

CHAMPIONS MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

JUNE 30, 2019

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October 14, 2019

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Champions Municipal Utility District,  
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Champions Municipal Utility District, as of and for the year ended June 30, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

### **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 of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

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

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 23 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 24 to 38 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located at the bottom right of the page.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Champions Municipal Utility District, (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

#### *Fund Financial Statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### **Financial Analysis of the District as a Whole**

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Any resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Any resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes, if any, and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District.

The following required summaries of the District’s overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current and other assets	\$ 3,766,906	\$ 6,076,476	\$ (2,309,570)
Capital assets	10,338,924	6,213,013	4,125,911
Total assets	<u>14,105,830</u>	<u>12,289,489</u>	<u>1,816,341</u>
Long-term liabilities	4,380,858	4,529,095	(148,237)
Other liabilities	<u>2,268,063</u>	<u>1,040,187</u>	<u>1,227,876</u>
Total liabilities	<u>6,648,921</u>	<u>5,569,282</u>	<u>1,079,639</u>
Net position:			
Invested in capital assets, net of related debt	4,426,500	1,535,523	2,890,977
Restricted	1,982,588	2,898,665	(916,077)
Unrestricted	<u>1,048,321</u>	<u>2,286,019</u>	<u>(1,237,698)</u>
Total net position	<u>\$ 7,457,409</u>	<u>\$ 6,720,207</u>	<u>\$ 737,202</u>

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,193,702	\$ 1,191,880	\$ 1,822
Charges for services	1,941,364	1,829,562	111,802
Other revenues	<u>161,061</u>	<u>157,957</u>	<u>3,104</u>
Total revenues	<u>3,296,127</u>	<u>3,179,399</u>	<u>116,728</u>
Expenses:			
Service operations	2,076,403	2,180,444	(104,041)
Capital outlay	324,649	580,569	(255,920)
Debt service	<u>157,873</u>	<u>149,141</u>	<u>8,732</u>
Total expenses	<u>2,558,925</u>	<u>2,910,154</u>	<u>(351,229)</u>
Change in net position	737,202	269,245	467,957
Net position, beginning of year	<u>6,720,207</u>	<u>6,450,962</u>	<u>269,245</u>
Net position, end of year	<u>\$ 7,457,409</u>	<u>\$ 6,720,207</u>	<u>\$ 737,202</u>

**Financial Analysis of the District’s Funds**

The District’s combined fund balances as of the end of the fiscal year ended June 30, 2019, were \$3,059,380, a decrease of \$2,117,018 from the prior year.

The General Fund balance decreased by \$1,222,499, due to planned improvements to District systems.

The Debt Service Fund balance increased by \$25,914 in accordance with the District’s financial.

The Capital Projects Fund balance decreased by \$920,433 as authorized expenditures exceeded interest revenues.

#### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of June 30, 2019, was expected to be \$2,245,584, and the actual end of year fund balance was \$1,320,322.

#### **Capital Asset and Debt Administration**

##### *Capital Assets*

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land and easements	\$ 88,578	\$ 87,500	\$ 1,078
Construction in progress	5,345,694	3,156,459	2,189,235
Water facilities	2,441,542	1,369,001	1,072,541
Sewer facilities	2,463,110	1,600,053	863,057
Totals	<u>\$ 10,338,924</u>	<u>\$ 6,213,013</u>	<u>\$ 4,125,911</u>

Changes to capital assets during the fiscal year ended June 30, 2019, are summarized as follows:

##### Additions:

Drainage improvements to Champions Drive	\$ 3,155,398
Improvements to water system	386,202
Reclaimed water system	441,900
Improvements to sanitary sewer system	346,164
Improvements to joint wastewater facility	11,506
Easement	1,078
Engineering for trail system	8,831
Total additions to capital assets	<u>4,351,079</u>

##### Decreases:

Depreciation	<u>(225,168)</u>
Net change to capital assets	<u>\$ 4,125,911</u>

##### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bonded debt payable, beginning of year	\$ 4,325,000
Bonds paid	<u>(115,000)</u>
Bonded debt payable, end of year	<u>\$ 4,210,000</u>

At June 30, 2019, the District had \$20,565,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.



The District's bonds have an underlying rating of A3 by Moody's. The Series 2017 bonds are insured by Build America Assurance Company. Because of the insurance, the Series 2017 bonds are rated AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended June 30, 2019.

As further described in Note 5 of the Notes to the Financial Statements, the District entered into an agreement with Harris County for the construction of drainage improvements to Champions Drive on May 22, 2018. The District's share of the cost was determined to be \$4,150,000 payable in three annual installments. The District paid the second installment of \$1,383,334 during the year ended June 30, 2019. The final payment of \$1,383,332 was outstanding at that date.

As further described in Note 13 of the Notes to the Financial Statements, on September 27, 2017, the District entered into an agreement for the lease-purchase of water meters for \$437,427. The agreement provides for ten annual lease payments, at 2.95% interest, of \$51,063 beginning on September 15, 2018. The District may purchase the meters at the end of the lease period for \$1. The amount due to the lessor was \$398,340 at June 30, 2019.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base was essentially unchanged for the 2018 tax year.

### *Relationship to the City of Houston*

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of June 14, 2004. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. No other City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The City pays the District an amount equal to 50 percent of all Sales and Use Tax revenues generated by the City from the properties subject to the SPA. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

### *Water Supply Issues*

The District is located within the boundaries of the Harris-Galveston Subsidence District ("Subsidence District") and the North Harris County Regional Water Authority ("NHCRWA"). The NHCRWA was created to provide for conversion of the area within its boundaries from groundwater usage to alternative sources of water supply (e.g., surface water) as required by regulations of the Subsidence District. The NHCRWA covers an area located in northern Harris County and adjacent to the City of Houston. Pursuant to an order of the Subsidence District and the NHCRWA's Groundwater Reduction Plan (as approved by the Subsidence District), the area within the boundaries of the NHCRWA must be converted to at least 30% alternate source (e.g., surface) water use by 2010, 60% alternate source water use by 2025, and 80% alternate source water use by 2035. To implement the required conversion to alternate source water use in accordance with such schedule, the NHCRWA is in the process of designing and constructing and will operate a network of transmission and distribution lines, storage tanks, and pumping stations to transport and distribute water within the NHCRWA (the "NHCRWA System"). In addition, the NHCRWA has entered into a water supply contract to secure a long-term supply of treated surface water from the City of Houston.

The District is subject to the NHCRWA's Groundwater Reduction Plan. The NHCRWA, as part of the plan of financing the NHCRWA System, has elected to allow districts, such as the District, to participate in a pro-rata share of the costs associated with the acquisition and construction of the NHCRWA System (including the costs associated with the acquisition of alternate sources of water supply) by issuing its own debt or using cash on hand, entitling the District to a future credit against pumpage fees due to the NHCRWA. The District has not elected this financing option. As a result, the District has elected to pay its share in the NHCRWA System costs over time through payment of levied pumpage fees to the NHCRWA. The District has been required by the NHCRWA to participate in the groundwater conversion project by converting a portion of its water production to surface water. Noncompliance with the NHCRWA's Groundwater Reduction Plan or nonparticipation in the NHCRWA's surface water conversion project could result in the District's exclusion from the NHCRWA's Groundwater Reduction Plan and assessment of the Subsidence District's disincentive fee against groundwater pumped from wells located within the District.

Groundwater pumped from wells located within the District is not currently subject to the Subsidence District's groundwater disincentive fee. However, groundwater pumped from wells located within the District is subject to a per 1,000 gallon pumpage fee that is assessed and collected by the NHCRWA pursuant to the NHCRWA's Pumpage Fee Order. The current pumpage fee is \$3.85 and is expected to increase in the future. The Authority's current surface water usage fee is \$4.30 and is expected to increase in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to finance the acquisition and construction of surface water infrastructure (whether such costs are incurred directly by the District or through projects undertaken by the NHCRWA). The NHCRWA has sold four issues of bonds to finance a portion of the costs related to the design, acquisition and construction of the NHCRWA System. The NHCRWA bonds are secured by revenues of the NHCRWA, including the Pumpage Fee.

CHAMPIONS MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 219,066	\$ 179,133	\$ 10,647	\$ 408,846	\$	\$ 408,846
Temporary investments, at cost, Note 7	1,072,626	219,597	1,460,575	2,752,798		2,752,798
Receivables:						
Property taxes	22,214	6,688		28,902		28,902
Service accounts	192,936			192,936		192,936
Sales and Use Taxes, Note 11	18,445			18,445		18,445
Other	7,792			7,792		7,792
Deposit	5,124			5,124		5,124
Construction advance			37,896	37,896		37,896
Due from other fund			200,858	200,858	(200,858)	0
Maintenance taxes collected not yet transferred from other fund	28,091			28,091	(28,091)	0
Chloramine costs due from regional authority, Note 9	293,870			293,870		293,870
Construction advance at regional facilities	13,778			13,778		13,778
Operating reserve at regional facilities, Note 10	6,174			6,174		6,174
Groundwater bank certificates, at cost, Note 12	345			345		345
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	5,434,272	5,434,272
Depreciable capital assets				0	4,904,652	4,904,652
<b>Total assets</b>	<b><u>\$1,880,461</u></b>	<b><u>\$ 405,418</u></b>	<b><u>\$1,709,976</u></b>	<b><u>\$ 3,995,855</u></b>	<b><u>10,109,975</u></b>	<b><u>14,105,830</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 205,361	\$	\$ 60,629	\$ 265,990		265,990
Construction contracts payable			202,828	202,828		202,828
Landowner construction deposit			78,100	78,100		78,100
Accrued interest payable				0	57,373	57,373
Customer deposits	131,706			131,706		131,706
Due to other fund	200,858			200,858	(200,858)	0
Maintenance taxes collected not yet transferred to other fund		28,091		28,091	(28,091)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,532,066	1,532,066
Due in more than one year				0	4,380,358	4,380,358
<b>Total liabilities</b>	<b><u>537,925</u></b>	<b><u>28,091</u></b>	<b><u>341,557</u></b>	<b><u>907,573</u></b>	<b><u>5,740,848</u></b>	<b><u>6,648,421</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>22,214</u>	<u>6,688</u>	<u>0</u>	<u>28,902</u>	<u>(28,902)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
<b>Nonspendable:</b>						
Operating reserve at regional facilities, Note 10	6,174			6,174	(6,174)	0
Due from NHCRWA, Note 9	293,870			293,870	(293,870)	0
Groundwater bank certificates, Note 12	345			345	(345)	0
Committed to construction contracts in progress			248,063	248,063	(248,063)	0
<b>Assigned to:</b>						
Debt service		370,639		370,639	(370,639)	0
Capital projects			1,120,356	1,120,356	(1,120,356)	0
Unassigned fund balance	<u>1,019,933</u>			<u>1,019,933</u>	<u>(1,019,933)</u>	<u>0</u>
<b>Total fund balances</b>	<b><u>1,320,322</u></b>	<b><u>370,639</u></b>	<b><u>1,368,419</u></b>	<b><u>3,059,380</u></b>	<b><u>(3,059,380)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$1,880,461</u></b>	<b><u>\$ 405,418</u></b>	<b><u>\$1,709,976</u></b>	<b><u>\$ 3,995,855</u></b>		
<b>Net position:</b>						
Invested in capital assets, net of related debt					4,426,500	4,426,500
Restricted for receivables from regional authority					293,870	293,870
Restricted for debt service					319,954	319,954
Restricted for capital projects					1,368,419	1,368,419
Unrestricted					1,048,666	1,048,666
<b>Total net position</b>					<b><u>\$ 7,457,409</u></b>	<b><u>\$ 7,457,409</u></b>

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

CHAMPIONS MUNICIPAL UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 921,605	\$ 276,630	\$	\$ 1,198,235	\$ (28,399)	\$ 1,169,836
Water service	643,273			643,273		643,273
Sewer service	476,550			476,550		476,550
Surface water fees, Note 9	752,199			752,199		752,199
Penalty, disconnection and other revenues	51,226	33,661		84,887	(9,795)	75,092
Sales and Use Taxes, Note 11	72,012			72,012		72,012
Interest on surface water chloramine costs, Note 9	18,116			18,116		18,116
Interest on deposits and investments	40,534	5,171	43,344	89,049		89,049
<b>Total revenues</b>	<b>2,975,515</b>	<b>315,462</b>	<b>43,344</b>	<b>3,334,321</b>	<b>(38,194)</b>	<b>3,296,127</b>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Purchased sewer services, Note 10	1,685			1,685		1,685
Purchased water	24,864			24,864		24,864
Professional fees	281,510	17,028		298,538		298,538
Contracted services	137,171	14,907		152,078		152,078
Utilities	60,226			60,226		60,226
Surface water fees, Note 9	740,142			740,142		740,142
Repairs and maintenance	327,611			327,611		327,611
Other operating expenditures	114,589			114,589		114,589
Administrative expenditures	130,533	969		131,502		131,502
Depreciation				0	225,168	225,168
Capital outlay / non-capital outlay	2,328,619		963,777	3,292,396	(2,967,747)	324,649
Debt service:						
Principal retirement	39,087	115,000		154,087	(154,087)	0
Interest and fees	11,977	141,644		153,621	4,252	157,873
<b>Total expenditures / expenses</b>	<b>4,198,014</b>	<b>289,548</b>	<b>963,777</b>	<b>5,451,339</b>	<b>(2,892,414)</b>	<b>2,558,925</b>
Excess (deficiency) of revenues over expenditures	(1,222,499)	25,914	(920,433)	(2,117,018)	2,854,220	737,202
Net change in fund balances / net position	(1,222,499)	25,914	(920,433)	(2,117,018)	2,854,220	737,202
Beginning of year	2,542,821	344,725	2,288,852	5,176,398	1,543,809	6,720,207
End of year	<u>\$ 1,320,322</u>	<u>\$ 370,639</u>	<u>\$ 1,368,419</u>	<u>\$ 3,059,380</u>	<u>\$ 4,398,029</u>	<u>\$ 7,457,409</u>

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

CHAMPIONS MUNICIPAL UTILITY DISTRICTNOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2019

## NOTE 1: REPORTING ENTITY

Champions Municipal Utility District (the "District") was created by Harris County Commissioner's Court on January 19, 1961 as Harris County Fresh Water Supply District No. 52, in accordance with the Texas Water Code Chapter 53. On January 7, 1986, the District was converted to a municipal utility district operating under and governed by Chapter 54 of the Texas Water Code. The District changed its name effective October 6, 2016. On The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "Commission").

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are either not spendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

### Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

### Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

Regional Water Authority Credits

The District reports the surface water fee charges incurred by the District at the gross amount of the charges. Credits received under agreements with the regional water authority are recorded as either a repayment of the principal amount or interest earned at the interest rate of the applicable agreement. The principal is amortized based upon the life of the credits and the interest rate of the applicable agreement.

**NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 3,059,380
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		10,338,924
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Capital lease payable	\$ (398,340)	
Due to Harris County	(1,383,332)	
Bonds payable	(4,210,000)	
Issuance discount (to be amortized as interest expense)	<u>79,248</u>	(5,912,424)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		28,902
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(57,373)</u>
Net position, end of year		<u>\$ 7,457,409</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ (2,117,018)
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 2,967,747	
Depreciation	<u>(225,168)</u>	2,742,579
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Capital lease principle reduction	39,087	
Bond principle reduction	<u>115,000</u>	154,087
<p>The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Issuance discount		(5,689)
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	(9,795)	
Uncollected property taxes	<u>(28,399)</u>	(38,194)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>1,437</u>
Change in net position		<u>\$ 737,202</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 87,500	\$ 1,078	\$	\$ 88,578
Construction in progress	<u>3,156,459</u>	<u>4,350,001</u>	<u>2,160,766</u>	<u>5,345,694</u>
Total capital assets not being depreciated	<u>3,243,959</u>	<u>4,351,079</u>	<u>2,160,766</u>	<u>5,434,272</u>
Depreciable capital assets:				
Water system	2,658,479	1,204,008		3,862,487
Sewer system	<u>3,417,946</u>	<u>956,758</u>		<u>4,374,704</u>
Total depreciable capital assets	<u>6,076,425</u>	<u>2,160,766</u>	<u>0</u>	<u>8,237,191</u>
Less accumulated depreciation for:				
Water system	(1,289,478)	(131,467)		(1,420,945)
Sewer system	<u>(1,817,893)</u>	<u>(93,701)</u>		<u>(1,911,594)</u>
Total accumulated depreciation	<u>(3,107,371)</u>	<u>(225,168)</u>	<u>0</u>	<u>(3,332,539)</u>
Total depreciable capital assets, net	<u>2,969,054</u>	<u>1,935,598</u>	<u>0</u>	<u>4,904,652</u>
Total capital assets, net	<u>\$ 6,213,013</u>	<u>\$ 6,286,677</u>	<u>\$ 2,160,766</u>	<u>\$ 10,338,924</u>
Changes to capital assets:				
Capital outlay		\$ 4,351,079	\$	
Assets transferred to depreciable assets		2,160,766	2,160,766	
Less depreciation expense for the fiscal year		<u>(225,168)</u>		
Net increases / decreases to capital assets		<u>\$ 6,286,677</u>	<u>\$ 2,160,766</u>	

Subsequent to June 30, 2019, the District began the process of decommissioning its wastewater treatment plant and will utilize its capacity in the Kleinwood Regional Wastewater Facility, described in Note 10. At such time, the capital assets related to the wastewater treatment plant will be removed from the above schedule.

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 4,325,000	\$	\$ 115,000	\$ 4,210,000	\$ 115,000
Less deferred amounts:					
Issuance premium (discount)	<u>(84,937)</u>		<u>(5,689)</u>	<u>(79,248)</u>	<u>(5,550)</u>
Total bonds payable	<u>4,240,063</u>	<u>0</u>	<u>109,311</u>	<u>4,130,752</u>	<u>109,450</u>
Due to Harris County	<u>2,766,666</u>	<u>0</u>	<u>1,383,334</u>	<u>1,383,332</u>	<u>1,383,332</u>
Lease-purchase agreement, Note 13	<u>437,427</u>	<u>0</u>	<u>39,087</u>	<u>398,340</u>	<u>39,284</u>
Total long-term liabilities	<u>\$ 7,444,156</u>	<u>\$ 0</u>	<u>\$ 1,531,732</u>	<u>\$ 5,912,424</u>	<u>\$ 1,532,066</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Fiscal Year	Principal	Interest	Total
2020	\$ 115,000	\$ 137,694	\$ 252,694
2021	120,000	134,244	254,244
2022	125,000	130,644	255,644
2023	125,000	126,894	251,894
2024	130,000	123,144	253,144
2025 - 2029	745,000	553,320	1,298,320
2030 - 2034	910,000	431,494	1,341,494
2035 - 2039	1,125,000	268,550	1,393,550
2040 - 2042	815,000	59,988	874,988
	<u>\$ 4,210,000</u>	<u>\$ 1,965,972</u>	<u>\$ 6,175,972</u>

Bonds voted	\$ 25,000,000
Bonds approved for sale and sold	4,435,000
Bonds voted and not issued	20,565,000

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.

The bond issues payable at June 30, 2019, were as follows:

	<u>Series 2017</u>
Amounts outstanding, June 30, 2019	\$4,210,000
Interest rates	3.00% to 3.625%
Maturity dates, serially beginning/ending	March 1, 2020/2042
Interest payment dates	March 1/September 1
Callable dates	March 1, 2024*

\*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

Due to Harris County

The District entered into an agreement with Harris County for the construction of drainage improvements to Champions Drive on May 22, 2018. The District's share of the cost was determined to be \$4,150,000 payable in three annual installments. The District paid the second installment of \$1,383,334 during the year ended June 30, 2019. The final payment of \$1,383,332 was outstanding at that date.

Developer Construction Commitments and Liabilities

At June 30, 2019, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Order requires that the District 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.

At an election held November 8, 1983, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. The District did not levy a maintenance tax until the 2016 tax year. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 8, 2018, the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of \$360,633,190:

	Rate	Amount
Debt service	\$ 0.0750	\$ 270,586
Maintenance	0.2500	901,953
	\$ 0.3250	\$ 1,172,539

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2018 tax year total property tax levy	\$ 1,172,539
Appraisal district adjustments to prior year taxes	(2,703)
Statement of Activities property tax revenues	\$ 1,169,836

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$408,846 and the bank balance was \$631,515. Of the bank balance, \$303,468 was covered by federal insurance and \$328,047 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At the balance sheet date the carrying value and market value of the investments in TexPool was \$2,752,798.

Deposits and temporary investments restricted by state statutes and Bond Orders:

Debt Service Fund

For payment of debt principal and interest,  
paying agent fees and costs of assessing and  
collecting taxes:

Cash	\$ 179,133
Temporary investments	<u>219,597</u>
	<u>\$ 398,730</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 10,647
Temporary investments	<u>1,460,575</u>
	<u>\$ 1,471,222</u>

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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At June 30, 2019, the District had physical damage and boiler and machinery coverage of \$7,528,850, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, pollution cleanup and remediation coverage of \$1,000,000, umbrella liability coverage of \$2,000,000, automobile coverage of \$1,000,000, worker's compensation coverage of \$1,000,000 and consultant's crime coverage of \$500,000.

NOTE 9: REGIONAL WATER AUTHORITY

The North Harris County Regional Water Authority (the "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, 2001. 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 other 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 corporations, 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." In accordance with this provision, as of June 30, 2019, the Authority had established a well pumpage fee of \$3.85 per 1,000 gallons of water pumped from each regulated well and surface water usage fees of \$4.30 per 1,000 gallons. The District's surface water fees payable to the Authority for the fiscal year ended June 30, 2019, were \$740,142. The District billed its customers \$752,199 during the fiscal year to pay for the fees charged by the Authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Effective January 1, 2010, the Authority adopted a rate order which provided for the reimbursement to the District for costs incurred by the District to modify its system to accept surface water from the Authority. Such "Chloramine Credit" will be determined by the Authority upon completion and operation of the District's Chloramine System. During the fiscal year ended June 30, 2011, the Authority determined that the allowable costs of construction incurred by the District were \$339,176. The Chloramine Credit will be credited monthly to the amounts payable to the Authority for water used by the District over a 30-year period at 6% interest.

During the fiscal year ended June 30, 2019, the District received chloramine credits of \$24,641. Of this amount, \$6,525 was a repayment of principal and \$18,116 was interest.

A summary of the amortization of the remaining scheduled chloramine credits is as follows:

Credits Due During Fiscal Years Ending June 30	Principal	Interest	Total
2020	\$ 6,933	\$ 17,708	\$ 24,641
2021	7,367	17,273	24,640
2022	7,829	16,812	24,641
2023	8,319	16,321	24,640
2024	8,840	15,801	24,641
2025-2029	53,235	69,970	123,205
2030-2034	72,132	51,073	123,205
2035-2039	97,735	25,470	123,205
2040-2041	31,480	1,375	32,855
	<u>\$ 293,870</u>	<u>\$ 231,803</u>	<u>\$ 525,673</u>

NOTE 10: REGIONAL WASTEWATER FACILITIES

Effective April 9, 1992, the District entered into a forty-year agreement (extended to April 9, 2047 by amendment), as amended June 1, 1993, September 8, 1997, July 25, 2005, September 9, 2013 and March 16, 2017, providing for the ownership, operation, maintenance and expansion of the Kleinwood Regional Wastewater Facility and the creation of the Kleinwood Joint Powers Board (the "Board"). The District joined the Board effective March 16, 2017 after purchasing capacity in the facility from another participant for \$397,500. As of June 30, 2019, ownership of the Board is shared by the following participants: Champions Municipal Utility District – 5.30%, Cy-Champ Public Utility District -- 21.45%; Cypress Forest Public Utility District -- 26.50%; Harris County Water Control and Improvement District No. 114 -- 16.00%; Kleinwood Municipal Utility District -- 15.00%; Louetta North Public Utility District -- 12.50% and Klein Independent School District -- 3.25%. The Board is managed and operated by the seven member Board of Members comprised of one member appointed by each of the entities participating in the Board. The Board issues no debt. Each participant records its share of the capital assets of the Board in its financial statements.

Each participant is responsible only for its share of the operating costs of the Board which are allocated and billed monthly based upon each participant's pro rata share of capacity and equivalent single family connections serviced by the Board. Capital costs are allocated and billed based upon percentage of ownership. The District has contributed \$6,174 as its share of the Board's operating reserve. During the year ended June 30, 2019, the District incurred costs of \$1,685 for operations, \$11,506 for capital costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following summary financial data of the Board's General Fund is presented for the Board's fiscal year ended May 31, 2019:

	<u>Board Total</u>	<u>District's Share</u>
Total assets	\$ 351,460	
Total liabilities	<u>(234,973)</u>	
Total fund balance	116,487	\$ 6,174
Operating reserves	<u>(116,487)</u>	<u>(6,174)</u>
Undesignated fund balance	<u>\$ 0</u>	<u>\$ 0</u>
Total revenues	\$ 1,162,321	\$ 17,819
Total expenditures	<u>(1,162,321)</u>	<u>(17,819)</u>
Excess revenues (expenditures)	0	0
Fund balance, beginning of year	<u>116,487</u>	<u>6,174</u>
Fund balance, end of year	<u>\$ 116,487</u>	<u>\$ 6,174</u>

**NOTE 11: STRATEGIC PARTNERSHIP AGREEMENT**

On June 14, 2004, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$72,012 from the City for the fiscal year ended June 30, 2019, of which \$18,445 was receivable at that date.

**NOTE 12: GROUNDWATER BANK CERTIFICATES**

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "HGSD"). These certificates expire in 20 years and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the HGSD. Certificates can also be used in lieu of the disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit as amended. At June 30, 2019, the District had in its possession certificates totaling 840 thousand gallons of water. The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$345 at June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 13: CAPITAL METER LEASE

On September 27, 2017, the District entered into an agreement for the lease-purchase of water meters for \$437,427. The agreement provides for ten annual lease payments of \$51,063, at 2.95% per annum interest, beginning on September 15, 2018. The District may purchase the meters at the end of the lease period for \$1 if the District has not exercised its option to purchase the meters as described in the following paragraph.

The agreement provides that the District has the option to purchase the meters for the amortized principal balance at the date of the exercise of the option. The option price is based upon the original principal amount of \$437,427 and an interest rate of 2.95% for 120 months. The District has accounted for this lease as a capital lease in accordance with Generally Accepted Accounting Principles.

At June 30, 2019, the lease payments due were as follows:

<u>Due During Fiscal Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 39,284	\$ 11,780	\$ 51,064
2021	40,416	10,647	51,063
2022	41,641	9,423	51,064
2023	42,872	8,191	51,063
2024	44,140	6,924	51,064
2025-2028	<u>189,987</u>	<u>14,267</u>	<u>204,254</u>
	<u>\$ 398,340</u>	<u>\$ 61,232</u>	<u>\$ 459,572</u>



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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 853,641	\$ 853,641	\$ 921,605	\$ 67,964
Water service	725,000	725,000	643,273	(81,727)
Sewer service	500,000	500,000	476,550	(23,450)
Surface water fees	675,000	675,000	752,199	77,199
Penalty, disconnection and other revenues	30,000	30,000	51,226	21,226
Sales and Use Taxes	90,000	90,000	72,012	(17,988)
Tap connection and inspection fees	5,000	5,000	0	(5,000)
Interest on surface water chloramine costs	0	0	18,116	18,116
Interest on deposits	25,000	25,000	40,534	15,534
<b>TOTAL REVENUES</b>	<b>2,903,641</b>	<b>2,903,641</b>	<b>2,975,515</b>	<b>71,874</b>
<b>EXPENDITURES</b>				
Service operations:				
Purchased sewer services	0	0	1,685	1,685
Purchased water	0	0	24,864	24,864
Professional fees	261,000	261,000	281,510	20,510
Contracted services	88,480	88,480	137,171	48,691
Utilities	150,000	150,000	60,226	(89,774)
Surface water fees	675,000	675,000	740,142	65,142
Repairs and maintenance	325,000	325,000	327,611	2,611
Other operating expenditures	105,000	105,000	114,589	9,589
Administrative expenditures	159,000	159,000	130,533	(28,467)
<b>Total service operations expenditures</b>	<b>1,763,480</b>	<b>1,763,480</b>	<b>1,818,331</b>	<b>54,851</b>
Capital lease payments	51,064	51,064	51,064	0
Capital outlay expenditures	1,386,334	1,386,334	2,328,619	942,285
<b>TOTAL EXPENDITURES</b>	<b>3,200,878</b>	<b>3,200,878</b>	<b>4,198,014</b>	<b>997,136</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(297,237)</b>	<b>(297,237)</b>	<b>(1,222,499)</b>	<b>(925,262)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>2,542,821</b>	<b>2,542,821</b>	<b>2,542,821</b>	<b>0</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,245,584</b>	<b>\$ 2,245,584</b>	<b>\$ 1,320,322</b>	<b>\$ (925,262)</b>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

JUNE 30, 2019

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

CHAMPIONS MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2019

1. Services Provided by the District during the Fiscal Year:

- |  |   |                                     |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Drainage   |
| <input checked="" type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Solid Waste/Garbage   | <input type="checkbox"/> Flood Control        | <input type="checkbox"/> Roads      |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |                                     |
| <input type="checkbox"/> Other   |   |                                     |

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$20.40	0	N	\$ 1.88	10,001 to 20,000
	\$26.52	1,001		2.32	20,001 to 30,000
				2.76	30,001 to 40,000
				3.78	40,001 to 50,000
				4.80	Over 50,000
WASTEWATER:	\$20.00	0	Y		
	26.00	1,000	Y		
	28.00	10,001	Y		
	31.00	20,001	Y		
	34.00	30,001	Y		
	38.00	40,001	Y		
	42.00	50,001	Y		

SURCHARGE: \$4.73 per 1,000 gallons of water used. -- NHCRWA surface water fees.

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$26.52 Wastewater: \$26.00 Surcharge: \$47.30

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES (Continued)  
JUNE 30, 2019

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	0	0	1.0	0
< or = 3/4"	1,280	1,229	1.0	1,229
1"	28	27	2.5	68
1-1/2"	35	35	5.0	175
2"	18	17	8.0	136
3"	1	1	15.0	15
4"	4	4	25.0	100
6"	3	3	50.0	150
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>1,369</u>	<u>1,316</u>		<u>1,873</u>
Total Wastewater	<u>1,296</u>	<u>1,278</u>	1.0	<u>1,278</u>

\*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 197,161 (Includes 20,720 thousand gallons purchased from  
 Gallons billed to customers (unaudited): 174,712 another district.)

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 89%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_

CHAMPIONS MUNICIPAL UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Purchased sewer services	\$ 1,685	\$ 0	\$ 0	\$ 1,685
Purchased water	24,864	0	0	24,864
Professional fees:				
Auditing	10,950			10,950
Legal	158,739	17,028		175,767
Engineering	111,821			111,821
	<u>281,510</u>	<u>17,028</u>	<u>0</u>	<u>298,538</u>
Contracted services:				
Bookkeeping	18,480			18,480
Operation and billing	117,191			117,191
SPA consultant	1,500			1,500
Tax assessor-collector		6,258		6,258
Central appraisal district		8,649		8,649
	<u>137,171</u>	<u>14,907</u>	<u>0</u>	<u>152,078</u>
Utilities	60,226	0	0	60,226
Surface water fees:				
Ground water pumpage fees	51,578			51,578
Purchased surface water	688,564			688,564
	<u>740,142</u>	<u>0</u>	<u>0</u>	<u>740,142</u>
Repairs and maintenance	327,611	0	0	327,611
Other operating expenditures:				
Sludge hauling	49,065			49,065
Chemicals	10,109			10,109
Laboratory costs	39,484			39,484
Sewer inspections	1,166			1,166
Regulatory assessment	5,882			5,882
Other	8,883			8,883
	<u>114,589</u>	<u>0</u>	<u>0</u>	<u>114,589</u>
Administrative expenditures:				
Director's fees	16,650			16,650
Insurance	31,842			31,842
Communication and website	42,356			42,356
Esplanade landscaping contribution	12,600			12,600
Permit fees	7,378			7,378
Other	19,707	969		20,676
	<u>130,533</u>	<u>969</u>	<u>0</u>	<u>131,502</u>

See accompanying independent auditor's report.

CHAMPIONS MUNICIPAL UTILITY DISTRICT

EXPENDITURES (Continued)

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	\$ 2,328,619	\$ 0	\$ 963,777	\$ 3,292,396
<b>DEBT SERVICE</b>				
Principal retirement	<u>39,087</u>	<u>115,000</u>	<u>0</u>	<u>154,087</u>
Interest and fees:				
Interest	11,977	141,144		153,121
Paying agent fees		500		500
	<u>11,977</u>	<u>141,644</u>	<u>0</u>	<u>153,621</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,198,014</u>	<u>\$ 289,548</u>	<u>\$ 963,777</u>	<u>\$ 5,451,339</u>

See accompanying independent auditor's report.

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 2,079,671	\$ 315,462	\$ 43,344	\$ 2,438,477
Maintenance tax receipts		921,605		921,605
Transfer of maintenance taxes	908,652			908,652
Landowner construction advance	222,379			222,379
Increase in customer deposits	11,950			11,950
Principal portion of NHCRWA credits received	6,525	_____	_____	6,525
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<b>3,229,177</b>	<b>1,237,067</b>	<b>43,344</b>	<b>4,509,588</b>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	2,110,594	26,019		2,136,613
Capital outlay	2,344,381		966,462	3,310,843
Debt service	51,064	256,644		307,708
Other fund			122,758	122,758
Transfer of maintenance taxes	_____	908,652	_____	908,652
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<b>4,506,039</b>	<b>1,191,315</b>	<b>1,089,220</b>	<b>6,786,574</b>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	<b>(1,276,862)</b>	<b>45,752</b>	<b>(1,045,876)</b>	<b>(2,276,986)</b>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<b>2,568,554</b>	<b>352,978</b>	<b>2,517,098</b>	<b>5,438,630</b>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<b>\$ 1,291,692</b>	<b>\$ 398,730</b>	<b>\$ 1,471,222</b>	<b>\$ 3,161,644</b>

See accompanying independent auditor's report.

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF TEMPORARY INVESTMENTS  
JUNE 30, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 4497948400001	Market	On demand	\$ <u>1,072,626</u>	\$ <u>0</u>
DEBT SERVICE FUND				
TexPool				
No. 4497948400003	Market	On demand	\$ <u>219,597</u>	\$ <u>0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 4497948400002	Market	On demand	\$ <u>1,460,575</u>	\$ <u>0</u>
Total – All Funds			\$ <u>2,752,798</u>	\$ <u>0</u>

See accompanying independent auditor's report.



CHAMPIONS MUNICIPAL UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 43,938	\$ 13,363
Additions and corrections to prior year taxes	<u>(2,072)</u>	<u>(631)</u>
Adjusted receivable, beginning of year	41,866	12,732
2018 ADJUSTED TAX ROLL	<u>901,953</u>	<u>270,586</u>
Total to be accounted for	943,819	283,318
Tax collections: Current tax year	(883,640)	(265,092)
Prior tax years	<u>(37,965)</u>	<u>(11,538)</u>
RECEIVABLE, END OF YEAR	<u>\$ 22,214</u>	<u>\$ 6,688</u>
RECEIVABLE, BY YEARS		
2016	\$ 1,154	\$ 370
2017	2,748	824
2018	<u>18,313</u>	<u>5,494</u>
RECEIVABLE, END OF YEAR	<u>\$ 22,214</u>	<u>\$ 6,688</u>

See accompanying independent auditor's report.

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE (Continued)  
FOR THE YEAR ENDED JUNE 30, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR**	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 22,630,177	\$ 23,506,742	\$ 23,215,515
Improvements	428,122,867	425,780,641	419,437,122
Personal property	12,185,077	11,985,988	9,157,042
Less exemptions	<u>(102,304,931)</u>	<u>(102,516,828)</u>	<u>(102,110,112)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 360,633,190</u>	 <u>\$ 358,756,543</u>	 <u>\$ 349,699,567</u>
 TAX RATES PER \$100 VALUATION			
Debt service tax rates	\$ 0.07500	\$ 0.07500	\$ 0.08020
Maintenance tax rates*	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.32500</u>	 <u>\$ 0.32500</u>	 <u>\$ 0.33020</u>
 TAX ROLLS	 <u>\$ 1,172,539</u>	 <u>\$ 1,168,194</u>	 <u>\$ 1,163,108</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>98.0 %</u>	 <u>99.7 %</u>	 <u>99.9 %</u>

\*Maximum tax rate approved by voters on November 8, 1983: \$0.25

\*\*Ad valorem taxes, including a maintenance tax, were levied until 1994, when all debt was retired. No ad valorem tax has been levied by the District between 1995 and 2015.

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
JUNE 30, 2019

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2017</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 115,000	\$ 137,694	\$ 252,694
2021	120,000	134,244	254,244
2022	125,000	130,644	255,644
2023	125,000	126,894	251,894
2024	130,000	123,144	253,144
2025	135,000	119,244	254,244
2026	145,000	115,194	260,194
2027	150,000	110,844	260,844
2028	155,000	106,344	261,344
2029	160,000	101,694	261,694
2030	165,000	96,894	261,894
2031	175,000	91,944	266,944
2032	180,000	86,694	266,694
2033	190,000	81,068	271,068
2034	200,000	74,894	274,894
2035	205,000	68,394	273,394
2036	215,000	61,476	276,476
2037	225,000	54,218	279,218
2038	235,000	46,344	281,344
2039	245,000	38,118	283,118
2040	260,000	29,544	289,544
2041	270,000	20,118	290,118
2042	285,000	10,326	295,326
TOTALS	<u>\$ 4,210,000</u>	<u>\$ 1,965,972</u>	<u>\$ 6,175,972</u>

See accompanying independent auditor's report.

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED JUNE 30, 2019

Bond Series:	2017
Interest Rate:	3.00% to 3.625%
Dates Interest Payable:	March 1/ September 1
Maturity Dates:	March 1, 2020/2042
Bonds Outstanding at Beginning of Current Year	\$ 4,325,000
Less Retirements:	<u>(115,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 4,210,000</u>
Current Year Interest Paid:	<u>\$ 141,144</u>

Bond Descriptions and Original Amount of Issue

Champions Municipal Utility District Unlimited Tax Bonds, Series 2017 (\$4,435,000)

Paying Agent/Registrar

BOKF, N.A., Austin, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 25,000,000	\$ 0	\$ 0
Amount Issued:	4,435,000		
Remaining to be Issued:	20,565,000		

Net Debt Service Fund deposits balances as of June 30, 2019:	\$370,639
Average annual debt service payment for remaining term of all debt:	268,521

See accompanying independent auditor's report.

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND  
FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
<b>REVENUES</b>										
Property taxes	\$ 921,605	\$ 906,070	\$ 823,267	\$ 0	\$ 0	31.0 %	31.9 %	27.8 %	0 %	0 %
Water service	643,273	623,836	694,743	728,614	648,773	21.6	21.9	23.4	36.5	36.6
Sewer service	476,550	466,909	488,542	507,628	478,923	16.0	16.4	16.5	25.5	27.1
Surface water fees	752,199	694,649	694,238	581,970	480,404	25.3	24.4	23.4	29.2	27.2
Penalty, disconnection and other revenues	51,226	25,667	58,196	37,905	34,234	1.7	0.9	2.0	1.9	1.9
Sales and Use Taxes	72,012	80,207	182,029	97,119	102,370	2.4	2.8	6.1	4.9	5.8
Tap connection and inspection fees	0	0	0	15,273	1,500	0.0	0.0	0.0	0.8	0.1
Interest on surface water chloramine costs	18,116	18,501	18,864	19,204	19,525	0.6	0.6	0.6	1.0	1.1
Interest on deposits and investments	40,534	32,377	6,735	3,006	2,733	1.4	1.1	0.2	0.2	0.2
<b>TOTAL REVENUES</b>	<b>2,975,515</b>	<b>2,848,216</b>	<b>2,966,614</b>	<b>1,990,719</b>	<b>1,768,462</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EXPENDITURES</b>										
Current:										
Purchased services	26,549	90,686	1,775	0	0	0.9	3.2	0.1	0.0	0.0
Professional fees	281,510	256,072	311,808	304,990	187,806	9.5	9.0	10.5	15.3	10.6
Contracted services	137,171	74,681	73,466	70,883	68,100	4.6	2.6	2.5	3.6	3.9
Utilities	60,226	116,581	121,975	147,941	132,536	2.0	4.1	4.1	7.4	7.5
Surface water fees	740,142	776,043	565,929	523,434	472,129	24.9	27.2	19.1	26.3	26.6
Repairs and maintenance	327,611	454,609	294,762	329,654	247,200	11.0	16.0	9.9	16.6	14.0
Other operating expenditures	114,589	61,469	86,135	80,135	63,895	3.9	2.2	2.9	4.0	3.6
Administrative expenditures	130,533	156,319	147,198	171,039	128,943	4.4	5.5	5.0	8.6	7.3
Debt service	51,064	0	0	0	0	1.7	0.0	0.0	0.0	0.0
Capital outlay	2,328,619	2,186,805	253,551	86,461	84,754	78.2	76.7	8.5	4.3	4.8
<b>TOTAL EXPENDITURES</b>	<b>4,198,014</b>	<b>4,173,265</b>	<b>1,856,599</b>	<b>1,714,537</b>	<b>1,385,363</b>	<b>141.1</b>	<b>146.5</b>	<b>62.6</b>	<b>86.1</b>	<b>78.3</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>\$(1,222,499)</u></b>	<b><u>\$(1,325,049)</u></b>	<b><u>\$ 1,110,015</u></b>	<b><u>\$ 276,182</u></b>	<b><u>\$ 383,099</u></b>	<b><u>(41.1) %</u></b>	<b><u>(46.5) %</u></b>	<b><u>37.4 %</u></b>	<b><u>13.9 %</u></b>	<b><u>21.7 %</u></b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b><u>1,316</u></b>	<b><u>1,312</u></b>	<b><u>1,315</u></b>	<b><u>1,310</u></b>	<b><u>1,312</u></b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b><u>1,278</u></b>	<b><u>1,281</u></b>	<b><u>1,296</u></b>	<b><u>1,243</u></b>	<b><u>1,243</u></b>					

See accompanying independent auditor's report.

CHAMPIONS MUNICIPAL UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
<b>REVENUES</b>										
Property taxes	\$ 276,630	\$ 272,709	\$ 264,104			87.7 %	89.1 %	92.1 %	%	%
Penalty and interest	33,661	30,454	14,438			10.7	9.9	5.0		
Accrued interest on bonds received at date of sale	0	0	7,623			0.0	0.0	2.7		
Interest on deposits and investments	5,171	3,015	513			1.6	1.0	0.2		
<b>TOTAL REVENUES</b>	<b>315,462</b>	<b>306,178</b>	<b>286,678</b>	<b>0</b>	<b>0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>
<b>EXPENDITURES</b>										
Current:										
Professional fees	17,028	10,760	0			5.4	3.5	0.0		
Contracted services	14,907	27,191	16,665			4.7	8.9	5.8		
Other expenditures	969	7,288	3,755			0.3	2.4	1.3		
Debt service:										
Principal retirement	115,000	110,000	0			36.5	35.9	0.0		
Interest and fees	141,644	144,694	0			44.9	47.3	0.0		
<b>TOTAL EXPENDITURES</b>	<b>289,548</b>	<b>299,933</b>	<b>20,420</b>	<b>0</b>	<b>0</b>	<b>91.8</b>	<b>98.0</b>	<b>7.1</b>	<b>0.0</b>	<b>0.0</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ 25,914</b>	<b>\$ 6,245</b>	<b>\$ 266,258</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>8.2 %</b>	<b>2.0 %</b>	<b>92.9 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

CHAMPIONS MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJUNE 30, 2019

Complete District Mailing Address: Champions Municipal Utility District  
c/o Johnson Petrov LLP  
2929 Allen Parkway, Suite 3150  
Houston, Texas 77019

District Business Telephone No.: 713-489-8977

Submission date of the most recent District Registration Form: June 6, 2018

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Robert M. Pryor 6207 Bermuda Dunes Drive Houston, Texas 77069	Elected 5/07/16- 5/02/20	\$ 6,450*	\$ 1,374	President
William S. Dillon 5907 Mid Pines Drive Houston, Texas 77069	Elected 5/05/18- 5/07/22	5,100	972	Vice President
Jeffrey Kanaly 6222 Rolling Water Drive Houston, Texas 77069	Elected 5/05/18- 5/07/22	1,500	0	Secretary
Scott Chenoweth 6306 Cherry Hill Road Houston, Texas 77069	Elected 5/07/16- 5/02/20	3,000	0	Treasurer/ Investment Officer
Tom Hargrove 6206 Rolling Water Drive Houston, Texas 77069	Elected 5/05/18- 5/07/22	600	0	Assistant Secretary

\*Delegate to FM1960 Green Medians Joint Powers Board and Kleinwood Joint Powers Board.

CHAMPIONS MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JUNE 30, 2019

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>		<u>Title at Year End</u>
		<u>2019</u>	<u>2018</u>	
Johnson Petrov LLP 2929 Allen Parkway, Suite 3150 Houston, Texas 77019	8/11/87	\$ 158,739	\$ 116,819	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	8/01/18	17,028	10,760	Delinquent Tax Attorney
Karen Hoffpauir 9223 Minsmere Circle Spring, Texas 77379	3/10/97	19,234	18,480	Bookkeeper
EDP Water Utility Services 17495 Village Green Drive Houston, Texas 77040	6/01/18	424,459	20,233	Operator
TNG Utility Corporation P.O. Box 2749 Spring, Texas 77383-2749	Replaced 6/01/18	0	805,635	Operator
Triton Consulting Group, LLC 810 S. Mason Road, Suite 309 Katy, Texas 77450	1/28/15	42,356	57,837	Website/ Communication Consultant
Lockwood, Andrews & Newnam 2925 Briarpark Drive, Suite 550 Houston, Texas 77042	10/17/78	419,426	662,575	Engineer
Harris County Tax Office P.O. Box 4663 Houston, Texas 77210	8/01/18	2,152	0	Tax Assessor- Collector
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	Replaced 8/01/18	4,106	24,164	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	8,649	9,464	Central Appraisal District
The GMS Group, Inc. 5075 Westheimer, Suite 1175 Houston, Texas 77056	12/10/18	0	0	Financial Advisor
Blich Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079-2118	Replaced 12/10/18	0	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	5/12/08	10,950	10,950	Independent Auditor

See accompanying independent auditor's report.