

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2018

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

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ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Charterwood Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Charterwood Municipal Utility District (the "District"), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 24, 2018

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018**

Management's discussion and analysis of Charterwood Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provides 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 includes all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole 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 four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, sales tax revenues, operating costs and general expenditures. The Special Revenue Fund accounts for financial resources collected and administered by the District for the operations of the joint wastewater treatment facilities. The Debt Service Fund accounts for ad valorem taxes and

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. Budgetary comparison schedules are included as RSI for the General Fund and the Special Revenue 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 \$17,212,167 as of March 31, 2018. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities as well as park facilities and building and equipment, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 10,277,349	\$ 10,515,394	\$ (238,045)
Capital Assets (Net of Accumulated Depreciation)	<u>19,678,464</u>	<u>19,516,693</u>	<u>161,771</u>
Total Assets	<u>\$ 29,955,813</u>	<u>\$ 30,032,087</u>	<u>\$ (76,274)</u>
Deferred Outflows of Resources	<u>\$ 269,683</u>	<u>\$ 291,984</u>	<u>\$ (22,301)</u>
Bonds Payable	\$ 12,431,143	\$ 13,169,623	\$ 738,480
Other Liabilities	<u>582,186</u>	<u>770,221</u>	<u>188,035</u>
Total Liabilities	<u>\$ 13,013,329</u>	<u>\$ 13,939,844</u>	<u>\$ 926,515</u>
Net Position:			
Net Investment in Capital Assets	\$ 10,093,855	\$ 9,201,793	\$ 892,062
Restricted	2,578,330	2,614,912	(36,582)
Unrestricted	<u>4,539,982</u>	<u>4,567,522</u>	<u>(27,540)</u>
Total Net Position	<u>\$ 17,212,167</u>	<u>\$ 16,384,227</u>	<u>\$ 827,940</u>

The following table provides a summary of the District's operations for the years ended March 31, 2018, and March 31, 2017.

	<u>Summary of Changes in the Statement of Activities</u>		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,705,014	\$ 1,664,080	\$ 40,934
Charges for Services	2,296,398	2,057,742	238,656
Other Revenues	<u>619,974</u>	<u>550,271</u>	<u>69,703</u>
Total Revenues	<u>\$ 4,621,386</u>	<u>\$ 4,272,093</u>	<u>\$ 349,293</u>
Expenses for Services	<u>3,793,446</u>	<u>3,482,864</u>	<u>(310,582)</u>
Change in Net Position	\$ 827,940	\$ 789,229	\$ 38,711
Net Position, Beginning of Year	<u>16,384,227</u>	<u>15,594,998</u>	<u>789,229</u>
Net Position, End of Year	<u>\$ 17,212,167</u>	<u>\$ 16,384,227</u>	<u>\$ 827,940</u>

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2018, was \$8,736,869, a decrease of \$1,661 from the prior fiscal year.

The General Fund fund balance increased by \$14,674, primarily due to operating and sales tax revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$30,447, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$14,112 primarily due to investment revenue.

BUDGETARY HIGHLIGHTS

The Board of Directors amended the General Fund budget during the current fiscal year primarily to increase budgeted capital outlay. For the General Fund, actual revenues were \$420,793 more than budgeted revenues primarily due to higher than expected property tax revenues, service revenues, water authority fees, water authority credits, and sales tax revenues. Actual expenditures were \$384,281 less than budgeted expenditures primarily due to lower than anticipated capital outlay, repairs and maintenance, and other costs offset by higher than anticipated purchased water/pumpage fees.

The Special Revenue Fund budget was amended to make minor changes to capital outlay and professional fees. For the Special Revenue Fund, actual expenditures were \$26,291 more than budgeted expenditures primarily due to higher than expected repairs and maintenance and chemical expenditures offset by less than expected capital outlay and utilities expenditures.

CAPITAL ASSETS

Capital assets as of March 31, 2018, total \$19,678,464 (net of accumulated depreciation) and include land and land improvements, construction in progress, park facilities, and buildings and equipment as well as the water, wastewater and drainage systems. Capital asset activity during the current year primarily included the completion of the Pilot Gully trail improvements and water plant bleach conversion as well as construction in progress related to the District meeting building and purchase of two parcels of land totaling 5.36 acres on Cossey Road.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,119,938	\$ 1,655,230	\$ 464,708
Construction in Progress	310,523	656,604	(346,081)
Capital Assets, Net of Accumulated Depreciation:			
Building and Equipment	1,407,519	1,443,900	(36,381)
Park Facilities	1,654,763	1,241,054	413,709
Water System	5,312,047	5,458,373	(146,326)
Wastewater System	7,962,052	8,119,497	(157,445)
Drainage System	911,622	942,035	(30,413)
Total Net Capital Assets	\$ 19,678,464	\$ 19,516,693	\$ 161,771

LONG-TERM DEBT ACTIVITY

As of March 31, 2018, the District had total bonds payable of \$12,510,000. The changes in bonds payable during the year ended March 31, 2018, are summarized as follows:

Bond Debt Payable, April 1, 2017	\$ 13,255,000
Less: Bond Principal Paid	745,000
Bond Debt Payable, March 31, 2018	\$ 12,510,000

The Series 2010 Bonds and Series 2010 Park Bonds carry underlying ratings of “A” insured ratings of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal. The above ratings are as of March 31, 2018, and reflect all changes in ratings through the fiscal year-end.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2019 projects a budgeted General Fund deficit of \$198,900. Revenue is expected to be \$3,252,000 and expenditures are expected to be \$3,450,900.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Charterwood Municipal Utility District, c/o Coats Rose, P. C. 9 Greenway Plaza, Suite 1000, Houston, TX 77046.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2018

	General Fund	Special Revenue Fund
ASSETS		
Cash	\$ 710,848	\$ 51,580
Investments	2,821,194	
Receivables:		
Property Taxes	18,900	
Penalty and Interest on Delinquent Taxes		
Service Accounts	139,218	
Sales Taxes	109,796	
Due from Other Funds	69,251	32,236
Water Authority Capital Contributions		
Chloramination Credit Receivable		
Prepaid Costs	23,056	
Due from Participant		27,391
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,892,263	\$ 111,207
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,892,263	\$ 111,207

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,530,264	\$ 1,522,237	\$ 3,814,929	\$	\$ 3,814,929
1,173,652	1,054,614	5,049,460		5,049,460
42,283		61,183		61,183
			9,382	9,382
		139,218		139,218
		109,796		109,796
		101,487	(101,487)	
			782,882	782,882
			260,052	260,052
		23,056		23,056
		27,391		27,391
			2,119,938	2,119,938
			310,523	310,523
			17,248,003	17,248,003
<u>\$ 2,746,199</u>	<u>\$ 2,576,851</u>	<u>\$ 9,326,520</u>	<u>\$ 20,629,293</u>	<u>\$ 29,955,813</u>
\$ -0-	\$ -0-	\$ -0-	\$ 269,683	\$ 269,683
<u>\$ 2,746,199</u>	<u>\$ 2,576,851</u>	<u>\$ 9,326,520</u>	<u>\$ 20,898,976</u>	<u>\$ 30,225,496</u>

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2018

	General Fund	Special Revenue Fund
LIABILITIES		
Accounts Payable	\$ 116,615	\$ 49,211
Accrued Interest Payable		
Due to Other Funds	32,236	61,996
Due to Taxpayers		
Security Deposits	238,769	
Annexation Deposits	7,595	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 395,215	\$ 111,207
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 18,900	\$ -0-
FUND BALANCES		
Nonspendable-Prepaid Costs	\$ 23,056	\$
Restricted For Construction		
Restricted For Debt Service		
Assigned to 2019 Budget Deficit	198,900	
Unassigned	3,256,192	
TOTAL FUND BALANCES	\$ 3,478,148	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,892,263	\$ 111,207
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>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$	\$ 165,826	\$	\$ 165,826
			155,205	155,205
7,255		101,487	(101,487)	
14,791		14,791		14,791
		238,769		238,769
		7,595		7,595
			770,000	770,000
			11,661,143	11,661,143
<u>\$ 22,046</u>	<u>\$ -0-</u>	<u>\$ 528,468</u>	<u>\$ 12,484,861</u>	<u>\$ 13,013,329</u>
<u>\$ 42,283</u>	<u>\$ -0-</u>	<u>\$ 61,183</u>	<u>\$ (61,183)</u>	<u>\$ -0-</u>
\$	\$	\$ 23,056	\$ (23,056)	\$
	2,576,851	2,576,851	(2,576,851)	
2,681,870		2,681,870	(2,681,870)	
		198,900	(198,900)	
		3,256,192	(3,256,192)	
<u>\$ 2,681,870</u>	<u>\$ 2,576,851</u>	<u>\$ 8,736,869</u>	<u>\$ (8,736,869)</u>	<u>\$ - 0 -</u>
<u>\$ 2,746,199</u>	<u>\$ 2,576,851</u>	<u>\$ 9,326,520</u>		
			\$ 10,093,855	\$ 10,093,855
			2,578,330	2,578,330
			4,539,982	4,539,982
			<u>\$ 17,212,167</u>	<u>\$ 17,212,167</u>

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

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2018**

Total Fund Balances - Governmental Funds	\$	8,736,869
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are recorded in the Statement of Net Position.		1,042,934
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Deferred charges on refunding bonds are amortized over the shorter of the remaining life of the old debt or the life of the new debt.		269,683
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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.		19,678,464
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		70,565
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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:

Accrued Interest Payable	\$ (155,205)	
Bonds Payable	<u>(12,431,143)</u>	<u>(12,586,348)</u>

Total Net Position - Governmental Activities	\$	<u>17,212,167</u>
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The accompanying notes to the financial statements are an integral part of this report.

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CHARTERWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2018

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 613,181	\$
Water Service	514,762	
Wastewater Service	595,938	642,121
Water Authority Fees	821,376	
Penalty and Interest	23,756	
Tap Connection and Inspection Fees	49,845	
Water Authority Credits	94,913	
Sales Tax Revenues	454,617	
Miscellaneous Revenues	72,405	70
TOTAL REVENUES	\$ 3,240,793	\$ 642,191
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 166,913	\$ 15,434
Contracted Services	537,083	5,257
Purchased Wastewater Service	357,476	
Utilities	51,480	144,211
Purchased Water/Pumpage Fees	790,609	
Repairs and Maintenance	313,473	138,931
Depreciation		
Other	234,985	337,358
Capital Outlay	774,100	1,000
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 3,226,119	\$ 642,191
NET CHANGE IN FUND BALANCES	\$ 14,674	\$ -0-
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2017	3,463,474	
FUND BALANCES/NET POSITION - MARCH 31, 2018	\$ 3,478,148	\$ -0-

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,104,400	\$	\$ 1,717,581	\$ (12,567)	\$ 1,705,014
		514,762		514,762
		1,238,059	(357,476)	880,583
		821,376		821,376
11,562		35,318	(5,486)	29,832
		49,845		49,845
		94,913	(38,622)	56,291
		454,617		454,617
22,040	14,551	109,066		109,066
<u>\$ 1,138,002</u>	<u>\$ 14,551</u>	<u>\$ 5,035,537</u>	<u>\$ (414,151)</u>	<u>\$ 4,621,386</u>
\$ 460	\$	\$ 182,807	\$	\$ 182,807
32,365		574,705		574,705
		357,476	(357,476)	
		195,691		195,691
		790,609		790,609
		452,404		452,404
			613,329	613,329
6,604	439	579,386		579,386
		775,100	(775,100)	
745,000		745,000	(745,000)	
384,020		384,020	20,495	404,515
<u>\$ 1,168,449</u>	<u>\$ 439</u>	<u>\$ 5,037,198</u>	<u>\$ (1,243,752)</u>	<u>\$ 3,793,446</u>
\$ (30,447)	\$ 14,112	\$ (1,661)	\$ 1,661	\$
			827,940	827,940
<u>2,712,317</u>	<u>2,562,739</u>	<u>8,738,530</u>	<u>7,645,697</u>	<u>16,384,227</u>
<u>\$ 2,681,870</u>	<u>\$ 2,576,851</u>	<u>\$ 8,736,869</u>	<u>\$ 8,475,298</u>	<u>\$ 17,212,167</u>

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

**CHARTERWOOD MUNICIPAL 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 MARCH 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$	(1,661)
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.		(12,567)
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.		(5,486)
Governmental funds report the repayment of capital contributions and chloramine conversion costs as revenues when received. However, in the Statement of Net Position, the principal portion of repayments reduce long-term receivables.		(38,622)
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.		(613,329)
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.		775,100
Governmental funds report deferred charges on refunding bonds and bond discounts as deferred outflows of resources and other financing uses, respectively, in the year paid. However, in the Statement of Net Position, the deferred charges on refunding bonds and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(28,821)
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.		745,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		8,326
Change in Net Position - Governmental Activities	\$	<u>827,940</u>

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 1. CREATION OF DISTRICT

Charterwood Municipal Utility District (the “District”) of Harris County, Texas, was created and organized by Order of the Texas Water Rights Commission, (predecessor agency to the Texas Commission on Environmental Quality) (the “Commission”) dated August 23, 1972, and operates pursuant to the terms and provisions of Article XVI, Section 59 of the Constitution of Texas and Chapters 49 and 54 of the Texas Water Code, as amended, and was confirmed at an election held on January 5, 1974. The District provides water and sewer services to property owners within the boundaries of the District.

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

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 net position that does 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 statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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

Special Revenue Fund - To account for financial resources collected and administered by the District for the operation of the joint wastewater treatment facilities.

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the period 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.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$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:

	Years
Buildings	40
Park Facilities	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 unappropriated budgets for the General Fund and Special Revenue Fund. The budgets were amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$198,900 of its General Fund fund balance to be used to cover its fiscal year 2019 budgeted deficit.

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.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 3. LONG-TERM DEBT

	Series 2010	Series 2010A	Refunding Series 2015
Amount Outstanding – March 31, 2018	\$ 2,375,000	\$ 2,465,000	\$ 7,670,000
Interest Rates	3.00% - 4.00%	3.00% - 4.00%	2.508%
Maturity Dates – Serially Beginning/Ending	May 1, 2018/2030	May 1, 2018/2030	May 1, 2018/2030
Interest Payment Dates	May 1/ November 1	May 1/ November 1	May 1/ November 1
Callable Dates	May 1, 2018*	May 1, 2018*	May 1, 2023*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Series 2010A Park Bonds, the bonds maturing on May 1, 2022, 2024, 2026, 2028, and 2030, are term bonds and subject to mandatory redemption beginning May 1, 2021, 2023, 2025, 2027, and 2029, respectively.

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

	April 1, 2017	Additions	Retirements	March 31, 2018
Bonds Payable	\$ 13,255,000	\$	\$ 745,000	\$ 12,510,000
Unamortized Discounts	(85,377)		(6,520)	(78,857)
Bonds Payable, Net	<u>\$ 13,169,623</u>	<u>\$ -0-</u>	<u>\$ 738,480</u>	<u>\$ 12,431,143</u>
			Amount Due Within One Year	\$ 770,000
			Amount Due After One Year	11,661,143
			Bonds Payable, Net	<u>\$ 12,431,143</u>

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

Fiscal Year	Principal	Interest	Total
2019	\$ 770,000	\$ 363,618	\$ 1,133,618
2020	800,000	342,067	1,142,067
2021	830,000	319,195	1,149,195
2022	855,000	295,273	1,150,273
2023	890,000	269,874	1,159,874
2024-2028	4,945,000	920,464	5,865,464
2029-2031	3,420,000	161,290	3,581,290
	<u>\$ 12,510,000</u>	<u>\$ 2,671,781</u>	<u>\$ 15,181,781</u>

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2018, the District had authorized but unissued bonds in the amount of \$12,330,000 for utility facilities, \$2,280,000 for park bonds and \$590,000 for refunding bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended March 31, 2018, the District levied an ad valorem debt service tax rate of \$0.27 per \$100 of assessed valuation, which resulted in a tax levy of \$1,116,215 on the adjusted taxable valuation of \$413,412,843 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage 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 issue.

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

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 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.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$ 3,814,929 and the bank balance was \$3,959,965. Of the bank balance, \$ 645,417 was covered by federal depository insurance and the remaining was covered by collateral pledged in the name of the District and held in a third-party depository.

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

	Cash
GENERAL FUND	\$ 710,848
SPECIAL REVENUE FUND	51,580
DEBT SERVICE FUND	1,530,264
CAPITAL PROJECTS FUND	1,522,237
TOTAL DEPOSITS	\$ 3,814,929

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.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 2,821,194	\$ 2,821,194
<u>DEBT SERVICE FUND</u>		
TexPool	1,173,652	1,173,652
<u>CAPITAL PROJECTS FUND</u>		
TexPool	1,054,614	1,054,614
TOTAL INVESTMENTS	\$ 5,049,460	\$ 5,049,460

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2018, the District's investment in TexPool was rated AAAM by Standard and Poor's.

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 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.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the costs of operations of the joint wastewater treatment facilities. All cash and investments of the Debt Service Fund are restricted for the payment of debt 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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2018:

	April 1, 2017	Increases	Decreases	March 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,655,230	\$ 464,708	\$	\$ 2,119,938
Construction in Progress	656,604	310,392	656,473	310,523
Total Capital Assets Not Being Depreciated	<u>\$ 2,311,834</u>	<u>\$ 775,100</u>	<u>\$ 656,473</u>	<u>\$ 2,430,461</u>
Capital Assets Subject to Depreciation				
Building and Equipment	\$ 1,586,086	\$	\$	\$ 1,586,086
Park Facilities	1,415,748	460,618	\$	1,876,366
Water System	9,569,299	67,325	\$	9,636,624
Wastewater System	12,534,032	128,530	\$	12,662,562
Drainage System	1,175,689	\$	\$	1,175,689
Total Capital Assets Subject to Depreciation	<u>\$ 26,280,854</u>	<u>\$ 656,473</u>	<u>\$ - 0 -</u>	<u>\$ 26,937,327</u>
Accumulated Depreciation				
Building and Equipment	\$ 142,186	\$ 36,381	\$	\$ 178,567
Park Facilities	174,694	46,909	\$	221,603
Water System	4,110,926	213,651	\$	4,324,577
Wastewater System	4,414,535	285,975	\$	4,700,510
Drainage System	233,654	30,413	\$	264,067
Total Accumulated Depreciation	<u>\$ 9,075,995</u>	<u>\$ 613,329</u>	<u>\$ - 0 -</u>	<u>\$ 9,689,324</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,204,859</u>	<u>\$ 43,144</u>	<u>\$ - 0 -</u>	<u>\$ 17,248,003</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,516,693</u>	<u>\$ 818,244</u>	<u>\$ 656,473</u>	<u>\$ 19,678,464</u>

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 7. MAINTENANCE TAX

On September 16, 1995, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation. During the year ended March 31, 2018, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$620,119 on the adjusted taxable valuation of \$413,412,843 for the 2017 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and sanitary sewer system.

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. The fee as of March 31, 2018 was \$2.90 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$229,106 for pumpage fees during the current fiscal year. In addition, the District purchases surface water from the Authority at a rate of \$3.35 per 1,000 gallons of water delivered as of March 31, 2018. The District recorded expenditures of \$561,503 for purchased water.

Capital Contribution Credits

The District paid \$1,013,746 to the Authority for certain Authority construction projects. During the current fiscal year, the District received credits of \$73,879 including a return of principal of \$33,364. The capital contribution balance is \$782,882.

Fiscal Year	Principal	Interest	Total
2019	\$ 35,090	\$ 38,789	\$ 73,879
2020	36,907	36,972	73,879
2021	38,817	35,062	73,879
2022	40,826	33,053	73,879
2023	42,940	30,939	73,879
2024-2028	250,433	118,960	369,393
2029-2033	322,316	47,077	369,393
2034	15,553	105	15,658
	<u>\$ 782,882</u>	<u>\$ 340,957</u>	<u>\$ 1,123,839</u>

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Chloramine Conversion

The Authority required the District to convert its water system to chloramine disinfection for as long as it is connected to the Authority’s system. The District’s reimbursable conversion costs totaled \$289,528. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the August 2011 Authority billing. Total credits received in the current fiscal year were \$21,034. Of this amount, \$5,258 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

Fiscal Year	Principal	Interest	Total
2019	\$ 5,583	\$ 15,451	\$ 21,034
2020	5,927	15,107	21,034
2021	6,293	14,741	21,034
2022	6,681	14,353	21,034
2023	7,093	13,941	21,034
2024-2028	42,174	62,996	105,170
2029-2033	55,624	49,546	105,170
2034-2038	74,528	30,641	105,169
2039-2041	56,149	6,439	62,588
	\$ 260,052	\$ 223,215	\$ 483,267

NOTE 9. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 7, 2003, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District. The District will continue to develop, own, operate and maintain a water, wastewater, and drainage system in the District.

The City imposes a sales and use tax within the boundaries of the Subject Tract. The sales and use tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the Subject Tract and delivers to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office. During the year ended March 31, 2018, the District recorded revenues of \$ 454,617 from the City of Houston.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 10. RISK MANAGEMENT

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

NOTE 11. WASTEWATER TREATMENT FACILITIES AGREEMENT

On September 13, 2005, the District entered into an agreement with V & W Partners, Ltd., acting on behalf of Harris County Municipal Utility District No. 468 (District No. 468), to jointly treat and dispose of wastewater. The original 600,000 gpd plant was constructed by the District. The expansion to 1,650,000 gpd was completed under the oversight of the District with the District allocated 200,000 gpd and District No. 468 allocated 850,000 gpd. This resulted in ownership of 48.48% allocated to the District and 51.52% allocated to District No. 468. The District operates and holds legal title to the facilities. Fixed costs are allocated based on capacity and variable costs are allocated based on monthly connections of each participant.

NOTE 12. INTERFUND LOANS

As of March 31, 2018, the Debt Service Fund owed the General Fund \$7,255 for maintenance tax collections and the General Fund owed the Special Revenue Fund \$32,236 for the District's share of current wastewater treatment plant operations. The Special Revenue Fund owed the General Fund \$61,996 for operations funded by the General Fund in previous years.

NOTE 13. ESCROW REQUIREMENT

By order dated July 5, 2010, the District was required to escrow \$788,884 of Series 2010 Bonds proceeds. On June 17, 2015, the Commission approved the release from escrow of \$378,425, to be used for District meeting building site improvements and site acquisition. As of March 31, 2018, \$410,459 remains in escrow.

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CHARTERWOOD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2018

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2018**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 560,000	\$ 560,000	\$ 613,181	\$ 53,181
Water Service	450,000	450,000	514,762	64,762
Wastewater Service	580,000	580,000	595,938	15,938
Water Authority Fees	688,000	688,000	821,376	133,376
Penalty and Interest	25,000	25,000	23,756	(1,244)
Tap Connection and Inspection Fees	42,000	42,000	49,845	7,845
Water Authority Credits	21,000	21,000	94,913	73,913
Sales Tax Revenues	420,000	420,000	454,617	34,617
Miscellaneous Revenues	26,000	34,000	72,405	38,405
TOTAL REVENUES	\$ 2,812,000	\$ 2,820,000	\$ 3,240,793	\$ 420,793
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 195,000	\$ 188,000	\$ 166,913	\$ 21,087
Contracted Services	560,000	560,000	537,083	22,917
Purchased Water Service/Pumpage Fees	688,000	688,000	790,609	(102,609)
Purchased Wastewater Service	350,000	350,000	357,476	(7,476)
Utilities	50,000	50,000	51,480	(1,480)
Repairs and Maintenance	410,000	410,000	313,473	96,527
Other	309,000	309,000	234,985	74,015
Capital Outlay	100,000	1,055,400	774,100	281,300
TOTAL EXPENDITURES	\$ 2,662,000	\$ 3,610,400	\$ 3,226,119	\$ 384,281
NET CHANGE IN FUND BALANCE	\$ 150,000	\$ (790,400)	\$ 14,674	\$ 805,074
FUND BALANCE - APRIL 1, 2017	3,463,474	3,463,474	3,463,474	
FUND BALANCE - MARCH 31, 2018	\$ 3,613,474	\$ 2,673,074	\$ 3,478,148	\$ 805,074

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2018**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Wastewater Service	\$ 608,500	\$ 615,900	\$ 642,121	\$ 26,221
Miscellaneous Revenues			70	70
TOTAL REVENUES	<u>\$ 608,500</u>	<u>\$ 615,900</u>	<u>\$ 642,191</u>	<u>\$ 26,291</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 27,500	\$ 24,500	\$ 15,434	\$ 9,066
Contracted Services	6,000	6,000	5,257	743
Utilities	166,000	166,000	144,211	21,789
Repairs and Maintenance	105,000	105,000	138,931	(33,931)
Other	304,000	304,000	337,358	(33,358)
Capital Outlay		10,400	1,000	9,400
TOTAL EXPENDITURES	<u>\$ 608,500</u>	<u>\$ 615,900</u>	<u>\$ 642,191</u>	<u>\$ (26,291)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - APRIL 1, 2017	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - MARCH 31, 2018	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2018

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>1,237</u>	<u>1,224</u>	x 1.0	<u>1,224</u>
1"	<u>58</u>	<u>58</u>	x 2.5	<u>145</u>
1½"	<u>53</u>	<u>53</u>	x 5.0	<u>265</u>
2"	<u>32</u>	<u>32</u>	x 8.0	<u>256</u>
3"	_____	_____	x 15.0	_____
4"	<u>6</u>	<u>6</u>	x 25.0	<u>150</u>
6"	<u>3</u>	<u>3</u>	x 50.0	<u>150</u>
8"	_____	_____	x 80.0	_____
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u><u>1,390</u></u>	<u><u>1,377</u></u>		<u><u>2,305</u></u>
Total Wastewater Connections	<u><u>1,339</u></u>	<u><u>1,326</u></u>	x 1.0	<u><u>1,326</u></u>

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

Gallons pumped into system:	79,002,000	Water Accountability Ratio: 93.3% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	237,264,000	
Gallons purchased:	175,237,000	From: <u>North Harris County Regional Water Authority</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2018**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 13,800
Engineering	65,816
Legal	87,297
TOTAL PROFESSIONAL FEES	<u>\$ 166,913</u>
PURCHASED SERVICES FOR RESALE	
Purchased Wastewater Service	<u>\$ 357,476</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,691
Operations and Billing	148,194
TOTAL CONTRACTED SERVICES	<u>\$ 167,885</u>
UTILITIES:	
Electricity	\$ 47,333
Telephone	4,147
TOTAL UTILITIES	<u>\$ 51,480</u>
REPAIRS AND MAINTENANCE	<u>\$ 313,473</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 17,100
Building Expenses	82,961
Insurance	23,831
Office Supplies and Postage	15,612
Payroll Taxes	2,685
Travel and Meetings	1,486
Other	7,935
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 151,610</u>
CAPITAL OUTLAY	<u>\$ 774,100</u>
TAP CONNECTIONS	<u>\$ 9,803</u>
SOLID WASTE DISPOSAL	<u>\$ 216,562</u>
SECURITY	<u>\$ 152,636</u>
OTHER EXPENDITURES:	
Chemicals	\$ 28,407
Laboratory Fees	16,582
Permit Fees	4,904
Inspection Fees	18,142
Purchased Water/Pumpage Fees	790,609
Regulatory Assessment	5,537
TOTAL OTHER EXPENDITURES	<u>\$ 864,181</u>
TOTAL EXPENDITURES	<u><u>\$ 3,226,119</u></u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MARCH 31, 2018**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,306,387	\$
TexPool	XXXX0006	Varies	Daily	<u>514,807</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 2,821,194</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 1,173,652</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	<u>\$ 1,054,614</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 5,049,460</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2017	\$	22,492	\$	51,258
Adjustments to Beginning				
Balance		(10,530)	\$	11,962
			(20,790)	\$
				30,468
Original 2017 Tax Levy	\$	577,148	\$	1,038,867
Adjustment to 2017 Tax Levy		42,971	620,119	77,348
TOTAL TO BE				1,116,215
ACCOUNTED FOR			\$	632,081
				\$
				1,146,683
TAX COLLECTIONS:				
Prior Years	\$	2,549	\$	5,263
Current Year		610,632	613,181	1,099,137
				1,104,400
TAXES RECEIVABLE -				
MARCH 31, 2018		\$	18,900	\$
				42,283
TAXES RECEIVABLE BY				
YEAR:				
2017		\$	9,487	\$
2016			2,567	17,078
2015			1,699	4,621
2014			1,422	3,285
2013			858	3,696
2012			672	2,518
2011			347	2,196
2010			286	1,133
2009			133	935
2008			140	433
2007			134	468
2006 and prior			1,155	493
				5,427
TOTAL		\$	18,900	\$
				42,283

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 87,506,742	\$ 82,017,245	\$ 81,472,141	\$ 77,460,866
Improvements	325,966,558	311,130,554	291,154,829	256,142,170
Personal Property	18,707,218	22,037,777	21,799,028	22,448,914
Exemptions	<u>(18,767,675)</u>	<u>(16,209,668)</u>	<u>(17,393,620)</u>	<u>(13,772,698)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 413,412,843</u>	<u>\$ 398,975,908</u>	<u>\$ 377,032,378</u>	<u>\$ 342,279,252</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.27	\$ 0.27	\$ 0.29	\$ 0.39
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.42</u>	<u>\$ 0.42</u>	<u>\$ 0.44</u>	<u>\$ 0.54</u>
ADJUSTED TAX LEVY*	<u>\$ 1,736,334</u>	<u>\$ 1,675,699</u>	<u>\$ 1,658,943</u>	<u>\$ 1,848,309</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.47 %</u>	<u>99.57 %</u>	<u>99.70 %</u>	<u>99.72 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.15 per \$100 of assessed valuation approved by voters on September 16, 1995.

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018**

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending March 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2019	\$ 155,000	\$ 88,675	\$ 243,675
2020	160,000	83,550	243,550
2021	165,000	77,862	242,862
2022	165,000	72,088	237,088
2023	170,000	65,800	235,800
2024	175,000	58,900	233,900
2025	185,000	51,700	236,700
2026	190,000	44,200	234,200
2027	195,000	36,500	231,500
2028	195,000	28,700	223,700
2029	200,000	20,800	220,800
2030	210,000	12,600	222,600
2031	210,000	4,200	214,200
	\$ 2,375,000	\$ 645,575	\$ 3,020,575

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018**

S E R I E S - 2 0 1 0 A			
Due During Fiscal Years Ending March 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2019	\$ 135,000	\$ 88,599	\$ 223,599
2020	145,000	84,399	229,399
2021	150,000	79,880	229,880
2022	160,000	74,837	234,837
2023	170,000	69,269	239,269
2024	175,000	63,338	238,338
2025	185,000	57,038	242,038
2026	195,000	49,900	244,900
2027	205,000	41,900	246,900
2028	220,000	33,400	253,400
2029	230,000	24,400	254,400
2030	240,000	15,000	255,000
2031	255,000	5,100	260,100
	\$ 2,465,000	\$ 687,060	\$ 3,152,060

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018**

REFUNDING SERIES - 2015

Due During Fiscal Years Ending March 31	Principal Due May 1	Interest Due May 1/ November 1	Total
2019	\$ 480,000	\$ 186,344	\$ 666,344
2020	495,000	174,118	669,118
2021	515,000	161,453	676,453
2022	530,000	148,348	678,348
2023	550,000	134,805	684,805
2024	565,000	120,823	685,823
2025	585,000	106,402	691,402
2026	605,000	91,479	696,479
2027	625,000	76,055	701,055
2028	645,000	60,129	705,129
2029	670,000	43,639	713,639
2030	690,000	26,585	716,585
2031	715,000	8,966	723,966
	<u>\$ 7,670,000</u>	<u>\$ 1,339,146</u>	<u>\$ 9,009,146</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2018**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 770,000	\$ 363,618	\$ 1,133,618
2020	800,000	342,067	1,142,067
2021	830,000	319,195	1,149,195
2022	855,000	295,273	1,150,273
2023	890,000	269,874	1,159,874
2024	915,000	243,061	1,158,061
2025	955,000	215,140	1,170,140
2026	990,000	185,579	1,175,579
2027	1,025,000	154,455	1,179,455
2028	1,060,000	122,229	1,182,229
2029	1,100,000	88,839	1,188,839
2030	1,140,000	54,185	1,194,185
2031	1,180,000	18,266	1,198,266
	<u>\$ 12,510,000</u>	<u>\$ 2,671,781</u>	<u>\$ 15,181,781</u>

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2017
Charterwood Municipal Utility District Unlimited Tax Bonds - Series 2010	\$ 2,670,000	\$ 2,525,000
Charterwood Municipal Utility District Unlimited Tax Park Bonds - Series 2010A	2,720,000	2,595,000
Charterwood Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	<u>8,195,000</u>	<u>8,135,000</u>
TOTAL	<u><u>\$ 13,585,000</u></u>	<u><u>\$ 13,255,000</u></u>

Bond Authority:	<u>Park Bonds</u>	<u>Utility Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 5,000,000	\$ 29,285,000	\$ 8,030,000
Amount Issued	<u>2,720,000</u>	<u>16,955,000</u>	<u>7,440,000</u>
Remaining to be Issued	<u><u>\$ 2,280,000</u></u>	<u><u>\$ 12,330,000</u></u>	<u><u>\$ 590,000</u></u>

Debt Service Fund cash and investment balances as of March 31, 2018: \$ 2,703,916

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,167,829

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 150,000	\$ 93,250	\$ 2,375,000	Wells Fargo Bank Houston, TX
	130,000	92,575	2,465,000	Wells Fargo Bank Houston, TX
	<u>465,000</u>	<u>198,195</u>	<u>7,670,000</u>	Regions Bank Birmingham, AL
<u>\$ - 0 -</u>	<u>\$ 745,000</u>	<u>\$ 384,020</u>	<u>\$ 12,510,000</u>	

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 613,181	\$ 591,396	\$ 558,957
Water Service	514,762	451,764	450,877
Wastewater Service	595,938	576,543	579,986
Water Authority Fees	821,376	629,190	538,121
Penalty and Interest	23,756	25,646	22,431
Tap Connection and Inspection Fees	49,845	52,370	165,675
Water Authority Credits	94,913	94,913	94,913
Sales Tax Revenues	454,617	413,159	407,588
Miscellaneous Revenues	72,405	55,413	41,808
TOTAL REVENUES	\$ 3,240,793	\$ 2,890,394	\$ 2,860,356
EXPENDITURES			
Professional Fees	\$ 166,913	\$ 139,382	\$ 171,882
Contracted Services	537,083	534,699	526,120
Purchased Wastewater Service	357,476	361,887	347,306
Utilities	51,480	42,043	42,664
Repairs and Maintenance	313,473	277,953	341,637
Purchased Water/Pumpage Fees	790,609	639,218	520,144
Other	234,985	236,348	350,265
Capital Outlay	774,100	355,025	1,022,445
TOTAL EXPENDITURES	\$ 3,226,119	\$ 2,586,555	\$ 3,322,463
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 14,674	\$ 303,839	\$ (462,107)
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 270,113
NET CHANGE IN FUND BALANCE	\$ 14,674	\$ 303,839	\$ (191,994)
BEGINNING FUND BALANCE	3,463,474	3,159,635	3,351,629
ENDING FUND BALANCE	\$ 3,478,148	\$ 3,463,474	\$ 3,159,635

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 508,153	\$ 438,378	19.0 %	20.5 %	19.5 %	19.5 %	17.5 %
420,216	428,518	16.0	15.6	15.8	16.1	17.1
561,449	556,173	18.4	19.9	20.3	21.5	22.2
502,406	466,261	25.3	21.8	18.8	19.2	18.6
22,380	22,720	0.7	0.9	0.8	0.9	0.9
55,285	72,265	1.5	1.8	5.8	2.1	2.9
93,561	94,913	2.9	3.3	3.3	3.6	3.8
410,487	401,526	14.0	14.3	14.2	15.7	16.0
37,781	26,287	2.2	1.9	1.5	1.4	1.0
<u>\$ 2,611,718</u>	<u>\$ 2,507,041</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 247,738	\$ 185,775	5.2 %	4.8 %	6.0 %	9.5 %	7.4 %
521,804	510,910	16.5	18.4	18.4	20.0	20.4
287,306	330,161	11.0	12.5	12.1	11.0	13.2
42,611	47,059	1.6	1.5	1.5	1.6	1.9
359,756	139,334	9.7	9.6	11.9	13.8	5.6
478,788	560,699	24.4	22.1	18.2	18.3	22.4
282,460	199,234	7.3	8.2	12.2	10.8	7.9
410,230	750,115	23.9	12.3	35.7	15.7	29.9
<u>\$ 2,630,693</u>	<u>\$ 2,723,287</u>	<u>99.6 %</u>	<u>89.4 %</u>	<u>116.0 %</u>	<u>100.7 %</u>	<u>108.7 %</u>
<u>\$ (18,975)</u>	<u>\$ (216,246)</u>	<u>0.4 %</u>	<u>10.6 %</u>	<u>(16.0) %</u>	<u>(0.7) %</u>	<u>(8.7) %</u>
<u>\$ (238,929)</u>	<u>\$ (487,140)</u>					
\$ (257,904)	\$ (703,386)					
<u>3,609,533</u>	<u>4,312,919</u>					
<u>\$ 3,351,629</u>	<u>\$ 3,609,533</u>					

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,104,400	\$ 1,066,744	\$ 1,083,101
Penalty and Interest	11,562	14,567	10,957
Miscellaneous Revenues	<u>22,040</u>	<u>14,781</u>	<u>2,967</u>
TOTAL REVENUES	<u>\$ 1,138,002</u>	<u>\$ 1,096,092</u>	<u>\$ 1,097,025</u>
EXPENDITURES			
Other Expenditures	\$ 38,429	\$ 48,935	\$ 41,296
Debt Service Principal	745,000	715,000	875,000
Debt Service Interest and Fees	385,020	407,690	353,133
Bond Issuance Costs	<u> </u>	<u> </u>	<u>190,074</u>
TOTAL EXPENDITURES	<u>\$ 1,168,449</u>	<u>\$ 1,171,625</u>	<u>\$ 1,459,503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (30,447)</u>	<u>\$ (75,533)</u>	<u>\$ (362,478)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Refunding Bonds	\$	\$	\$ 8,195,000
Transfer to Refunded Bond Escrow Agent	<u> </u>	<u> </u>	<u>(8,148,368)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 46,632</u>
NET CHANGE IN FUND BALANCE	\$ (30,447)	\$ (75,533)	\$ (315,846)
BEGINNING FUND BALANCE	<u>2,712,317</u>	<u>2,787,850</u>	<u>3,103,696</u>
ENDING FUND BALANCE	<u>\$ 2,681,870</u>	<u>\$ 2,712,317</u>	<u>\$ 2,787,850</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,377</u>	<u>1,375</u>	<u>1,376</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,326</u>	<u>1,318</u>	<u>1,322</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,324,104	\$ 1,288,132	97.1 %	97.4 %	98.7 %	98.7 %	98.6 %
14,461	15,873	1.0	1.3	1.0	1.1	1.2
3,334	2,278	1.9	1.3	0.3	0.2	0.2
<u>\$ 1,341,899</u>	<u>\$ 1,306,283</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 40,452	\$ 42,316	3.4 %	4.5 %	3.8 %	3.0 %	3.2 %
840,000	805,000	65.5	65.3	79.8	62.6	61.6
603,272	635,458	33.8	37.2	32.2	45.0	48.6
				17.3		
<u>\$ 1,483,724</u>	<u>\$ 1,482,774</u>	<u>102.7 %</u>	<u>107.0 %</u>	<u>133.1 %</u>	<u>110.6 %</u>	<u>113.4 %</u>
<u>\$ (141,825)</u>	<u>\$ (176,491)</u>	<u>(2.7) %</u>	<u>(7.0) %</u>	<u>(33.1) %</u>	<u>(10.6) %</u>	<u>(13.4) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (141,825)	\$ (176,491)					
3,245,521	3,422,012					
<u>\$ 3,103,696</u>	<u>\$ 3,245,521</u>					
<u>1,355</u>	<u>1,326</u>					
<u>1,318</u>	<u>1,292</u>					

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2018**

District Mailing Address - Charterwood Municipal Utility District
Coats Rose, P. C.
9 Greenway Plaza, Suite 1000
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2018	Expense Reimbursements for the year ended March 31, 2018	Title
Jean Aldredge	05/17 05/21 (Elected)	\$ 2,100	\$ 9	President
Tommy Kelley	05/15 05/19 (Elected)	\$ 1,800	\$ -0-	Vice President/ Treasurer
Grace Jackson	05/17 05/21 (Elected)	\$ 5,700	\$ 746	Secretary
Tom Thomson	05/15 05/19 (Elected)	\$ 3,900	\$ 732	Assistant Secretary
Mark Shultz	05/17 05/21 (Elected)	\$ 3,600	\$ -0-	Assistant Secretary

Notes: 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 developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
February 28, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on October 1, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**CHARTERWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2018**

Consultants:	<u>Date Hired</u>	<u>District Fees for the year ended March 31, 2018</u>	<u>Joint Facilities Fees for the year ended March 31, 2018</u>	<u>Title</u>
Coats Rose, P. C.	06/01/88	\$ 87,297 \$ 460	\$ -0- \$ -0-	General Counsel Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	03/24/15	\$ 13,800	\$ 2,750	Auditor
District Data Services	04/18/95	\$ 19,971	\$ 5,528	Bookkeeper
Bleyl Engineering	9/26/17	\$ 66,680	\$ -0-	Engineer
AEI Engineering, Inc.	03/03/88	\$ 64,737	\$ 12,684	Former Engineer
Robert W. Baird & Co.	01/23/15	\$ -0-	\$ -0-	Financial Advisor
Municipal District Services L.L.C.	10/30/07	\$ 372,514	\$ 176,547	Operator
Bob Leared Interests	12/14/76	\$ 18,949	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

