

MEMORIAL VILLAGES WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

APRIL 30, 2022

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September 6, 2022

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Memorial Villages
Water Authority
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Memorial Villages Water Authority as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise Memorial Villages Water Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Memorial Villages Water Authority, as of April 30, 2022, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Memorial Villages Water Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Villages Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. I obtain an understanding of internal control relevant to the audit 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 Memorial Villages Water Authority's internal control. Accordingly, no such opinion is expressed. I evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Villages Water Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 our 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.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Memorial Villages Water Authority's basic financial statements. The supplementary information on Pages 27 to 36 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 positioned in the lower right area of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Memorial Villages Water Authority (the "Authority") annual report, the Authority's Board of Supervisors provide narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended April 30, 2022.

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 Authority reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the Authority's case, the single governmental program is provision of water and sewer services. 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 Authority. The Authority'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 Authority. The Authority 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 Authority'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 Authority. 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 Authority. 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 Authority 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 Authority rather than the Authority 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 Authority as a Whole

Financial analysis of the Authority as a Whole begins with an understanding of how financial resources flow through the Authority's funds. 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. 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 and billings for water and sewer services and are used to operate and maintain the system, the payment of tax collection costs, to fund capital improvements and to pay costs of administration of the Authority.

Management has financial objectives for each of the Authority'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 Authority's capital assets in a condition greater than or equal to the condition required by regulatory authorities and does not believe that depreciation expense is relevant to the management of the Authority. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the Authority and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the Authority'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>2022</u>	<u>2021</u>	<u>Change</u>
Current and other assets	\$ 12,347,867	\$ 14,095,053	\$ (1,747,186)
Capital assets	35,179,585	31,624,603	3,554,982
Total assets	<u>47,527,452</u>	<u>45,719,656</u>	<u>1,807,796</u>
Long-term liabilities	99,050	107,427	(8,377)
Other liabilities	1,312,598	608,318	704,280
Total liabilities	<u>1,411,648</u>	<u>715,745</u>	<u>695,903</u>
Net position:			
Invested in capital assets, net of related debt	35,179,585	31,624,603	3,554,982
Unrestricted	10,936,219	13,379,308	(2,443,089)
Total net position	<u>\$ 46,115,804</u>	<u>\$ 45,003,911</u>	<u>\$ 1,111,893</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Property taxes	\$ 1,536,076	\$ 1,575,213	\$ (39,137)
Charges for services	7,110,133	7,083,910	26,223
Other revenues	8,619	10,358	(1,739)
Total revenues	<u>8,654,828</u>	<u>8,669,481</u>	<u>(14,653)</u>
Expenses:			
Service operations	7,542,935	8,033,899	(490,964)
Debt service	0	0	0
Total expenses	<u>7,542,935</u>	<u>8,033,899</u>	<u>(490,964)</u>
Change in net position	1,111,893	635,582	476,311
Net position, beginning of year	<u>45,003,911</u>	<u>44,368,329</u>	<u>635,582</u>
Net position, end of year	<u>\$ 46,115,804</u>	<u>\$ 45,003,911</u>	<u>\$ 1,111,893</u>

Financial Analysis of the Authority's Funds

The Authority's General Fund balance as of the end of the fiscal year ended April 30, 2022, was \$10,961,022, a decrease of \$2,435,782 from the prior year. The General Fund balance decreased due to planned capital improvements.

General Fund Budgetary Highlights

The Board of Supervisors 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 21 of this report. The budgetary fund balance as of April 30, 2022, was expected to be \$10,252,114 and the actual end of year fund balance was \$10,961,022.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Land	\$ 1,775,942	\$ 1,775,942	\$ 0
Construction in progress	4,143,035	488,380	3,654,655
Buildings	480,185	508,880	(28,695)
Vehicles	43,480	12,604	30,876
Water facilities	16,070,777	15,893,730	177,047
Sewer facilities	12,666,166	12,945,067	(278,901)
Totals	<u>\$ 35,179,585</u>	<u>\$ 31,624,603</u>	<u>\$ 3,554,982</u>

Changes to capital assets during the fiscal year ended April 30, 2022, are summarized as follows:

Additions:

Water system improvements and engineering	\$ 4,421,347
Sewer system improvements and engineering	276,425
Vehicles	54,350
Total additions to capital assets	<u>4,752,122</u>

Decreases:

Depreciation	<u>(1,197,140)</u>
Net change to capital assets	<u>\$ 3,554,982</u>

Debt

At April 30, 2022, the Authority had no bonds authorized for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the Authority.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The Authority's tax base was essentially unchanged from the 2020 tax year to the 2021 tax year.

Annexation

The total area within the Authority's jurisdiction is comprised of all land within the City of Hedwig Village, the City of Piney Point Village and the majority of land within the City of Hunter's Creek Village. The Authority is not within the extraterritorial jurisdiction of the City of Houston.

Water Supply Issues

The Harris-Galveston Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Harris and Galveston Counties. In 1999, the Subsidence District adopted its District Regulatory Plan ("Regulatory Plan") to control groundwater withdrawals. The Regulatory Plan divides the Subsidence District's jurisdiction into regulatory areas. The Authority is within the Subsidence District's Regulatory Area 2. Pursuant to the Regulatory Plan, major water users in Area 2 must reduce groundwater withdrawals to no more than 20% of total annual water usage. Additionally, each such water user, including the Authority, is required to have either a certified Groundwater Reduction Plan ("GRP") on file with the Subsidence District or to be part of a regional GRP; otherwise, the Authority risks being assessed a penalty per 1,000 gallons of water pumped. The Authority has a certified GRP on file with the Subsidence District. The Authority's GRP includes the purchase of surface water from the City of Houston (the "City") pursuant to a contract entered into between the Authority and the City as described in Note 11 of the notes to the financial statements. The Regulatory Plan allows a water user to tender Groundwater Bank Certificates in order to pump groundwater in lieu of purchasing surface water. As described in Note 12 of the notes to the financial statements, on an annual basis, the Authority combines the purchase of surface water and the utilization of Groundwater Bank Certificates to comply with its GRP at optimum cost to the Authority.

MEMORIAL VILLAGES WATER AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2022

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 3,974,664	\$	\$	\$ 3,974,664	\$	\$ 3,974,664
Receivables:						
Property taxes	74,247			74,247		74,247
Service accounts	1,109,842			1,109,842		1,109,842
City of Bunker Hill Village, Note 9	72,027			72,027		72,027
Prepaid expenditures	8,326			8,326		8,326
Groundwater Bank certificates, at cost, Note 12	7,108,761			7,108,761		7,108,761
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	5,918,977	5,918,977
Depreciable capital assets				0	29,260,608	29,260,608
Total assets	\$12,347,867	\$ 0	\$ 0	\$ 12,347,867	35,179,585	47,527,452
LIABILITIES						
Accounts payable	\$ 462,569	\$	\$	\$ 462,569		462,569
Construction contracts payable	762,359			762,359		762,359
Customer deposits	51,570			51,570		51,570
Tap deposits	36,100			36,100		36,100
Long-term liabilities, Note 5:						
Due in more than one year				0	99,050	99,050
Total liabilities	1,312,598	0	0	1,312,598	99,050	1,411,648
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	74,247	0	0	74,247	(74,247)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Groundwater Bank certificates, Note 12	7,108,761			7,108,761	(7,108,761)	0
Operating reserve	500,000			500,000	(500,000)	0
Unassigned	3,352,261			3,352,261	(3,352,261)	0
Total fund balances	10,961,022	0	0	10,961,022	(10,961,022)	0
Total liabilities, deferred inflows, and fund balances	\$12,347,867	\$ 0	\$ 0	\$ 12,347,867		
Net position:						
Invested in capital assets, net of related debt					35,179,585	35,179,585
Unrestricted					10,936,219	10,936,219
Total net position					\$ 46,115,804	\$ 46,115,804

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

MEMORIAL VILLAGES WATER AUTHORITY

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

FOR THE YEAR ENDED APRIL 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 1,537,904	\$	\$	\$ 1,537,904	\$ (15,684)	\$ 1,522,220
Water service	4,372,620			4,372,620		4,372,620
Sewer service	2,193,856			2,193,856		2,193,856
Sewer service to City of Bunker Hill Village, Note 9	436,852			436,852		436,852
Penalty and interest - operations	16,721			16,721		16,721
Penalty and interest - taxes	13,856			13,856		13,856
Tap connection fees	81,900			81,900		81,900
Interest on deposits and investments	8,619			8,619		8,619
Other revenues	8,184			8,184		8,184
Total revenues	<u>8,670,512</u>	<u>0</u>	<u>0</u>	<u>8,670,512</u>	<u>(15,684)</u>	<u>8,654,828</u>
EXPENDITURES / EXPENSES						
Service operations:						
Utility operations	9,943,081			9,943,081	(4,752,122)	5,190,959
General and administrative	1,163,213			1,163,213		1,163,213
Depreciation				0	1,197,140	1,197,140
Compensated absences				0	(8,377)	(8,377)
Total expenditures / expenses	<u>11,106,294</u>	<u>0</u>	<u>0</u>	<u>11,106,294</u>	<u>(3,563,359)</u>	<u>7,542,935</u>
Excess (deficiency) of revenues over expenditures	<u>(2,435,782)</u>	<u>0</u>	<u>0</u>	<u>(2,435,782)</u>	<u>3,547,675</u>	<u>1,111,893</u>
Net change in fund balances / net position	(2,435,782)	0	0	(2,435,782)	3,547,675	1,111,893
Beginning of year	<u>13,396,804</u>	<u>0</u>	<u>0</u>	<u>13,396,804</u>	<u>31,607,107</u>	<u>45,003,911</u>
End of year	<u>\$ 10,961,022</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,961,022</u>	<u>\$ 35,154,782</u>	<u>\$ 46,115,804</u>

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

MEMORIAL VILLAGES WATER AUTHORITYNOTES TO THE FINANCIAL STATEMENTSAPRIL 30, 2022

NOTE 1: REPORTING ENTITY

Memorial Villages Water Authority (the "Authority") is a conservation and reclamation district and limited purpose political subdivision of the State of Texas, organized, created, and established by Chapter 20, Acts of the 57th Legislature of the State of Texas, 3rd C.S., 1962, as subsequently amended and codified as Chapter 6912, Special District Local Laws Code, and operates in accordance with Chapter 6912, Special District Local Laws Code and Texas Water Code Chapters 49 and 53. The first bonds were sold on March 14, 1963. The Authority is a political subdivision of the State of Texas, governed by an elected seven member Board of Supervisors. The Authority is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The Authority is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water and the collection, transportation and treatment of wastewater.

In evaluating how to define the Authority for financial reporting purposes, the Board of Supervisors of the Authority 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 Authority 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 Authority's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The Authority'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 Authority are discussed below.

Basic Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and governmental fund financial statements (reporting the Authority's funds). Because the Authority is a single-program government as defined by the GASB, the Authority 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 Authority. The effect of interfund activity has been removed from these statements. The Authority'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 Authority 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 Authority's 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 Authority's Board of Supervisors. 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 Authority's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the Authority 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 Authority.

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. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

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, as well as expenditures related to compensated absences, 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 Authority uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are estimated and recorded at year end. The Authority considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

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 Authority as assets with an initial individual cost of more than \$10,000 (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 Authority. 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.

Inventory

Inventory is valued at cost. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased and significant inventories on hand at the balance sheet date are reported as an asset in the balance sheet. Reported inventory is equally offset by a fund balance reserve which indicates that it does not constitute "available spendable resources."

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Buildings and improvements	40 years	Plant and equipment	10-45 years
Furniture and fixtures	5 years	Underground lines	45 years
Office equipment	3-5 years		
Machinery and vehicles	5-15 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.

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.

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	\$ 10,961,022
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Total capital assets, net	35,179,585
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(99,050)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:	
Uncollected property taxes	<u>74,247</u>
Net position, end of year	<u><u>\$ 46,115,804</u></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			\$ (2,435,782)
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:			
Capital outlay	\$ 4,752,122		
Depreciation	<u>(1,197,140)</u>	3,554,982	
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:			
Uncollected property taxes			(15,684)
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:			
Compensated absences		<u>8,377</u>	
Change in net position			<u><u>\$ 1,111,893</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended April 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,775,942	\$	\$	\$ 1,775,942
Construction in progress	<u>488,380</u>	<u>4,055,612</u>	<u>400,957</u>	<u>4,143,035</u>
Total capital assets not being depreciated	<u>2,264,322</u>	<u>4,055,612</u>	<u>400,957</u>	<u>5,918,977</u>
Depreciable capital assets:				
Buildings	1,089,955			1,089,955
Machinery and equipment	153,574			153,574
Vehicles	175,605	54,350		229,955
Water system	25,713,215	741,532		26,454,747
Sewer system	<u>28,657,704</u>	<u>301,585</u>		<u>28,959,289</u>
Total depreciable capital assets	<u>55,790,053</u>	<u>1,097,467</u>	<u>0</u>	<u>56,887,520</u>
Less accumulated depreciation for:				
Buildings	(581,075)	(28,695)		(609,770)
Machinery and equipment	(88,367)			(88,367)
Vehicles	(228,208)	(23,474)		(251,682)
Water system	(9,819,485)	(564,485)		(10,383,970)
Sewer system	<u>(15,712,637)</u>	<u>(580,486)</u>		<u>(16,293,123)</u>
Total accumulated depreciation	<u>(26,429,772)</u>	<u>(1,197,140)</u>	<u>0</u>	<u>(27,626,912)</u>
Total depreciable capital assets, net	<u>29,360,281</u>	<u>(99,673)</u>	<u>0</u>	<u>29,260,608</u>
Total capital assets, net	<u>\$ 31,624,603</u>	<u>\$ 3,955,939</u>	<u>\$ 400,957</u>	<u>\$ 35,179,585</u>
Changes to capital assets:				
Capital outlay		\$ 4,752,122	\$	
Assets transferred to depreciable assets		400,957	400,957	
Less depreciation expense for the fiscal year		<u>(1,197,140)</u>		
Net increases / decreases to capital assets		<u>\$ 3,955,939</u>	<u>\$ 400,957</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated absences, Note 10	\$ 107,427	\$ 0	\$ 8,377	\$ 99,050	-----
Total long-term liabilities	<u>\$ 107,427</u>	<u>\$ 0</u>	<u>\$ 8,377</u>	<u>\$ 99,050</u>	-----

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

At April 30, 2022, there were no developer construction commitments or liabilities.

Bonds voted	\$ 13,325,000
Bonds approved for sale, sold and retired	13,325,000

NOTE 6: PROPERTY TAXES

The Harris County Appraisal Authority 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 Authority in establishing its tax roll and tax rate. The Authority'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.

At an election held May 4, 1991, the voters within the Authority authorized a maintenance tax not to exceed \$0.05 per \$100 valuation on all property subject to taxation within the Authority. This maintenance tax is being used by the General Fund to pay expenditures of operating the Authority.

On September 7, 2021, the Authority levied the following ad valorem taxes for the 2021 tax year on the adjusted taxable valuation of \$5,829,519,201:

	<u>Rate</u>	<u>Amount</u>
Maintenance	<u>\$ 0.026369</u>	<u>\$ 1,537,186</u>

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

2021 tax year total property tax levy	\$ 1,537,186
Appraisal district adjustments to prior year taxes	<u>(14,966)</u>
Statement of Activities property tax revenues	<u>\$ 1,522,220</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The Authority 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 Authority 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 Authority 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 Authority's investment policies, during the current year the Authority's funds were invested in interest bearing accounts at authorized financial institutions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with state statutes and the Authority's investment policies, the Authority 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 Authority's deposits was \$3,974,664 and the bank balance was \$4,141,959. Of the bank balance, \$250,000 was covered by federal insurance and \$3,891,959 was covered by the market value of collateral held by the Authority's custodial bank in the Authority's name. The market value of collateral was reported to the Authority by the depository.

NOTE 8: RISK MANAGEMENT

The Authority 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 April 30, 2022, the Authority had physical damage coverage of \$9,915,510, boiler and machinery coverage of \$100,000, flood coverage of \$1,500,000, earthquake coverage of \$9,915,510, general liability coverage with a per occurrence limit of \$10,000,000 and \$10,000,000 general aggregate, pollution liability coverage with a per occurrence limit of \$2,000,000 and \$10,000,000 general aggregate, automobile coverage of \$10,000,000, mobile equipment coverage of 71,600, employee/consultant's crime coverage of \$100,000 and statutory workers' compensation coverage with the Texas Municipal League Intergovernmental Risk Pool (the "Pool"). The Pool is a public entity risk pool currently operating as a common risk management and insurance program for various Texas public entities. The District pays annual premiums for its general insurance coverage. The Pool purchases reinsurance for protection against catastrophic losses that exceed the Pool's self-insurance retention. This reinsurance is purchased from companies rated A- or higher by A. M. Best Company.

NOTE 9: CONTRACT WITH CITY OF BUNKER HILL VILLAGE

In July, 1985, the Authority and the City of Bunker Hill Village ("Bunker Hill") entered into a thirty-year Waste Disposal Agreement. The Agreement is subject to review and renegotiation in 1991 and every fifth year thereafter. Pursuant to the terms of this agreement, the Authority agreed to construct and operate a new wastewater treatment plant to treat and dispose of at least 3.052 mgd of effluent and to reserve 18.2% of the capacity of said plant for wastewater flowing through Bunker Hill's sewage collection system into the Authority's main sewer trunk line.

Operating and overhead costs of the sewer trunk line and sewage treatment plant are shared based upon the volume of sewage flows and equivalent connections. Bunker Hill's share of these costs was \$436,852 for the fiscal year ended April 30, 2022. At that date, the Authority was due \$72,027 from Bunker Hill under the terms of the contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10: RETIREMENT PLAN, DEFERRED COMPENSATION PLAN AND COMPENSATED ABSENCES

Retirement Plan

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees with one year of service are eligible to participate. The plan provides that the Authority will contribute an amount equal to ten percent (10%) of the employee's eligible compensation each pay period. The Authority's contributions for each employee (and earnings allocated to the employee's account) are forty percent vested after four years and one hundred percent vested after ten years' continuous service. Authority contributions for, and earnings forfeited by, employees who leave employment prior to becoming fully vested are used to reduce the Authority's current-period contribution requirement to the extent of the unvested portion of those funds.

The Authority's total payroll for the year ended April 30, 2022, was \$1,351,155. The Authority's contributions were calculated using the eligible compensation amount of \$1,243,955 and the Authority made the required contribution of \$124,396.

The Authority has entered into a contract with Mutual of America Life Insurance Company of New York ("MoA"). The contract provides that the Authority will make contributions to MoA in accordance with the previously described policy and that each employee's account with MoA will be self-directed by the employee. MoA will administer the plan on behalf of the Authority at a small charge to the Authority and at no charge to each participant. Activity of the plan is not reported in the financial statements of the Authority.

Deferred Compensation Plan

Employees of the Authority participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or unforeseen emergency. All deferred amounts are the property of the participants.

The Authority has entered into a contract with Mutual of America Life Insurance Company of New York ("MoA"). The contract provides that the Authority will deposit the participants' contributions with MoA and that each employee's account with MoA will be self-directed by the employee. MoA will administer the plan on behalf of the Authority at no charge to the Authority and at a small charge to each participant. Activity of the plan is not reported in the financial statements of the Authority.

Compensated Absences

Effective May 1, 1990, the Authority allows employees to accumulate unused sick leave to a maximum of 90 days. Earned vacation time is generally required to be used within the year between anniversary dates of employment with the Authority. Upon termination, two-thirds of accumulated sick leave and the unused earned vacation days for the current year will be paid to the employee. As of April 30, 2022, the liability for accrued vacation time is not significant and has not been recorded. The liability for accrued sick leave to be paid from current resources is not significant. The accumulated liability of accrued sick leave at April 30, 2022, was \$99,050, which has been recorded as a long-term liability of the Authority.

NOTE 11: SURFACE WATER SUPPLY CONTRACT

Effective September 3, 1998, the Authority and the City of Houston (the "City") entered into a 40 year Water Supply Contract. Under the terms of this contract the City is to supply surface water to the Authority at the rate established by the City's ordinance. The Authority has committed to buy a minimum amount of gallons of water per month. Purchases under this contract began in August of 1998. The Authority recorded a total of \$2,539,572 for water purchases under this contract during the year ended April 30, 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**NOTE 12: GROUNDWATER BANK CERTIFICATES**

Since 1994 the Authority has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "District"), and from other parties in the limited secondary market. These certificates expire in 40 years (certificates issued after August 1, 2001 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 District. Certificates can also be used in lieu of a disincentive fee assessed by the District for ground water pumpage in excess of the Authority's permit as amended. At April 30, 2022, the Authority had in its possession certificates totaling 17,072,153 thousand gallons of water (1,168,497 40-year certificates and 15,903,656 20-year certificates). The Authority believes that it will use these certificates in the future to forego purchases of surface water from the City of Houston. The Authority values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$7,108,761 at April 30, 2022. The average cost of the certificates at April 30, 2022, was approximately \$0.416 per 1,000 gallons of water. Purchases during the fiscal year ended April 30, 2022, were \$273,334 for certificates totaling 604,212 thousand gallons of water. The Authority used certificates with a specific identification cost basis of \$73,446 during the fiscal year ended April 30, 2022 in lieu of paying the disincentive fee. As described in Note 11, the Authority has contracted with the City of Houston to purchase surface water at the rate established by the City of Houston's ordinance. In accordance with this ordinance, as of April 30, 2022, the City of Houston had established a water rate of \$4.20 per 1,000 gallons of water.

The Authority includes the purchases of certificates in its budget as a current period expenditure. The budgeted amount was \$288,000 for the fiscal year ended April 30, 2022, and the expenditures under generally accepted accounting principles were \$73,446 as described in the preceding paragraph.

MEMORIAL VILLAGES WATER AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED APRIL 30, 2022

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 1,546,000	\$ 1,546,000	\$ 1,537,904	\$ (8,096)
Water service	4,412,000	4,412,000	4,372,620	(39,380)
Sewer service	2,108,000	2,108,000	2,193,856	85,856
Sewer service to City of Bunker Hill Village	404,000	404,000	436,852	32,852
Penalty - operations	18,500	18,500	16,721	(1,779)
Penalty - property taxes	0	0	13,856	13,856
Tap connection fees	63,000	63,000	81,900	18,900
Interest on deposits and investments	10,300	10,300	8,619	(1,681)
Other revenues	175,000	175,000	8,184	(166,816)
TOTAL REVENUES	8,736,800	8,736,800	8,670,512	(66,288)
EXPENDITURES				
Service operations:				
Utility operations:				
Water production	8,478,780	8,478,780	7,789,182	(689,598)
Water distribution system	414,750	414,750	439,312	24,562
Sewer plant and common trunkline	1,292,100	1,292,100	1,405,462	113,362
Sewer collection system	375,240	375,240	247,389	(127,851)
Billing and collection	91,200	91,200	61,736	(29,464)
General and administrative	1,229,420	1,229,420	1,163,213	(66,207)
TOTAL EXPENDITURES	11,881,490	11,881,490	11,106,294	(775,196)
EXCESS REVENUES (EXPENDITURES)	(3,144,690)	(3,144,690)	(2,435,782)	708,908
FUND BALANCE, BEGINNING OF YEAR	13,396,804	13,396,804	13,396,804	0
FUND BALANCE, END OF YEAR	\$ 10,252,114	\$ 10,252,114	\$ 10,961,022	\$ 708,908

The Authority's Board of Supervisors 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.

MEMORIAL VILLAGES WATER AUTHORITY
EXPENDITURES, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
WATER PRODUCTION			
Salaries and wages	\$ 157,000	\$ 163,638	\$ 6,638
Vacations, holidays and sick pay	56,000	75,943	19,943
Payroll taxes	20,000	20,217	217
Outside labor	2,000	22,058	20,058
Engineering expenses	490,000	348,849	(141,151)
Maintenance and repairs	140,000	132,026	(7,974)
Chemicals	44,000	49,294	5,294
Uniforms	5,400	6,138	738
Power and fuels	214,000	191,435	(22,565)
Rental of equipment	2,400	566	(1,834)
Insurance	10,000	8,370	(1,630)
Water analysis fee	16,800	5,825	(10,975)
Truck expense	5,000	2,866	(2,134)
Tools	1,000	549	(451)
Telephone	18,000	18,549	549
Equipment expense	5,000	3,082	(1,918)
Purchase of surface water certificates*	288,000	273,334	(14,666)
Less certificates added to inventory*	0	(199,888)	(199,888)
TCEQ inspection fees	12,000	9,251	(2,749)
Surface water purchases	2,520,000	2,539,572	19,572
Landscaping	10,000	1,376	(8,624)
Office furniture/furnishings	500	660	160
Vehicle expenses	6,000	4,200	(1,800)
Permits	17,000	16,409	(591)
Freight	500	392	(108)
Medical expenses	180	0	(180)
Water plant improvements	4,400,000	4,047,013	(352,987)
Purchase of equipment	5,000	29,441	24,441
Repairs to buildings	5,000	9,695	4,695
Software and data	25,000	7,249	(17,751)
Miscellaneous	3,000	1,073	(1,927)
TOTALS	<u>\$ 8,478,780</u>	<u>\$ 7,789,182</u>	<u>\$ (689,598)</u>

*The Authority includes the purchases of certificates in its budget as a current period expenditure. Purchases for the fiscal year ended April 30, 2022, were \$277,334. Certificates added to inventory were \$199,888. As described in Note 12 of the notes to the financial statements, the Authority recorded the \$73,446 specific identification cost of certificates used during the fiscal year as a current expenditure under generally accepted accounting principles.

MEMORIAL VILLAGES WATER AUTHORITY

EXPENDITURES, BUDGET AND ACTUAL, GENERAL FUND, (Continued)

FOR THE YEAR ENDED APRIL 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
WATER DISTRIBUTION SYSTEM			
Salaries and wages	\$ 230,000	\$ 241,076	\$ 11,076
Payroll taxes	17,400	18,614	1,214
Outside labor	3,000	0	(3,000)
Engineering expenses	5,000	718	(4,282)
Maintenance and repairs	60,000	105,793	45,793
Chemicals	500	0	(500)
Rental of equipment	800	68	(732)
Insurance	10,000	9,207	(793)
Truck expense	6,000	8,597	2,597
Tools	1,000	275	(725)
Telephone	250	603	353
Equipment expense	4,000	0	(4,000)
Vehicle expense	1,800	1,800	0
TCEQ regulatory assessment	12,000	9,649	(2,351)
Freight	500	111	(389)
Water distribution improvements	0	5,877	5,877
Purchase of equipment	35,000	0	(35,000)
Tap costs	25,000	31,672	6,672
Software and data	500	2,364	1,864
Miscellaneous	<u>2,000</u>	<u>2,888</u>	<u>888</u>
TOTALS	<u>\$ 414,750</u>	<u>\$ 439,312</u>	<u>\$ 24,562</u>

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITY

EXPENDITURES, BUDGET AND ACTUAL, GENERAL FUND, (Continued)

FOR THE YEAR ENDED APRIL 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
SEWER PLANT AND COMMON TRUNKLINE			
Salaries and wages	\$ 340,000	\$ 318,574	\$ (21,426)
Vacations, holidays and sick pay	65,000	55,856	(9,144)
Payroll taxes	26,000	28,843	2,843
Security system	2,400	2,380	(20)
Outside labor	2,000	0	(2,000)
Engineering expenses	20,000	5,213	(14,787)
Maintenance and repairs	180,000	102,613	(77,387)
Chemicals	88,000	130,197	42,197
Uniforms	3,000	3,740	740
Power and fuels	160,000	136,320	(23,680)
Rental of equipment	2,500	14,521	12,021
Insurance	11,000	9,207	(1,793)
Sewer analysis fee	30,000	31,362	1,362
Truck expense	7,200	11,761	4,561
Tools	2,000	1,473	(527)
Telephone	9,000	8,423	(577)
Equipment expense	2,000	5,991	3,991
TCEQ inspection fees	21,000	19,821	(1,179)
Landscaping	600	0	(600)
Office furniture and furnishings	1,200	0	(1,200)
Sludge disposal/processing	220,000	234,336	14,336
Sewer plant office supplies	6,000	5,365	(635)
Freight	500	164	(336)
Medical expenses	500	0	(500)
Sewer plant improvements	0	217,500	217,500
Purchase of equipment	25,000	29,808	4,808
Repairs to buildings	16,000	20,940	4,940
Software and data	50,000	9,882	(40,118)
Miscellaneous	<u>1,200</u>	<u>1,172</u>	<u>(28)</u>
TOTALS	<u>\$ 1,292,100</u>	<u>\$ 1,405,462</u>	<u>\$ 113,362</u>

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITY

EXPENDITURES, BUDGET AND ACTUAL, GENERAL FUND, (Continued)

FOR THE YEAR ENDED APRIL 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
SEWER COLLECTION SYSTEM			
Salaries and wages	\$ 125,000	\$ 128,694	\$ 3,694
Payroll taxes	12,000	9,794	(2,206)
Outside labor	2,000	0	(2,000)
Engineering expenses	5,000	718	(4,282)
Maintenance and repairs	30,000	5,482	(24,518)
Chemicals	2,500	0	(2,500)
Power and fuels	9,000	7,778	(1,222)
Rental of equipment	4,000	0	(4,000)
Insurance	12,000	11,717	(283)
Truck expense	10,000	7,655	(2,345)
Tools	500	275	(225)
Telephone	3,000	3,908	908
Equipment expense	50,000	0	(50,000)
Landscaping	200	0	(200)
TCEQ regulatory assessment	12,000	9,649	(2,351)
Freight	240	0	(240)
Sewer collection improvements	90,000	59,386	(30,614)
Purchase of equipment	5,000	0	(5,000)
Repairs to buildings	600	0	(600)
Software and data	1,600	2,330	730
Miscellaneous	<u>600</u>	<u>3</u>	<u>(597)</u>
TOTALS	<u>\$ 375,240</u>	<u>\$ 247,389</u>	<u>\$ (127,851)</u>
 BILLING AND COLLECTION			
Salaries and wages	\$ 39,000	\$ 10,021	\$ (28,979)
Outside labor	1,200	0	(1,200)
Computer billing	45,000	49,085	4,085
Purchase of equipment	2,000	300	(1,700)
Software and data	<u>4,000</u>	<u>2,330</u>	<u>(1,670)</u>
TOTALS	<u>\$ 91,200</u>	<u>\$ 61,736</u>	<u>\$ (29,464)</u>

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITY

EXPENDITURES, BUDGET AND ACTUAL, GENERAL FUND, (Continued)

FOR THE YEAR ENDED APRIL 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
GENERAL AND ADMINISTRATIVE			
Salaries and wages - manager	\$ 160,000	\$ 139,483	\$ (20,517)
Salaries and wages - office	200,000	170,120	(29,880)
Vacations, holidays and sick pay	20,000	47,750	27,750
Payroll taxes	35,000	28,740	(6,260)
Security system	3,000	3,501	501
Outside labor	2,000	0	(2,000)
Engineering fees	18,300	27,708	9,408
Maintenance and repairs	0	0	0
Power and fuels	4,000	3,075	(925)
Insurance	4,000	15,161	11,161
Truck expense	0	0	0
Telephone	13,000	13,994	994
Office equipment repairs and maintenance	1,500	1,059	(441)
Office furniture/furnishings	2,000	140	(1,860)
Vehicle expense	9,300	7,171	(2,129)
Office supplies	8,000	9,949	1,949
Freight	300	17	(283)
Medical expenses	60	0	(60)
Postage	3,000	2,699	(301)
Public notice expenses	1,200	846	(354)
Purchase of equipment	500	0	(500)
Harris county appraisal district	12,000	11,232	(768)
Tax collection	25,000	22,795	(2,205)
Accounting and auditing	11,000	10,775	(225)
Legal and contingencies	65,000	88,599	23,599
Group insurance premium	380,000	342,653	(37,347)
Retirement fund contribution, net of forfeiture	155,000	124,396	(30,604)
Banking fees	22,000	20,237	(1,763)
Dues, subscriptions, schools	3,000	700	(2,300)
Supervisors' fees	20,400	22,950	2,550
Supervisors' expenses	3,000	6,552	3,552
Repairs and maintenance - 435 Piney Point	16,000	948	(15,052)
Pension contract expenses	360	1,035	675
Repairs and maintenance - office bldg.	2,000	12,712	10,712
Delivery	300	0	(300)
Software and data	25,000	20,388	(4,612)
Miscellaneous	4,200	5,828	1,628
TOTALS	<u>\$ 1,229,420</u>	<u>\$ 1,163,213</u>	<u>\$ (66,207)</u>

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITY
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

APRIL 30, 2022

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [] TSI-3. Temporary Investments
None at April 30, 2022.
- [X] TSI-4. Taxes Levied and Receivable
- [] TSI-5. Long-Term Debt Service Requirements by Years
None at April 30, 2022.
- [] TSI-6. Changes in Long-Term Bonded Debt
Not applicable.
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
Debt Service Fund not applicable.
- [X] TSI-8. Board Members, Key Personnel and Consultants

MEMORIAL VILLAGES WATER AUTHORITY
SCHEDULE OF SERVICES AND RATES
APRIL 30, 2022

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

- | | | |
|---|---|-------------------------------------|
| ☒ Retail Water | ☐ Wholesale Water | ☐ Drainage |
| ☒ Retail Wastewater | ☐ Wholesale Wastewater | ☐ Irrigation |
| ☐ Parks/Recreation | ☐ Fire Protection | ☐ Security |
| ☐ Solid Waste/Garbage | ☐ Flood Control | ☐ Roads |
| ☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| ☐ 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:	\$17.50	2,000	N	\$2.10	2,001 to 5,000
				2.40	5,001 to 10,000
				2.80	10,001 to 15,000
				3.90	15,001 to 20,000
				4.35	20,001 to 25,000
				4.65	25,001 to 30,000
				5.25	30,001 to 35,000
				5.35	35,001 to 40,000
				5.65	40,001 to 50,000
				6.00	50,001 to 60,000
WASTEWATER:	\$17.50	2,000	N	6.65	Over 60,000
				\$2.00	2,001 to 5,000
				2.10	5,001 to 10,000
				2.40	10,001 to 15,000
				2.70	15,001 to 20,000
				3.30	20,001 to 25,000
				4.00	25,001 to 30,000
SURCHARGE:	\$0.00	0.50 % of monthly billing -- TCEQ assessment fees included above.		0.00	Over 30,000

Authority employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$35.80 Wastewater: \$34.00 Surcharge: \$0.00

MEMORIAL VILLAGES WATER AUTHORITY
SCHEDULE OF SERVICES AND RATES (Continued)
APRIL 30, 2022

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	6	5	1.0	5
< or = 3/4"	1,016	989	1.0	989
1"	1,775	1,754	2.5	4,385
1-1/2"	433	430	5.0	2,150
2"	135	134	8.0	1,072
3"	3	3	15.0	45
4"	12	12	25.0	300
6"	1	1	50.0	50
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>3,381</u>	<u>3,328</u>		<u>8,996</u>
Total Wastewater	<u>3,314</u>	<u>3,219</u>	1.0	<u>3,219</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 1,190,687
Gallons billed to customers (unaudited): 1,027,751

Water Accountability Ratio
(Gallons billed/ gallons pumped): 86%

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

Does the Authority have Debt Service standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: _____

Does the Authority have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: _____

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITYEXPENDITURESFOR THE YEAR ENDED APRIL 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Utility operations:				
Water production	\$ 7,789,182	\$	\$	\$ 7,789,182
Water distribution system	439,312			439,312
Sewer plant and common trunkline	1,405,462			1,405,462
Sewer collection system	247,389			247,389
Billing and collection	61,736			61,736
	<u>9,943,081</u>	<u>0</u>	<u>0</u>	<u>9,943,081</u>
General and administrative:				
Salaries and payroll taxes	376,247			376,247
Legal and professional	149,876			149,876
Employee benefits	476,896			476,896
Other expenditures	160,194			160,194
	<u>1,163,213</u>	<u>0</u>	<u>0</u>	<u>1,163,213</u>
 TOTAL EXPENDITURES	 <u>\$ 11,106,294</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 11,106,294</u>

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITY
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED APRIL 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues	\$ 8,391,978	\$	\$	\$ 8,391,978
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>8,391,978</u>	<u>0</u>	<u>0</u>	<u>8,391,978</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for current expenditures	10,589,326			10,589,326
Decrease in customer and builder deposits	<u>12,700</u>			<u>12,700</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>10,602,026</u>	<u>0</u>	<u>0</u>	<u>10,602,026</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	(2,210,048)	0	0	(2,210,048)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>6,184,712</u>	<u>0</u>	<u>0</u>	<u>6,184,712</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 3,974,664</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,974,664</u>

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITYTAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED APRIL 30, 2022

	<u>Maintenance Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 89,931
Additions and corrections to prior year taxes	<u>(14,966)</u>
Adjusted receivable, beginning of year	74,965
2021 ADJUSTED TAX ROLL	<u>1,537,186</u>
Total to be accounted for	1,612,151
Tax collections: Current tax year	(1,497,600)
Prior tax years	<u>(40,304)</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 74,247</u></u>

RECEIVABLE, BY TAX YEAR

2011 and prior	\$ 4,129
2012	1,473
2013	1,291
2014	2,922
2015	2,363
2016	2,660
2017	2,844
2018	3,839
2019	5,944
2020	7,196
2021	<u>39,586</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 74,247</u></u>

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITY
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED APRIL 30, 2022

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 5,829,519,201</u>	<u>\$ 5,826,484,110</u>	<u>\$ 5,695,403,123</u>	<u>\$ 5,419,646,956</u>
MAINTENANCE TAX RATES PER \$100 VALUATION	<u>\$ 0.026369</u>	<u>\$ 0.026899</u>	<u>\$ 0.027463</u>	<u>\$ 0.027463</u>
TAX ROLLS	<u>\$ 1,537,186</u>	<u>\$ 1,567,266</u>	<u>\$ 1,564,128</u>	<u>\$ 1,509,501</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>97.4 %</u>	<u>99.5 %</u>	<u>99.6 %</u>	<u>99.8 %</u>

*Maximum tax rate approved by voters on May 4, 1991: \$0.05

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITY

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,

GENERAL FUND

FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 1,537,904	\$ 1,557,988	\$ 1,545,168	\$ 1,498,685	\$ 1,482,428	17.7 %	18.0 %	19.1 %	19.6 %	18.8 %
Water service	4,372,620	4,414,033	4,192,079	3,978,285	4,111,717	50.5	51.0	51.9	52.0	52.1
Sewer service	2,193,856	2,166,227	1,994,652	1,873,597	2,010,924	25.3	25.0	24.7	24.5	25.5
Sewer service to City of Bunker Hill Village	436,852	411,996	187,383	145,519	184,024	5.0	4.8	2.3	1.9	2.3
Penalty and interest - operations	16,721	17,321	17,928	14,934	19,881	0.2	0.2	0.2	0.2	0.3
Penalty and interest - taxes	13,856	9,608	8,790	7,932	5,984	0.2	0.1	0.1	0.1	0.1
Tap connection fees	81,900	56,000	82,575	53,337	38,725	0.9	0.6	1.0	0.7	0.5
Interest on deposits and investments	8,619	10,358	34,244	46,054	18,593	0.1	0.1	0.4	0.6	0.2
Other revenues	8,184	18,333	24,835	26,801	19,712	0.1	0.2	0.3	0.4	0.2
TOTAL REVENUES	<u>8,670,512</u>	<u>8,661,864</u>	<u>8,087,654</u>	<u>7,645,144</u>	<u>7,891,988</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Utility operations	9,943,081	8,042,450	7,933,381	10,196,030	7,522,254	114.7	92.8	98.1	133.4	95.3
General and administrative	<u>1,163,213</u>	<u>1,309,070</u>	<u>1,118,534</u>	<u>1,061,521</u>	<u>1,060,202</u>	<u>13.4</u>	<u>15.1</u>	<u>13.8</u>	<u>13.9</u>	<u>13.4</u>
TOTAL EXPENDITURES	<u>11,106,294</u>	<u>9,351,520</u>	<u>9,051,915</u>	<u>11,257,551</u>	<u>8,582,456</u>	<u>128.1</u>	<u>107.9</u>	<u>111.9</u>	<u>147.3</u>	<u>108.7</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$(2,435,782)</u>	<u>\$ (689,656)</u>	<u>\$ (964,261)</u>	<u>\$(3,612,407)</u>	<u>\$ (690,468)</u>	<u>(28.1) %</u>	<u>(7.9) %</u>	<u>(11.9) %</u>	<u>(47.3) %</u>	<u>(8.7) %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>3,328</u>	<u>3,344</u>	<u>3,339</u>	<u>3,338</u>	<u>3,331</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>3,219</u>	<u>3,165</u>	<u>3,162</u>	<u>3,184</u>	<u>3,251</u>					

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

APRIL 30, 2022

Complete Authority Mailing Address: Memorial Villages Water Authority
8955 Gaylord
Houston, Texas 77024

Authority Business Telephone No.: 713-465-8318

Submission date of the most recent Authority Registration Form: July 30, 2021

Limit on Fees of Office that a Supervisor 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>
Gary Schenk 806 Magdalene Houston, Texas 77024 Position No. 2	Elected 11/7/18- 11/7/22	\$ 6,150	\$ 0	President/ Asst. Treasurer
Will Wilson 11319 Coloma Lane Houston, Texas 77024 Position No. 5	Elected 11/3/20- 11/5/24	3,750	0	Vice President/ Asst. Treasurer
Cathy Stubbs 522 Hunters Park Lane Houston, Texas 77024 Position No. 3	Appointed 12/1/20- 11/5/24	3,750	0	Treasurer
Veronica Roa 11 Mott Lane Houston, Texas Position No. 6	Appointed 12/10/18- 11/7/22	2,100	0	Asst. Treasurer
Randolph Ewing 6363 Woodway, Suite 1000 Houston, Texas 77057 Position No. 7	Elected 11/7/18- 11/7/22	3,600	0	Secretary/ Asst. Treasurer
Unal Baysal 11415 Chatten Way Houston, Texas 77024 Position No. 1	Appointed 2/2/21- 11/5/24	1,050	0	Asst. Treasurer
Locke Braly 10607 Gawain Lane Houston, Texas 77024 Position No. 4	Appointed 4/6/21- 11/7/22	2,550	0	Asst. Treasurer

See accompanying independent auditor's report.

MEMORIAL VILLAGES WATER AUTHORITYBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)APRIL 30, 2022KEY PERSONNEL

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Mr. Trey Cantu 8955 Gaylord Houston, Texas 77024	2020	\$ 151,571	Authority General Manager, Investment Officer

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Norton Rose Fulbright US LLP 1301 McKinney Street Suite 5100 Houston, Texas 77010	1962	\$ 86,228	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	3/07/00	2,371	Delinquent Tax Attorney
Langford Engineering, Inc. 1080 West Sam Houston Beltway North Suite 200 Houston, Texas 77043	1972	385,172	Engineer
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	11,232	Central Appraisal District
Mark C. Eyring, CPA, PLLC 12702 Century Drive Suite C2 Stafford, Texas 77477	2/04/92	10,775	Independent Auditor

See accompanying independent auditor's report.