,058	803,670	(803,670)	
	858,025		858,025
	20,697	(20,697)	
		2,775,000	2,775,000
		51,934,379	51,934,379
<u>\$ 955,904</u>	<u>\$ 2,580,509</u>	<u>\$ 55,510,855</u>	<u>\$ 58,091,364</u>
<u>\$ -0-</u>	<u>\$ 254,904</u>	<u>\$ (254,904)</u>	<u>\$ -0-</u>
\$ 8,008,978	\$ 174,470	\$ (174,470)	\$
	8,008,978	(8,008,978)	
	5,742,186	(5,742,186)	
	9,512,822	(9,512,822)	
<u>\$ 8,008,978</u>	<u>\$ 23,438,456</u>	<u>\$ (23,438,456)</u>	<u>\$ -0-</u>
<u>\$ 8,964,882</u>	<u>\$ 26,273,869</u>		
		\$ 5,192,984	\$ 5,192,984
		5,404,090	5,404,090
		10,078,188	10,078,188
		<u>\$ 20,675,262</u>	<u>\$ 20,675,262</u>

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

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

Total Fund Balances - Governmental Funds	\$	23,438,456
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Disaster recovery proceeds due from FEMA are not current financial resources and, therefore, are not reported as a receivable in the governmental funds.		270,000
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Prepaid bond insurance in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		30,772
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		581,284
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		52,330,920
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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.		338,355
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (1,018,819)	
Accrued Interest Payable	(586,327)	
Bonds Payable	<u>(54,709,379)</u>	<u>(56,314,525)</u>

Total Net Position - Governmental Activities	\$	<u>20,675,262</u>
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The accompanying notes to the financial
statements are an integral part of this report.

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TIMBER LANE 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	\$ 2,736,182	\$ 4,330,448
Water Service	1,352,746	
Wastewater Service	1,347,419	
Sales Tax Revenues	131,058	
Regional Water Authority Fees	1,718,757	
Penalty and Interest	193,719	79,639
Tap Connection and Inspection Fees	82,673	
Investment Revenues	159,782	81,426
Grant and FEMA Revenues	85,786	
Miscellaneous Revenues	172,381	30
TOTAL REVENUES	\$ 7,980,503	\$ 4,491,543
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 250,942	\$ 25,578
Contracted Services	1,313,708	188,195
Utilities	322,119	
Regional Water Authority Assessment	1,839,346	
Repairs and Maintenance	1,395,551	
Depreciation		
Other	713,462	6,923
Capital Outlay	895,453	
Debt Service:		
Bond Principal		2,415,000
Bond Interest		1,643,174
Bond Issuance Costs		345,958
Payment to Refunded Bond Escrow Agent		141,000
TOTAL EXPENDITURES/EXPENSES	\$ 6,730,581	\$ 4,765,828
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	\$ 1,249,922	\$ (274,285)
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$ 9,850,000
Payment to Refunded Bond Escrow Agent		(9,968,380)
Bond Premium		460,696
Contributed by Other Governmental Unit	48,173	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 48,173	\$ 342,316
NET CHANGE IN FUND BALANCES	\$ 1,298,095	\$ 68,031
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2018	8,389,197	5,674,155
FUND BALANCES/NET POSITION - JUNE 30, 2019	\$ 9,687,292	\$ 5,742,186

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 7,066,630	\$ (36,700)	\$ 7,029,930
	1,352,746		1,352,746
	1,347,419		1,347,419
	131,058		131,058
	1,718,757		1,718,757
	273,358	(6,632)	266,726
	82,673		82,673
15,191	256,399		256,399
	85,786	270,000	355,786
	172,411	48,173	220,584
<u>\$ 15,191</u>	<u>\$ 12,487,237</u>	<u>\$ 274,841</u>	<u>\$ 12,762,078</u>
\$	\$ 276,520	\$	\$ 276,520
	1,501,903		1,501,903
	322,119		322,119
	1,839,346		1,839,346
	1,395,551		1,395,551
		1,585,677	1,585,677
41,327	761,712		761,712
1,483,633	2,379,086	(2,379,086)	
	2,415,000	(2,415,000)	
	1,643,174	(6,803)	1,636,371
509,200	855,158	(30,819)	824,339
	141,000	(141,000)	
<u>\$ 2,034,160</u>	<u>\$ 13,530,569</u>	<u>\$ (3,387,031)</u>	<u>\$ 10,143,538</u>
\$ (2,018,969)	\$ (1,043,332)	\$ 3,661,872	\$ 2,618,540
\$ 6,600,000	\$ 16,450,000	\$ (16,450,000)	\$
	(9,968,380)	9,968,380	
31,542	492,238	(492,238)	
	48,173	(48,173)	
<u>\$ 6,631,542</u>	<u>\$ 7,022,031</u>	<u>\$ (7,022,031)</u>	<u>\$ -0-</u>
\$ 4,612,573	\$ 5,978,699	\$ (5,978,699)	\$
		2,618,540	2,618,540
3,396,405	17,459,757	596,965	18,056,722
<u>\$ 8,008,978</u>	<u>\$ 23,438,456</u>	<u>\$ (2,763,194)</u>	<u>\$ 20,675,262</u>

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

TIMBER LANE 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	\$ 5,978,699
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.	(36,700)
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.	(6,632)
Contributions due from another governmental entity are not considered a current financial resource in the governmental funds, but are reported as revenues in the Statement of Activities.	270,000
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.	(1,585,677)
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.	2,379,086
Governmental funds report bond insurance costs as expenditures and bond premiums as an other financing sources in the year received. However, in the Statement of Net Position, bond insurance and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(461,419)
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.	2,415,000
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.	6,803
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(16,450,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use and an expense. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	10,109,380
Change in Net Position - Governmental Activities	<u>\$ 2,618,540</u>

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

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF DISTRICT

Timber Lane Utility District, of Harris County, Texas (the "District") was created in 1969 by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on October 8, 1969 and sold its first series of bonds on August 9, 1971.

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:

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds - The District has three 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.

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if it is 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.

Capital Assets

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

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

the life of an asset are capitalized and depreciated over the estimated useful life of the asset. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$25,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

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 one full time employee. Payments are made into the social security system for the employee. The Internal Revenue Service has determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll tax purposes only. A separate pension plan has not been established for the directors or employee.

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.

TIMBER LANE 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 does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT

	Series 2009	Series 2010	Refunding Series 2012	Refunding Series 2013
Amounts Outstanding - June 30, 2019	\$ 25,000	\$ 655,000	\$ 1,715,000	\$ 4,705,000
Interest Rates	5.00%	3.75% - 4.00%	2.00% - 4.00%	2.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	August 1, 2019	August 1, 2019/2024	August 1, 2019/2020	August 1, 2019/2023, 2029/2030
Interest Payment Dates	August 1/ February 1	August 1/ February 1	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2018*	August 1, 2018*	August 1, 2019*	August 1, 2019*
	Series 2014	Series 2014A	Refunding Series 2014B	Refunding Series 2015
Amounts Outstanding - June 30, 2019	\$ 1,700,000	\$ 1,300,000	\$ 5,060,000	\$ 8,345,000
Interest Rates	4.00% - 4.25%	2.00% - 3.75%	2.00% - 3.00%	2.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	August 1, 2019/2036	August 1, 2019/2030	August 1, 2019/2027	August 1, 2019/2034
Interest Payment Dates	August 1/ February 1	August 1/ February 1	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2021*	August 1, 2021*	August 1, 2023*	August 1, 2022*
	Series 2015A	Series 2016	Recreational Series 2018	Series 2018A
Amounts Outstanding - June 30, 2019	\$ 5,500,000	\$ 5,750,000	\$ 3,100,000	\$ 6,600,000
Interest Rates	2.00% - 3.75%	2.00% - 3.625%	3.00% - 3.50%	3.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	August 1, 2019/2040	August 1, 2019/2040	August 1, 2019/2040	August 1, 2019/2040
Interest Payment Dates	August 1/ February 1	August 1/ February 1	August 1/ February 1	August 1/ February 1
Callable Dates	August 1, 2023*	August 1, 2023*	August 1, 2024*	August 1, 2024*

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2019
Amounts Outstanding - June 30, 2019	\$ 9,850,000
Interest Rates	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	August 1, 2020/2028
Interest Payment Dates	August 1/ February 1
Callable Dates	August 1, 2025*

* Or any date thereafter, at a price of par plus accrued interest on the principal amounts called to the date fixed for redemption. The Series 2013 bonds maturing August 1, 2023 and 2025 are term bonds and are scheduled for mandatory redemption beginning August 1, 2022 and 2024. The Series 2014 bonds maturing August 1, 2030, 2032, 2034 and 2036 are term bonds and are scheduled for mandatory redemption beginning August 1, 2025, 2031, 2033 and 2035, respectively. The Series 2014A bonds maturing August 1, 2024, 2026, 2028 and 2030 are term bonds and are scheduled for mandatory redemption beginning August 1, 2022, 2025, 2027 and 2029, respectively. The Series 2015 bonds maturing August 1, 2025 and 2027 are term bonds and are scheduled for mandatory redemption beginning August 1, 2023 and 2026, respectively. The Series 2015A bonds maturing August 1, 2030, 2032, 2034, 2037 and 2040 are term bonds and are scheduled for mandatory redemption beginning August 1, 2028, 2031, 2033, 2035 and 2038, respectively. The Series 2016 bonds maturing August 1, 2025, 2027, 2029, 2034 and 2040 are term bonds and are scheduled for mandatory redemption beginning August 1, 2024, 2026, 2028, 2033 and 2039, respectively. The Series 2018 bonds maturing August 1, 2036 and 2040 are term bonds and are scheduled for mandatory redemption beginning August 1, 2035 and 2037, respectively. The Series 2018A term bonds maturing August 1, 2040 are scheduled for mandatory redemption beginning August 1, 2036.

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	\$ 50,215,000	\$ 16,450,000	\$ 12,360,000	\$ 54,305,000
Unamortized Discounts	(96,642)		(10,628)	(86,014)
Unamortized Premiums		492,238	1,845	490,393
Bonds Payable, Net	<u>\$ 50,118,358</u>	<u>\$ 16,942,238</u>	<u>\$ 12,351,217</u>	<u>\$ 54,709,379</u>
		Amount Due Within One Year		\$ 2,775,000
		Amount Due After One Year		51,934,379
		Bonds Payable, Net		<u>\$ 54,709,379</u>

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2019, the District had authorized but unissued bonds in the amount of \$28,200,000 for water, sanitary sewer and drainage bonds and \$20,542,369 for refunding bonds.

As of June 30, 2019, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 2,775,000	\$ 1,543,302	\$ 4,318,302
2021	2,855,000	1,590,844	4,445,844
2022	2,900,000	1,509,793	4,409,793
2023	2,935,000	1,423,713	4,358,713
2024	2,985,000	1,334,799	4,319,799
2025-2029	15,345,000	5,259,118	20,604,118
2030-2034	14,460,000	2,858,916	17,318,916
2035-2039	7,475,000	1,078,783	8,553,783
2040-2041	2,575,000	92,125	2,667,125
	<u>\$ 54,305,000</u>	<u>\$ 16,691,393</u>	<u>\$ 70,996,393</u>

The bonds of the District 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.

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of \$0.56 per \$100 of assessed valuation, which resulted in a tax levy of \$4,312,210 on the adjusted taxable valuation of \$770,037,611 for the 2018 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond orders state that any profits received from the investment of any money in any fund or account created by the resolution shall be placed into such fund or account of the District.

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

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 each use.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At fiscal year-end, the carrying amount of the District's deposits was \$23,263,561 and the bank balance was \$23,244,925. 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	\$ 8,845,812	\$	\$ 8,845,812
DEBT SERVICE FUND	5,000,852	452,015	5,452,867
CAPITAL PROJECTS FUND	8,964,882		8,964,882
TOTAL DEPOSITS	<u>\$ 22,811,546</u>	<u>\$ 452,015</u>	<u>\$ 23,263,561</u>

Investments

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

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

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool and TexSTAR, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of Texpool. Federated Investors, Inc. manages the daily operations of Texpool under a contract with the Comptroller. J.P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. TexPool and TexSTAR measure their portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool and TexSTAR at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool or TexSTAR.

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 262,749	\$ 262,749
TexSTAR	2,663	2,663
<u>DEBT SERVICE FUND</u>		
TexPool	316,352	316,352
TexSTAR	282,627	282,627
Certificates of Deposit	452,015	452,015
TOTAL INVESTMENTS	<u>\$ 1,316,406</u>	<u>\$ 1,316,406</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the District's investment in TexPool and TexSTAR were rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool and TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

TIMBER LANE 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	\$ 3,444,821	\$	\$	\$ 3,444,821
Construction in Progress	1,865,762	2,379,086	129,968	4,114,880
Total Capital Assets Not Being Depreciated	\$ 5,310,583	\$ 2,379,086	\$ 129,968	\$ 7,559,701
Capital Assets Subject to Depreciation				
Water System	\$ 22,504,961	\$	\$	\$ 22,504,961
Wastewater System	30,642,833	12,932		30,655,765
Drainage System	15,915,031	117,036		16,032,067
Parks and Buildings	3,413,970			3,413,970
Total Capital Assets Subject to Depreciation	\$ 72,476,795	\$ 129,968	\$ - 0 -	\$ 72,606,763
Accumulated Depreciation				
Water System	\$ 8,189,748	\$ 471,377	\$	\$ 8,661,125
Wastewater System	10,978,159	673,220		11,651,379
Drainage System	6,278,869	305,985		6,584,854
Parks and Buildings	803,091	135,095		938,186
Total Accumulated Depreciation	\$ 26,249,867	\$ 1,585,677	\$ - 0 -	\$ 27,835,544
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 46,226,928	\$ (1,455,709)	\$ - 0 -	\$ 44,771,219
Total Capital Assets, Net of Accumulated Depreciation	\$ 51,537,511	\$ 923,377	\$ 129,968	\$ 52,330,920

NOTE 7. MAINTENANCE TAX

On August 12, 2000, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation of taxable 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 fiscal year ended June 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.355 per \$100 of assessed valuation, which resulted in a tax levy of \$2,733,633 on the adjusted taxable valuation of \$770,037,611 for the 2018 tax year.

NOTE 8. RISK MANAGEMENT

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

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9. REGIONAL WATER AUTHORITY FEES

The North Harris County Regional Water Authority was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five-member Board of Directors. The Authority is empowered to, among others powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporation, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." The current fee is \$3.85 per 1,000 gallons. The District's well pumpage fees payable to the Authority for the year ended June 30, 2019 were \$1,839,346.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective March 8, 2007, 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 tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District. During the current fiscal year, the District recorded \$131,058 of sales tax revenue from the City of Houston, of which \$33,190 was recorded as a receivable at year end.

NOTE 11. INTERFUND PAYABLES AND RECEIVABLES

As of June 30, 2019, the District recorded interfund payables of \$268,912 in the Debt Service Fund for maintenance tax collections due to the General Fund and \$23,700 for issuance costs paid by the General Fund and \$511,058 in the Capital Projects Fund to reimburse the General Fund for bond issuance costs and various costs related to construction of assets.

NOTE 12. REIMBURSEMENT GRANTS

The District has entered into agreements with the Texas Parks and Wildlife Department for development of parks and trails along Cypress Creek. Timber Lane also has entered into a Transportation Improvement Project agreement with the Texas Department of Transportation for construction of 2.6 miles of paved trails along Cypress Creek and two bridges that will cross the creek and a tributary, so the trail system will be accessible to persons south of the creek. These agreements are for reimbursement of project costs as submitted to various entities.

TIMBER LANE UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. REIMBURSEMENT GRANTS (Continued)

The District was awarded a Non-Urban Outdoor Recreation Grant by the Texas Parks and Wildlife Department. The proceeds were used to acquire land to further develop the Timber Lane Recreation Area. Projects covered under this grant include a splash pad, BMX pump track, walking trails, soccer fields, exercise stations and wetland preservation. During a prior year, the District recorded \$400,000 of grant revenue.

NOTE 13. BOND SALES

On September 11, 2018, the District closed on the sale of its Series 2018A Unlimited Tax Bonds in the amount of \$6,600,000. The District will use proceeds of the bonds to pay for construction costs related to Auxiliary Power for various Water Plants and Lift Stations, Electrical Control Upgrades for Water Plants, Nos. 1, 2 and 3, Recoating of Water Plants Nos. 1, 2, 3 and 4, and wastewater rehabilitation. Additional proceeds were used to pay issuance costs of the bonds.

On June 25, 2019, the District closed on the sale of its \$9,850,000 Series 2019 Unlimited Tax Refunding Bonds. The net proceeds of \$10,472,392, including \$141,000 of available Debt Service funds, were used to refund and defease Series 2009, 2012 and 2013 bonds in the amount of \$50,000, \$5,510,000 and \$4,385,000, respectively. The effect of the refunding was to obtain gross debt service savings of \$384,049 and net present value savings of \$335,521.

NOTE 14. PENDING BOND APPLICATION

Subsequent to year-end, on September 26, 2019, the District submitted its bond application no. 22 to the Commission in the amount of \$2,200,000. On October 2, 2019, the Commission deemed the application administratively complete, but as of the date of this report, the application has not been approved.

TIMBER LANE UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

TIMBER LANE 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	\$ 2,500,000	\$ 2,736,182	\$ 236,182
Water Service	1,500,000	1,352,746	(147,254)
Wastewater Service	1,300,000	1,347,419	47,419
Sales Tax Revenues	145,000	131,058	(13,942)
Regional Water Authority Fee	1,700,000	1,718,757	18,757
Penalty and Interest	175,000	193,719	18,719
Tap Connection and Inspection Fees	189,500	82,673	(106,827)
Investment Revenues	50,000	159,782	109,782
Miscellaneous/Grant/FEMA Revenues	50,000	258,167	208,167
TOTAL REVENUES	<u>\$ 7,609,500</u>	<u>\$ 7,980,503</u>	<u>\$ 371,003</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 308,000	\$ 250,942	\$ 57,058
Contracted Services	1,311,000	1,313,708	(2,708)
Utilities	310,000	322,119	(12,119)
Regional Water Authority Assessment	1,700,000	1,839,346	(139,346)
Repairs and Maintenance	1,520,000	1,395,551	124,449
Other	843,500	713,462	130,038
Capital Outlay	1,400,000	895,453	504,547
TOTAL EXPENDITURES	<u>\$ 7,392,500</u>	<u>\$ 6,730,581</u>	<u>\$ 661,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 217,000</u>	<u>\$ 1,249,922</u>	<u>\$ 1,032,922</u>
OTHER FINANCING SOURCES (USES)			
Contributed by Other Governmental Unit	<u>\$ -0-</u>	<u>\$ 48,173</u>	<u>\$ 48,173</u>
NET CHANGE IN FUND BALANCE	<u>\$ 217,000</u>	<u>\$ 1,298,095</u>	<u>\$ 292,917</u>
FUND BALANCE - JULY 1, 2018	<u>8,389,197</u>	<u>8,389,197</u>	
FUND BALANCE - JUNE 30, 2019	<u>\$ 8,606,197</u>	<u>\$ 9,687,292</u>	<u>\$ 292,917</u>

See accompanying independent auditor's report.

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TIMBER LANE UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2019

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

2. RETAIL SERVICE PROVIDERS

Based on the rate order effective March 9, 2017.

District employs winter averaging for wastewater usage?	<u>Yes</u>	<u>X</u> No
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See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>6,063</u>	<u>5,916</u>	x 1.0	<u>5,916</u>
1"	<u>55</u>	<u>46</u>	x 2.5	<u>115</u>
1½"	<u>20</u>	<u>20</u>	x 5.0	<u>100</u>
2"	<u>2</u>	<u>2</u>	x 8.0	<u>16</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>4</u>	<u>4</u>	x 25.0	<u>100</u>
6"	<u>3</u>	<u>3</u>	x 50.0	<u>150</u>
8"	<u>3</u>	<u>3</u>	x 80.0	<u>240</u>
10"			x 115.0	
Total Water Connections	<u>6,151</u>	<u>5,995</u>		<u>6,652</u>
Total Wastewater Connections	<u>6,106</u>	<u>5,950</u>	x 1.0	<u>5,950</u>

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

Gallons pumped into system:	468,167,000	Water Accountability Ratio: 91.4% (Gallons billed/Gallons pumped)
Gallons billed to customers:	427,709,000	

See accompanying independent auditor's report.

TIMBER LANE 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 X

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X 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 X

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

PROFESSIONAL FEES:	
Auditing	\$ 18,300
Engineering	106,617
Legal	<u>126,025</u>
TOTAL PROFESSIONAL FEES	\$ <u>250,942</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 51,169
Operations and Billing	297,454
Parks General Manager	<u>42,204</u>
TOTAL CONTRACTED SERVICES	\$ <u>390,827</u>
UTILITIES	\$ <u>322,119</u>
REPAIRS AND MAINTENANCE	\$ <u>1,395,551</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 33,900
Dues	650
Insurance	75,024
Legal Notices	1,501
Office Supplies and Postage	97,265
Payroll Taxes	10,220
Travel and Meetings	<u>7,036</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>225,596</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL OUTLAY			\$	<u>895,453</u>
TAP CONNECTIONS			\$	<u>49,622</u>
SECURITY			\$	<u>922,881</u>
OTHER EXPENDITURES:				
Chemicals			\$	24,516
Laboratory Fees				77,962
Permit Fees				30,235
Inspection Fees				51,401
Regional Water Authority Assessment				1,839,346
Regulatory Assessment				13,175
Sludge Hauling				176,595
Other				<u>64,360</u>
TOTAL OTHER EXPENDITURES			\$	<u>2,277,590</u>
 TOTAL EXPENDITURES			 \$	 <u>6,730,581</u>
 Number of persons employed by the District	<u>1</u>	Full-Time	<u>-0-</u>	Part-Time

See accompanying independent auditor's report.

**TIMBER LANE UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2019**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 262,749	\$
TexSTAR	XXXX2220	Varies	Daily	2,663	
TOTAL GENERAL FUND				<u>\$ 265,412</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 316,352	\$
TexSTAR	XXXX3330	Varies	Daily	282,627	
Certificate of Deposit	XXXX7961	2.15%	07/23/19	106,625	999
Certificate of Deposit	XXXX1717	2.35%	09/01/19	105,390	814
Certificate of Deposit	XXXX3733	2.45%	03/08/20	240,000	1,836
TOTAL DEBT SERVICE FUND				<u>\$ 1,050,994</u>	<u>\$ 3,649</u>
TOTAL - ALL FUNDS				<u>\$ 1,316,406</u>	<u>\$ 3,649</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JULY 1, 2018	\$	97,546	\$	194,058
Adjustments to Beginning				
Balance		<u>(4,873)</u>		<u>(11,040)</u>
	\$	92,673	\$	183,018
Original 2018 Tax Levy	\$	2,247,070	\$	3,544,674
Adjustment to 2018 Tax Levy		<u>486,563</u>		<u>767,536</u>
		2,733,633		4,312,210
TOTAL TO BE				
ACCOUNTED FOR		\$ 2,826,306		\$ 4,495,228
TAX COLLECTIONS:				
Prior Years	\$	43,929	\$	83,514
Current Year		<u>2,692,253</u>		<u>4,246,934</u>
		2,736,182		4,330,448
TAXES RECEIVABLE -				
JUNE 30, 2019		<u>\$ 90,124</u>		<u>\$ 164,780</u>
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	41,380	\$	65,276
2017		17,647		32,813
2016		10,458		18,107
2015		6,087		10,922
2014		2,837		7,044
2013 and prior		<u>11,715</u>		<u>30,618</u>
TOTAL	\$	<u>90,124</u>	\$	<u>164,780</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 161,570,329	\$ 157,193,392	\$ 135,961,980	\$ 130,804,781
Improvements	630,346,017	617,289,933	545,398,293	467,169,306
Personal Property	34,789,178	32,823,192	29,851,389	23,461,849
Exemptions	<u>(56,667,913)</u>	<u>(48,649,891)</u>	<u>(41,974,725)</u>	<u>(36,966,114)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 770,037,611</u>	<u>\$ 758,656,626</u>	<u>\$ 669,236,937</u>	<u>\$ 584,469,822</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.560	\$ 0.595	\$ 0.580	\$ 0.61
Maintenance	<u>0.355</u>	<u>0.320</u>	<u>0.335</u>	<u>0.34</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.915</u>	<u>\$ 0.915</u>	<u>\$ 0.915</u>	<u>\$ 0.95</u>
ADJUSTED TAX LEVY*	<u>\$ 7,045,843</u>	<u>\$ 6,941,708</u>	<u>\$ 6,123,518</u>	<u>\$ 5,552,463</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.49 %</u>	<u>99.27 %</u>	<u>99.53 %</u>	<u>99.69 %</u>

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

Maintenance Tax – Maximum Tax Rate of \$0.50 per \$100 of assessed valuation approved by voters on August 12, 2000. See also Note 7.

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 0 9			
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 25,000	\$ 625	\$ 25,625
2021			
2022			
2023			
2024			
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2041			
	<u>\$ 25,000</u>	<u>\$ 625</u>	<u>\$ 25,625</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 90,000	\$ 24,038	\$ 114,038
2021	100,000	20,475	120,475
2022	105,000	16,500	121,500
2023	110,000	12,200	122,200
2024	120,000	7,600	127,600
2025	130,000	2,600	132,600
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2041			
	<u>\$ 655,000</u>	<u>\$ 83,413</u>	<u>\$ 738,413</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2012			
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 920,000	\$ 37,650	\$ 957,650
2021	795,000	11,925	806,925
2022			
2023			
2024			
2025			
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2041			
	<u>\$ 1,715,000</u>	<u>\$ 49,575</u>	<u>\$ 1,764,575</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2013

Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 300,000	\$ 143,825	\$ 443,825
2021	460,000	133,925	593,925
2022	475,000	119,900	594,900
2023	185,000	109,769	294,769
2024	185,000	103,756	288,756
2025		100,750	100,750
2026		100,750	100,750
2027		100,750	100,750
2028		100,750	100,750
2029		100,750	100,750
2030	1,535,000	75,806	1,610,806
2031	1,565,000	25,431	1,590,431
2032			
2033			
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2041			
	\$ 4,705,000	\$ 1,216,162	\$ 5,921,162

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 25,000	\$ 69,625	\$ 94,625
2021	25,000	68,625	93,625
2022	25,000	67,625	92,625
2023	25,000	66,625	91,625
2024	25,000	65,625	90,625
2025	25,000	64,625	89,625
2026	25,000	63,625	88,625
2027	25,000	62,625	87,625
2028	25,000	61,625	86,625
2029	25,000	60,625	85,625
2030	50,000	59,125	109,125
2031	100,000	56,125	156,125
2032	150,000	51,125	201,125
2033	150,000	45,125	195,125
2034	150,000	39,031	189,031
2035	150,000	32,844	182,844
2036	350,000	22,313	372,313
2037	350,000	7,437	357,437
2038			
2039			
2040			
2041			
	<u>\$ 1,700,000</u>	<u>\$ 964,375</u>	<u>\$ 2,664,375</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 4 A			
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 100,000	\$ 40,625	\$ 140,625
2021	100,000	38,125	138,125
2022	100,000	35,125	135,125
2023	100,000	32,125	132,125
2024	100,000	29,125	129,125
2025	100,000	26,125	126,125
2026	100,000	23,000	123,000
2027	100,000	19,750	119,750
2028	125,000	15,938	140,938
2029	125,000	11,562	136,562
2030	125,000	7,031	132,031
2031	125,000	2,344	127,344
2032			
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2041			
	<u>\$ 1,300,000</u>	<u>\$ 280,875</u>	<u>\$ 1,580,875</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2014B

Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 470,000	\$ 139,850	\$ 609,850
2021	490,000	127,900	617,900
2022	480,000	115,800	595,800
2023	770,000	97,050	867,050
2024	775,000	73,875	848,875
2025	785,000	50,475	835,475
2026	440,000	32,100	472,100
2027	430,000	19,050	449,050
2028	420,000	6,300	426,300
2029			
2030			
2031			
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2041			
	\$ 5,060,000	\$ 662,400	\$ 5,722,400

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

REFUNDING SERIES - 2015

Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 70,000	\$ 252,294	\$ 322,294
2021	70,000	250,894	320,894
2022	75,000	249,443	324,443
2023	100,000	247,194	347,194
2024	100,000	244,193	344,193
2025	100,000	241,194	341,194
2026	130,000	237,743	367,743
2027	180,000	233,094	413,094
2028	230,000	226,943	456,943
2029	780,000	211,794	991,794
2030	815,000	187,869	1,002,869
2031	800,000	163,644	963,644
2032	1,510,000	128,994	1,638,994
2033	1,480,000	83,219	1,563,219
2034	1,455,000	37,359	1,492,359
2035	450,000	7,312	457,312
2036			
2037			
2038			
2039			
2040			
2041			
	\$ 8,345,000	\$ 3,003,183	\$ 11,348,183

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 5 A				
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total	
2020	\$ 200,000	\$ 167,781	\$	367,781
2021	200,000	163,781		363,781
2022	200,000	159,781		359,781
2023	200,000	155,781		355,781
2024	200,000	151,531		351,531
2025	200,000	147,031		347,031
2026	200,000	142,281		342,281
2027	225,000	136,406		361,406
2028	200,000	130,031		330,031
2029	175,000	124,406		299,406
2030	150,000	119,531		269,531
2031	175,000	114,656		289,656
2032	200,000	108,781		308,781
2033	200,000	102,281		302,281
2034	275,000	94,391		369,391
2035	350,000	83,844		433,844
2036	350,000	71,812		421,812
2037	350,000	59,563		409,563
2038	375,000	46,875		421,875
2039	375,000	33,281		408,281
2040	375,000	19,219		394,219
2041	325,000	6,094		331,094
	<u>\$ 5,500,000</u>	<u>\$ 2,339,138</u>	<u>\$</u>	<u>7,839,138</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total	
2020	\$ 250,000	\$ 170,969	\$	420,969
2021	250,000	165,344		415,344
2022	250,000	159,094		409,094
2023	250,000	152,219		402,219
2024	250,000	144,719		394,719
2025	250,000	137,219		387,219
2026	250,000	129,719		379,719
2027	250,000	122,219		372,219
2028	250,000	114,719		364,719
2029	250,000	107,219		357,219
2030	250,000	99,719		349,719
2031	250,000	92,219		342,219
2032	250,000	84,719		334,719
2033	250,000	77,219		327,219
2034	250,000	69,719		319,719
2035	250,000	62,219		312,219
2036	275,000	54,344		329,344
2037	275,000	45,922		320,922
2038	300,000	36,750		336,750
2039	300,000	26,812		326,812
2040	300,000	16,312		316,312
2041	300,000	5,437		305,437
	<u>\$ 5,750,000</u>	<u>\$ 2,074,831</u>	<u>\$</u>	<u>7,824,831</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

SERIES - 2018 RECREATIONAL

Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$ 100,000	\$ 99,031	\$ 199,031
2021	100,000	96,031	196,031
2022	100,000	93,031	193,031
2023	100,000	90,031	190,031
2024	100,000	87,031	187,031
2025	100,000	84,031	184,031
2026	100,000	81,031	181,031
2027	100,000	78,031	178,031
2028	100,000	75,031	175,031
2029	100,000	72,031	172,031
2030	100,000	69,031	169,031
2031	100,000	66,031	166,031
2032	150,000	62,188	212,188
2033	150,000	57,406	207,406
2034	150,000	52,531	202,531
2035	175,000	47,142	222,142
2036	175,000	41,234	216,234
2037	175,000	35,328	210,328
2038	225,000	28,438	253,438
2039	225,000	20,563	245,563
2040	225,000	12,688	237,688
2041	250,000	4,375	254,375
	<u>\$ 3,100,000</u>	<u>\$ 1,352,265</u>	<u>\$ 4,452,265</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 8 A				
Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total	
2020	\$ 225,000	\$ 210,719	\$	435,719
2021	225,000	203,969		428,969
2022	225,000	197,219		422,219
2023	225,000	190,469		415,469
2024	225,000	183,719		408,719
2025	225,000	176,969		401,969
2026	225,000	170,219		395,219
2027	225,000	163,469		388,469
2028	225,000	156,719		381,719
2029	225,000	149,969		374,969
2030	225,000	143,219		368,219
2031	225,000	136,328		361,328
2032	350,000	127,344		477,344
2033	375,000	115,781		490,781
2034	375,000	103,594		478,594
2035	400,000	90,750		490,750
2036	400,000	77,000		477,000
2037	400,000	63,000		463,000
2038	400,000	49,000		449,000
2039	400,000	35,000		435,000
2040	400,000	21,000		421,000
2041	400,000	7,000		407,000
	<u>\$ 6,600,000</u>	<u>\$ 2,772,456</u>	<u>\$</u>	<u>9,372,456</u>

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 9 R E F U N D I N G

Due During Fiscal Years Ending June 30	Principal Due August 1	Interest Due August 1/ February 1	Total
2020	\$	\$ 186,270	\$ 186,270
2021	40,000	309,850	349,850
2022	865,000	296,275	1,161,275
2023	870,000	270,250	1,140,250
2024	905,000	243,625	1,148,625
2025	1,115,000	213,325	1,328,325
2026	1,495,000	166,700	1,661,700
2027	1,500,000	114,300	1,614,300
2028	1,540,000	68,700	1,608,700
2029	1,520,000	22,800	1,542,800
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	\$ 9,850,000	\$ 1,892,095	\$ 11,742,095

See accompanying independent auditor's report.

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TIMBER LANE UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 2,775,000	\$ 1,543,302	\$ 4,318,302
2021	2,855,000	1,590,844	4,445,844
2022	2,900,000	1,509,793	4,409,793
2023	2,935,000	1,423,713	4,358,713
2024	2,985,000	1,334,799	4,319,799
2025	3,030,000	1,244,344	4,274,344
2026	2,965,000	1,147,168	4,112,168
2027	3,035,000	1,049,694	4,084,694
2028	3,115,000	956,756	4,071,756
2029	3,200,000	861,156	4,061,156
2030	3,250,000	761,331	4,011,331
2031	3,340,000	656,778	3,996,778
2032	2,610,000	563,151	3,173,151
2033	2,605,000	481,031	3,086,031
2034	2,655,000	396,625	3,051,625
2035	1,775,000	324,111	2,099,111
2036	1,550,000	266,703	1,816,703
2037	1,550,000	211,250	1,761,250
2038	1,300,000	161,063	1,461,063
2039	1,300,000	115,656	1,415,656
2040	1,300,000	69,219	1,369,219
2041	1,275,000	22,906	1,297,906
	<u>\$ 54,305,000</u>	<u>\$ 16,691,393</u>	<u>\$ 70,996,393</u>

See accompanying independent auditor's report.

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

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Timber Lane Utility District Unlimited Tax Bonds - Series 2009	\$ 3,450,000	\$ 100,000
Timber Lane Utility District Unlimited Tax Park Bonds - Series 2010	1,200,000	740,000
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2012	9,535,000	8,120,000
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2013	9,310,000	9,135,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2014	1,800,000	1,725,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2014A	1,700,000	1,400,000
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2014B	6,205,000	5,780,000
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2015	8,965,000	8,415,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2015A	6,100,000	5,700,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2016	6,250,000	6,000,000
Timber Lane Utility District Unlimited Tax Recreational Bonds - Series 2018	3,100,000	3,100,000
Timber Lane Utility District Unlimited Tax Bonds - Series 2018A	6,600,000	
Timber Lane Utility District Unlimited Tax Refunding Bonds - Series 2019	9,850,000	
TOTAL	<u>\$ 74,065,000</u>	<u>\$ 50,215,000</u>

See accompanying independent auditor's report.

Current Year Transactions					
	Retirements		Bonds Outstanding June 30, 2019		
Bonds Sold	Principal	Interest		Paying Agent	
\$	\$ 75,000	\$ 4,412	\$ 25,000	Wells Fargo Bank N.A. Houston, TX	
	85,000	27,319	655,000	Wells Fargo Bank N.A. Houston, TX	
	6,405,000	280,800	1,715,000	Wells Fargo Bank N.A. Dallas, TX	
	4,430,000	289,787	4,705,000	Wells Fargo Bank N.A. Dallas, TX	
	25,000	70,625	1,700,000	Wells Fargo Bank N.A. Minneapolis, MN	
	100,000	42,625	1,300,000	Wells Fargo Bank N.A. Minneapolis, MN	
	720,000	154,100	5,060,000	Wells Fargo Bank N.A. Minneapolis, MN	
	70,000	253,694	8,345,000	Wells Fargo Bank N.A. Minneapolis, MN	
	200,000	171,781	5,500,000	Wells Fargo Bank N.A. Minneapolis, MN	
	250,000	175,969	5,750,000	Wells Fargo Bank N.A. Minneapolis, MN	
		88,803	3,100,000	Amegy Bank N.A. Houston, TX	
6,600,000		83,259	6,600,000	Amegy Bank N.A. Houston, TX	
9,850,000			9,850,000	Zions Bancorporation N.A. Houston, TX	
\$ 16,450,000	\$ 12,360,000	\$ 1,643,174	\$ 54,305,000		

See accompanying independent auditor's report.

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

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>	<u>Recreational Facilities Bonds</u>
Amount Authorized by Voters	\$ 112,350,000	\$ 35,000,000	\$ 6,000,000
Amount Issued	<u>84,150,000</u>	<u>14,457,631</u>	<u>6,000,000</u>
Remaining to be Issued	<u>\$ 28,200,000</u>	<u>\$ 20,542,369</u>	<u>\$ - 0 -</u>

Debt Service Fund cash and investments balances as of June 30, 2019:	<u>\$ 6,051,846</u>
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Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 3,227,109</u>
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See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 2,736,182	\$ 2,433,906	\$ 2,240,896
Water & Wastewater Service	2,700,165	2,695,398	2,675,390
Sales Tax Revenues	131,058	142,491	144,399
Regional Water Authority Fees	1,718,757	1,480,887	1,309,670
Penalty and Interest	193,719	151,615	173,243
Tap Connection and Inspection Fees	82,673	104,056	680,430
Investment Revenues	159,782	65,347	13,199
Miscellaneous/Grant/FEMA Revenues	258,167	117,260	205,245
TOTAL REVENUES	\$ 7,980,503	\$ 7,190,960	\$ 7,442,472
EXPENDITURES			
Professional Fees	\$ 250,942	\$ 331,748	\$ 355,695
Contracted Services	1,313,708	1,244,014	1,159,782
Utilities	322,119	329,770	308,209
Regional Water Authority Assessment	1,839,346	1,484,951	1,339,113
Repairs and Maintenance	1,395,551	1,438,509	1,928,926
Other	713,462	671,404	751,505
Capital Outlay	895,453	899,047	646,485
TOTAL EXPENDITURES	\$ 6,730,581	\$ 6,399,443	\$ 6,489,715
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,249,922	\$ 791,517	\$ 952,757
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$	\$	\$
Developer/Other Government Contributions	48,173		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 48,173	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 1,298,095	\$ 791,517	\$ 952,757
BEGINNING FUND BALANCE	8,389,197	7,597,680	6,644,923
ENDING FUND BALANCE	\$ 9,687,292	\$ 8,389,197	\$ 7,597,680

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,921,526	\$ 1,442,585	34.5 %	33.9 %	30.2 %	28.8 %	24.1 %
2,750,503	2,559,839	33.8	37.5	35.9	41.3	42.7
144,262	134,393	1.6	2.0	1.9	2.2	2.2
1,118,312	925,514	21.5	20.6	17.6	16.7	15.4
182,268	167,530	2.4	2.1	2.3	2.7	2.8
322,715	505,941	1.0	1.4	9.1	4.8	8.4
9,165	7,243	2.0	0.9	0.2	0.1	0.1
228,645	260,506	3.2	1.6	2.8	3.4	4.3
<u>\$ 6,677,396</u>	<u>\$ 6,003,551</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 240,643	\$ 227,901	3.1 %	4.6 %	4.8 %	3.6 %	3.8 %
1,125,697	968,823	16.5	17.3	15.6	16.9	16.1
315,211	302,494	4.0	4.6	4.1	4.7	5.0
1,084,206	922,062	23.0	20.7	18.0	16.2	15.4
1,329,238	1,133,195	17.5	20.0	25.9	19.9	18.9
784,715	833,243	8.9	9.3	10.1	11.8	13.9
510,420	66,029	11.2	12.5	8.7	7.6	1.1
<u>\$ 5,390,130</u>	<u>\$ 4,453,747</u>	<u>84.2 %</u>	<u>89.0 %</u>	<u>87.2 %</u>	<u>80.7 %</u>	<u>74.2 %</u>
<u>\$ 1,287,266</u>	<u>\$ 1,549,804</u>	<u>15.8 %</u>	<u>11.0 %</u>	<u>12.8 %</u>	<u>19.3 %</u>	<u>25.8 %</u>
\$ 40,270	\$ (12,484)					
<u>480,542</u>						
<u>\$ 520,812</u>	<u>\$ (12,484)</u>					
\$ 1,808,078	\$ 1,537,320					
<u>4,836,845</u>	<u>3,299,525</u>					
<u>\$ 6,644,923</u>	<u>\$ 4,836,845</u>					

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 4,330,448	\$ 4,520,237	\$ 3,890,737
Penalty and Interest	79,639	55,697	77,789
Interest on Investments	81,426	45,292	11,883
Miscellaneous Revenues	30	30	50
TOTAL REVENUES	<u>\$ 4,491,543</u>	<u>\$ 4,621,256</u>	<u>\$ 3,980,459</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 212,966	\$ 190,671	\$ 212,082
Debt Service Principal	2,415,000	2,365,000	2,055,000
Debt Service Interest and Fees	1,650,904	1,553,225	1,445,963
Bond Issuance Costs	345,958		
Payment to Refunded Bond Escrow Agent	141,000		
TOTAL EXPENDITURES	<u>\$ 4,765,828</u>	<u>\$ 4,108,896</u>	<u>\$ 3,713,045</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (274,285)</u>	<u>\$ 512,360</u>	<u>\$ 267,414</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ 9,850,000	\$	\$
Bond Premium	460,696		
Bond Discount			
Payment to Refunded Bond Escrow Agent	(9,968,380)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 342,316</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	<u>\$ 68,031</u>	<u>\$ 512,360</u>	<u>\$ 267,414</u>
BEGINNING FUND BALANCE	<u>5,674,155</u>	<u>5,161,795</u>	<u>4,894,381</u>
ENDING FUND BALANCE	<u>\$ 5,742,186</u>	<u>\$ 5,674,155</u>	<u>\$ 5,161,795</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>5,995</u>	<u>5,960</u>	<u>5,940</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>5,950</u>	<u>5,915</u>	<u>5,895</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 3,412,886	\$ 3,595,715	96.4 %	97.8 %	97.7 %	97.8 %	98.3 %
66,081	40,741	1.8	1.2	2.0	1.9	1.1
10,046	8,614	1.8	1.0	0.3	0.3	0.2
90	13,073					0.4
<u>\$ 3,489,103</u>	<u>\$ 3,658,143</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 190,893	\$ 177,391	4.7 %	4.1 %	5.3 %	5.5 %	4.8 %
1,730,000	1,465,000	53.8	51.2	51.6	49.6	40.0
1,276,101	1,434,724	36.8	33.6	36.3	36.6	39.2
	313,514	7.7				8.6
	22,000	3.1				0.6
<u>\$ 3,196,994</u>	<u>\$ 3,412,629</u>	<u>106.1 %</u>	<u>88.9 %</u>	<u>93.2 %</u>	<u>91.7 %</u>	<u>93.2 %</u>
\$ 292,109	\$ 245,514	(6.1) %	11.1 %	6.8 %	8.3 %	6.8 %
\$ 90,891	\$ 8,965,000					
	(132,225)					
	(8,519,261)					
<u>\$ 90,891</u>	<u>\$ 313,514</u>					
\$ 383,000	\$ 559,028					
4,511,381	3,952,353					
<u>\$ 4,894,381</u>	<u>\$ 4,511,381</u>					
5,874	5,745					
<u>5,846</u>	<u>5,724</u>					

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

District Mailing Address - Timber Lane Utility District
c/o Smith, Murdaugh, Little & Bonham LLP
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

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
Daniel M. Meacham	05/16 05/20 (Elected)	\$ 6,300	\$ 3,974	President
Robert Schenck	05/18 05/22 (Elected)	\$ 7,200	\$ 13,863	Vice President
James F. Messer	05/18 05/22 (Elected)	\$ 6,750	\$ 5,164	Secretary
A. F. (Bud) Gessel	05/16 05/20 (Elected)	\$ 6,450	\$ 29,214	Assistant Secretary
Eric Langstaff	05/18 05/22 (Elected)	\$ 7,200	\$ 4,146	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: July 11, 2019.

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

See accompanying independent auditor's report.

TIMBER LANE UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2019</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham LLP	08/27/03	\$ 133,753 \$ 319,853 \$ 25,578	General Counsel/ Bond Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	06/10/14	\$ 18,300 \$ 2,400	Audit Bond Related
Van De Wiele & Vogler, Inc.	11/24/98	\$ 420,971	Engineer
Myrtle Cruz, Inc.	08/06/08	\$ 66,453	Bookkeeper
Masterson Advisors LLC	05/10/18	\$ 213,329	Financial Advisor
Bill Russell	11/14/13	\$ -0-	Investment Officer
Hays Utility South Corporation	07/22/90	\$ 846,424	Operator
Tammy Carby	04/10/97	\$ 128,059	Tax Collector
A. F. (Bud) Gessel	04/01/17	\$ 42,204	Parks General Manager

See accompanying independent auditor's report.