

LUMBERTON MUNICIPAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018



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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Hardin §

I, Nicholas N. Carter, President of the Lumberton Municipal Utility District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the ___ day of _____, 2018 its annual report for the fiscal year or period ended June 30, 2018 and that copies of the annual audit have been filed in the District office, located at 625 FM 421, Lumberton, Texas 77657. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

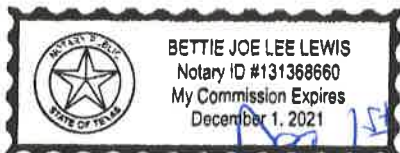
Date: 9-17, 2018

By: [Signature]
(Signature of District Representative)

Nicholas N. Carter, President
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 17th day of September, 2018

(Seal)



[Signature]
(Signature of Notary)

My commission expires on Dec 1st, 2018, Notary Public in and for the State of Texas.

1950



J. Pat O'Neill, III, CPA
Michael W. Keifer, CPA, CFE, CFF

Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA

September 6, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lumberton Municipal Utility District
Lumberton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Lumberton Municipal Utility District as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Lumberton Municipal Utility District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Lumberton Municipal Utility District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 9; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 38 through 39; the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund on page 40; and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information on pages 4 through 9 and pages 38 through 39 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on pages 40 and 41 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lumberton Municipal Utility District's basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 42 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information listed in the Table of Contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The current year financial information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedules of Services and Rates and Board Members, Key Personnel and Consultants have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2018, on our consideration of Lumberton Municipal Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Lumberton Municipal Utility District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lumberton Municipal Utility District's internal control over financial reporting and compliance.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lumberton Municipal Utility District, we offer readers of the Lumberton Municipal Utility District financial statements this narrative overview and analysis of the financial activities of the Lumberton Municipal Utility District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of the Lumberton Municipal Utility District exceeded its liabilities as of June 30, 2018, by \$18,161,588 (net position).
- The Lumberton Municipal Utility District's total net position increased by \$876,696. The District had expenses associated with all activities totaling \$6,569,672 and total revenues were \$7,446,368.
- As of June 30, 2018, the Lumberton Municipal Utility District's Water and Sewer Fund reported an ending net position of \$24,924,070.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Lumberton Municipal Utility District's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Lumberton Municipal Utility District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Lumberton Municipal Utility District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the Lumberton Municipal Utility District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the District include collections and disbursements of ad valorem taxes to pay off long-term debts. The business-type activities of the District include one enterprise activity: a water and sewer system.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Lumberton Municipal Utility District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of Lumberton Municipal Utility District can be divided into two categories: governmental funds and proprietary funds.



LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For The Year Ended June 30, 2018

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Lumberton Municipal Utility District maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Debt Service Fund, which is considered to be a major fund.

Proprietary funds. Lumberton Municipal Utility District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations. The Water and Sewer Fund is considered a major enterprise fund for the District.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found on pages 19 through 37.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a schedule of changes in employer's net pension liability and related ratios, a schedule of employer contributions and budgetary comparison schedules for the Water and Sewer Fund and the Debt Service Fund to demonstrate compliance with the budget. This required supplementary information can be found on pages 38 through 41.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Lumberton Municipal Utility District, assets exceeded liabilities by \$18,161,588 at June 30, 2018.



LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For The Year Ended June 30, 2018

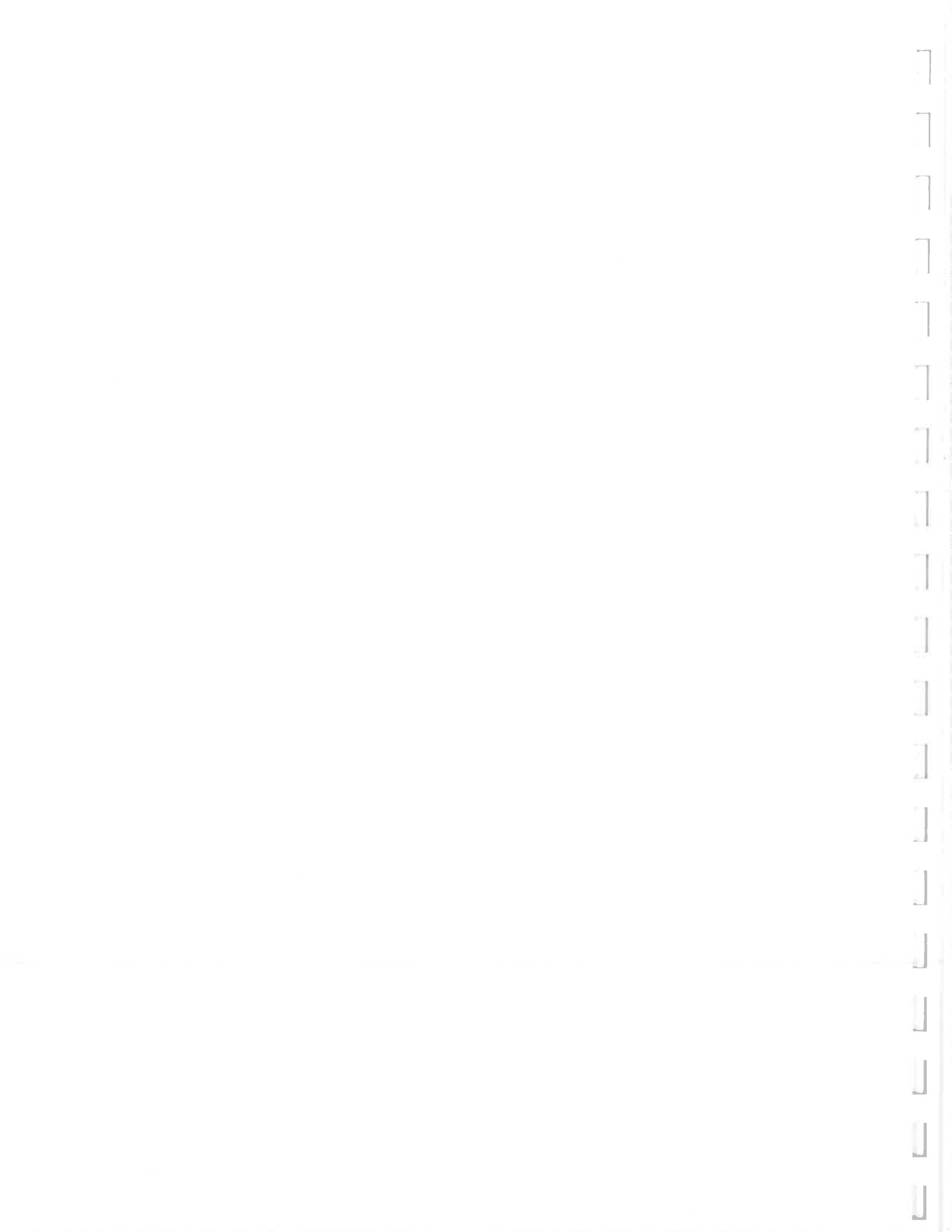
STATEMENT OF NET POSITION

Statement of Net Position June 30, 2018				
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 1,450,847	\$ 5,350,810	\$ -	\$ 6,801,657
Capital assets	-	29,032,398	-	29,032,398
Total Assets	1,450,847	34,383,208	-	35,834,055
Deferred Outflow of Resources	-	99,519	-	99,519
Current and other liabilities	1,334,591	1,824,836	-	3,159,427
Long-term liabilities	6,510,000	7,689,713	-	14,199,713
Total Liabilities	7,844,591	9,514,549	-	17,359,140
Deferred Inflow of Resources	368,738	44,108	-	412,846
Net Position:				
Invested in capital assets, net of related debt	-	20,764,059	(8,118,738)	12,645,321
Restricted	1,356,256	782,232	-	2,138,488
Unrestricted	(8,118,738)	3,377,779	8,118,738	3,377,779
Total Net Position	\$ (6,762,482)	\$ 24,924,070	\$ -	\$ 18,161,588

Statement of Net Position June 30, 2017				
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 1,466,573	\$ 4,885,504	\$ -	\$ 6,352,077
Capital assets	-	30,095,972	-	30,095,972
Total Assets	1,466,573	34,981,476	-	36,448,049
Deferred Outflow of Resources	-	292,288	-	292,288
Current and other liabilities	1,302,815	1,514,362	-	2,817,177
Long-term liabilities	7,750,000	8,450,000	-	16,200,000
Total Liabilities	9,052,815	9,964,362	-	19,017,177
Deferred Inflow of Resources	424,103	14,165	-	438,268
Net Position:				
Invested in capital assets, net of related debt	-	21,522,300	(9,369,103)	12,153,197
Restricted	1,358,758	766,411	-	2,125,169
Unrestricted	(9,369,103)	3,006,526	9,369,103	3,006,526
Total Net Position	\$ (8,010,345)	\$ 25,295,237	\$ -	\$ 17,284,892

For the fiscal years ended June 30, 2018 and 2017, the District has a reclassification of \$8,118,738 and \$9,369,103, respectively, to move the debt associated with the construction of Waterworks and Sanitary Sewer Facilities from Unrestricted net position to Invested in capital assets, net of related debt. The capital assets are reported in the business-type activities and the debt is reported in the governmental activities.

Total net position of the District's activities was \$18,161,588. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements was \$3,377,779 at June 30, 2018. The deficit in unrestricted governmental net position is addressed in Note Number 11 in the notes to the Financial Statements.



LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For The Year Ended June 30, 2018

	STATEMENT OF CHANGES IN NET POSITION					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Fees for services	\$ -	\$ -	\$ 5,459,321	\$ 5,088,574	\$ 5,459,321	\$ 5,088,574
General revenues						
Property taxes	1,500,526	1,516,873	-	-	1,500,526	1,516,873
Investment income	338	553	6,204	5,466	6,542	6,019
Gain (loss) on sale of assets	-	-	184,111	15,422	184,111	15,422
Other	5,225	8,037	290,643	794,917	295,868	802,954
Total Revenues	1,506,089	1,525,463	5,940,279	5,904,379	7,446,368	7,429,842
Expenses						
Administration	(55,489)	(57,539)	-	-	(55,489)	(57,539)
Interest on long-term debt	(202,737)	(238,029)	-	-	(202,737)	(238,029)
Bond issue cost	-	-	(130,886)	-	(130,886)	-
Water and sewer	-	-	(6,180,560)	(6,035,893)	(6,180,560)	(6,035,893)
Total Expenses	(258,226)	(295,568)	(6,311,446)	(6,035,893)	(6,569,672)	(6,331,461)
Increase (decrease) in net position	1,247,863	1,229,895	(371,167)	(131,514)	876,696	1,098,381
Net position - beginning	(8,010,345)	(9,240,240)	25,295,237	25,426,751	17,284,892	16,186,511
Net position - ending	\$ (6,762,482)	\$ (8,010,345)	\$ 24,924,070	\$ 25,295,237	\$ 18,161,588	\$ 17,284,892

The District's total net position increased by \$876,696 during the current fiscal year. Governmental activities increased by \$1,247,863 and business-type activities decreased by \$371,167.

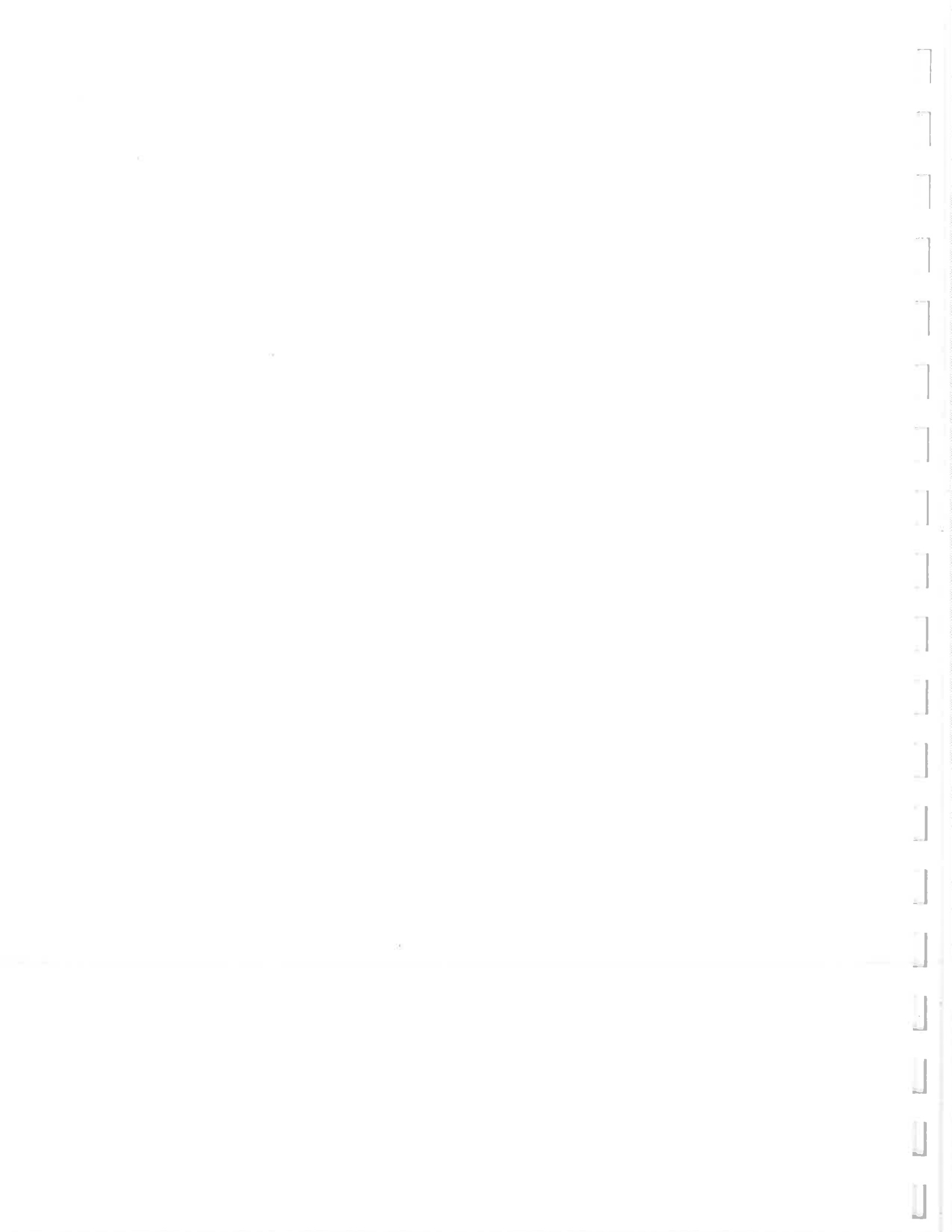
Financial Analysis of the Government's Funds

As noted earlier, the Lumberton Municipal Utility District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Lumberton Municipal Utility District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Lumberton Municipal Utility District's financing requirements.

As of June 30, 2018, the Lumberton Municipal Utility District's governmental fund reported an ending balance of \$1,368,518.

Proprietary funds. The District's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.



LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For The Year Ended June 30, 2018

Unrestricted net position at the end of the year totaled \$3,377,779 for the Water and Sewer Fund. Net position in the Water and Sewer Fund decreased by \$371,167 as the result of current operations.

General Fund Budgetary Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2018. There were no additional appropriations. Tax revenues were below budget by \$23,226 or 1.52%. Debt service expenditures were below budget by \$2,811 or 0.18%.

Proprietary Fund Budget Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2018. Operating revenues were under budget by \$124,679 or 2.23%. Operating expenses were below budget by \$223,196 or 3.67%. Actual depreciation and amortization expense were below budgeted depreciation and amortization expenses by \$211,465.

Capital Assets

The Lumberton Municipal Utility District's investment in capital assets for its business-type activities at June 30, 2018, was \$29,032,398 net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery and equipment, and construction-in-progress and represents a net decrease of \$1,063,574 after considering accumulated depreciation of \$29,800,950.

CAPITAL ASSETS

	Business-Type Activities		Change
	2018	2017	
Land	\$ 438,597	\$ 438,597	\$ -
Buildings and improvements	5,641,527	5,821,343	(179,816)
Water System	11,311,461	11,044,520	266,941
Sewer System	39,209,898	39,023,174	186,724
Machinery and equipment	573,437	563,157	10,280
Automobiles and trucks	828,035	810,069	17,966
Furniture and fixtures	472,321	465,715	6,606
Engineering fees	354,039	354,039	-
Construction-in-progress	4,033	26,030	(21,997)
Total at historical cost	58,833,348	58,546,644	286,704
Total accumulated depreciation	(29,800,950)	(28,450,672)	(1,350,278)
Net capital assets	\$ 29,032,398	\$ 30,095,972	\$ (1,063,574)



LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For The Year Ended June 30, 2018

Long-Term Debt

At June 30, 2018, the Lumberton Municipal Utility District had \$15.9 million in bonds outstanding as shown below. Lumberton Municipal Utility District's bonds presently carry a Standard and Poor's Investor Services rating of "AA-".

	LONG-TERM DEBT					
	<u>Business-Type Activities</u>			<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Bonds Payable	<u>\$ 8,185,541</u>	<u>\$ 8,450,000</u>	<u>\$ (264,459)</u>	<u>\$ 7,750,000</u>	<u>\$ 8,945,000</u>	<u>\$ (1,195,000)</u>

For the fiscal year ended June 30, 2018, interest expense in the Governmental activities was \$202,737, interest expense in the Business-type activities was \$325,106, and interest expense in the Governmental funds was \$271,325.

Economic Factors and Next Year's Budgets

Service fees and other operating revenues are budgeted at \$5,561,000 for the fiscal year ending June 30, 2019 as compared to actual operating revenue of \$5,459,321 for the fiscal year just ended.

Operating expenses, prior to capital outlay and debt principal are budgeted at \$6,585,923 for the fiscal year ending June 30, 2019 as compared to actual operating expenses of \$6,219,826 for the fiscal year just ended.

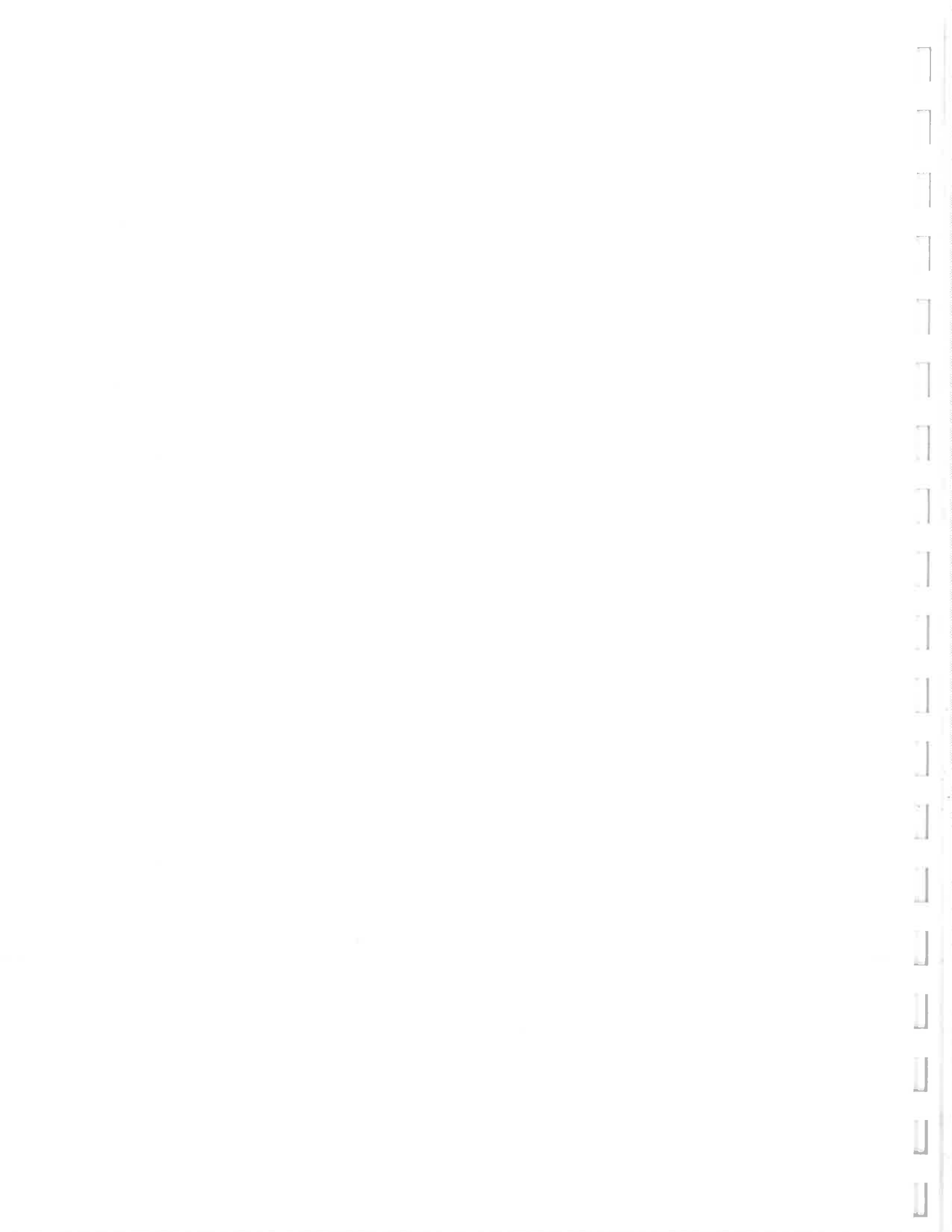
Lumberton Municipal Utility District has various ongoing capital projects.

Requests for Information

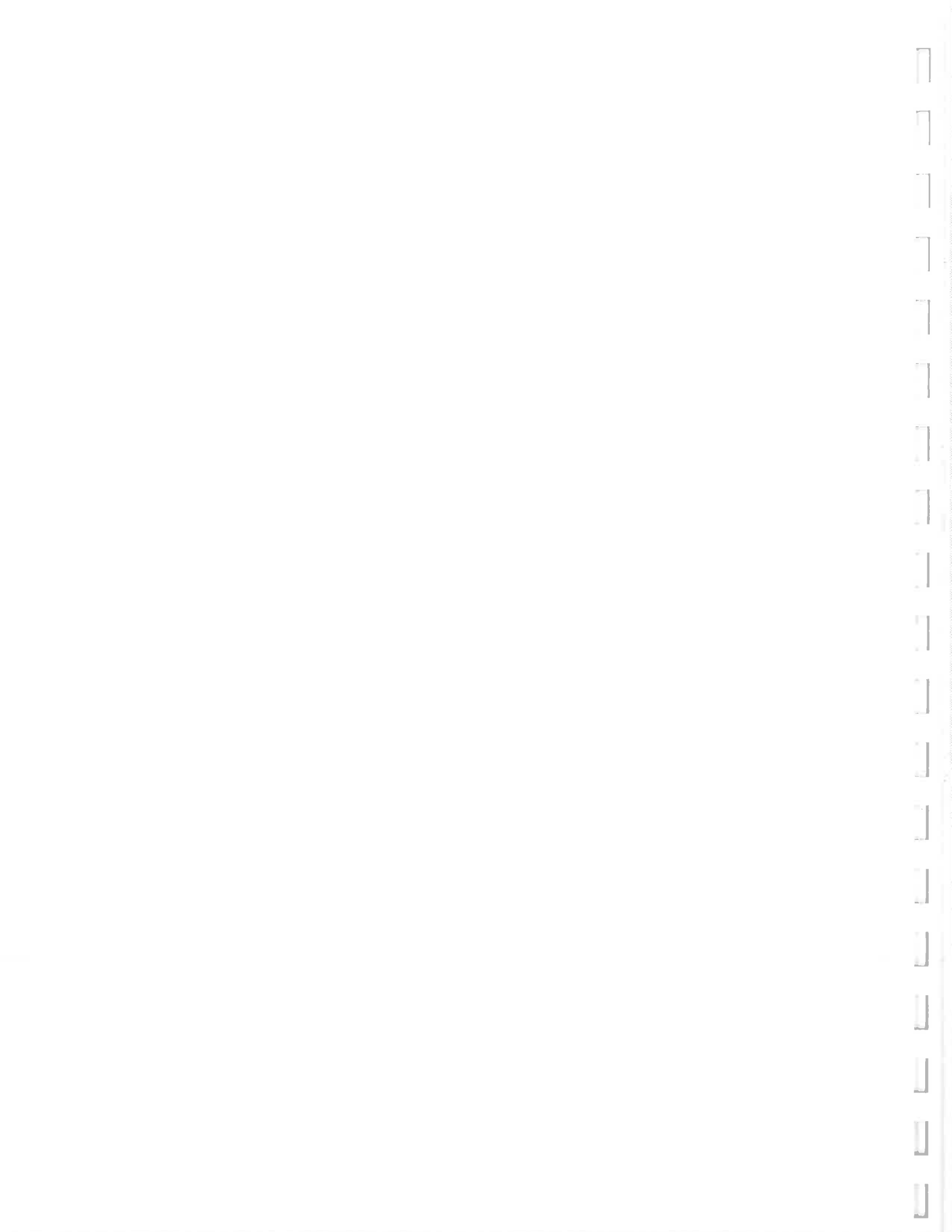
This financial report is designed to provide a general overview of the Lumberton Municipal Utility District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Manager at P.O. Box 8065, Lumberton, Texas 77657.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities	Business-type Activities	Reclassifications	Total
ASSETS				
Cash	\$ 1,351,327	\$ 2,121,376	\$ -	\$ 3,472,703
Investments	-	221,360	-	221,360
Accounts receivable, net of allowance for doubtful accounts:				
Taxes	99,520	-	-	99,520
Service accounts	-	634,601	-	634,601
Other	-	7,536	-	7,536
Inventory	-	320,815	-	320,815
Restricted assets:				
Cash	-	1,612,634	-	1,612,634
Investments	-	432,488	-	432,488
Intangibles, net of accumulated amortization	-	-	-	-
Capital assets:				
Land	-	438,597	-	438,597
Construction-in-progress	-	4,033	-	4,033
Other capital assets, net of accumulated depreciation	-	28,589,768	-	28,589,768
Total assets	1,450,847	34,383,208	-	35,834,055
DEFERRED OUTFLOW OF RESOURCES	-	99,519	-	99,519
LIABILITIES				
Accounts payable	-	213,900	-	213,900
Accrued liabilities	-	80,055	-	80,055
Interest payable	94,591	82,798	-	177,389
Compensated absences	-	58,607	-	58,607
Customer deposits	-	705,655	-	705,655
Accrued pension liability	-	187,993	-	187,993
Debt payable - current	1,240,000	495,828	-	1,735,828
Debt payable - noncurrent	6,510,000	7,689,713	-	14,199,713
Total liabilities	7,844,591	9,514,549	-	17,359,140
DEFERRED INFLOW OF RESOURCES				
Deferred gain on refunded debt	368,738	-	-	368,738
Deferred inflows related to pension	-	44,108	-	44,108
Total deferred inflow of resources	368,738	44,108	-	412,846
NET POSITION				
Invested in capital assets, net of related debt	-	20,764,059	(8,118,738)	12,645,321
Restricted for:				
Debt service	1,356,256	782,232	-	2,138,488
Unrestricted	(8,118,738)	3,377,779	8,118,738	3,377,779
Total net position	\$ (6,762,482)	\$ 24,924,070	\$ -	\$ 18,161,588

The reclassification is for debt associated with the construction of Waterworks and Sanitary Sewer facilities. The assets are accounted for in the Business-type Activities column and the debt is accounted for in the Government Activities column.

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

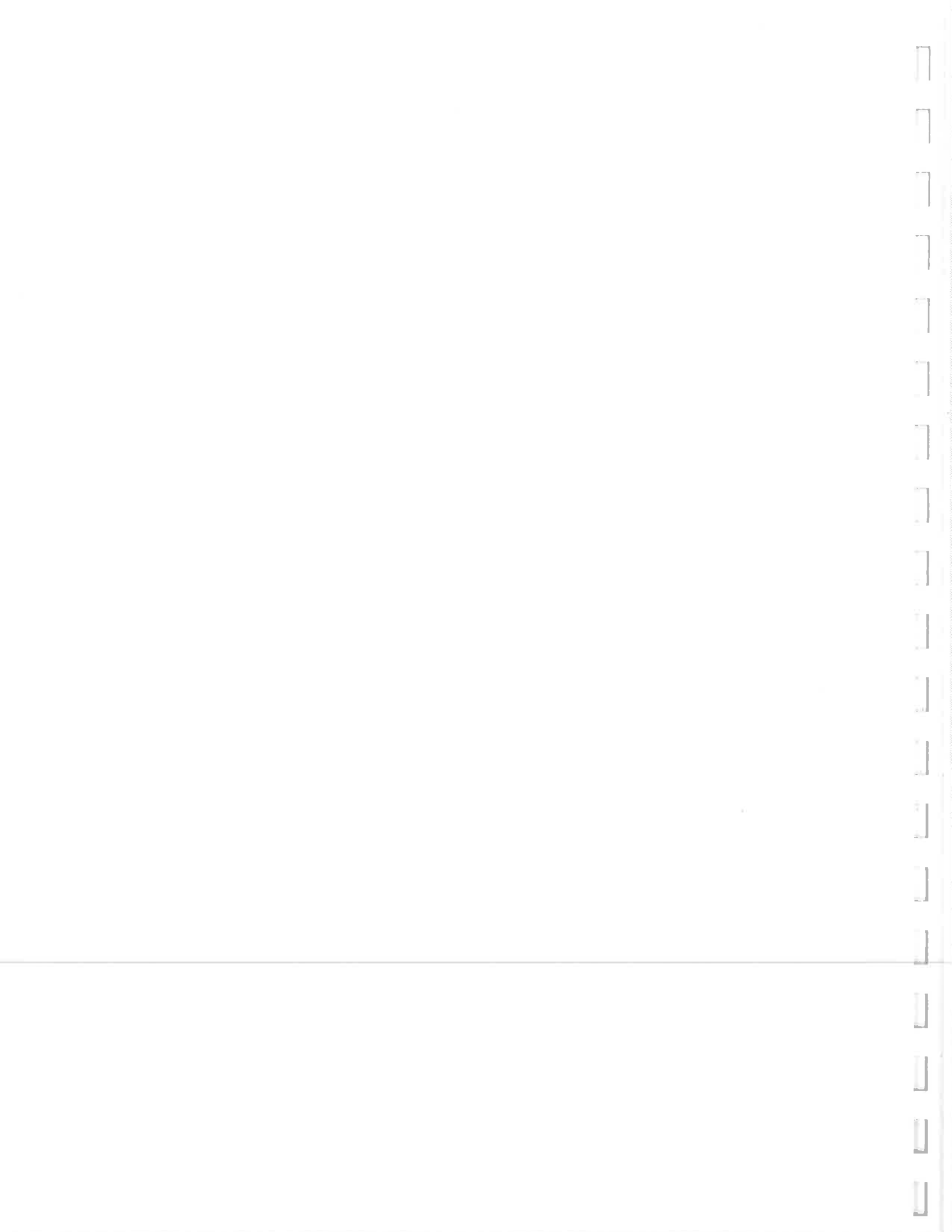
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grant Contributions</u>	<u>Capital Grant Contributions</u>
Primary Government				
Government activities				
Administration and general	\$ 55,489	\$ -	\$ -	\$ -
Interest on long-term debt	<u>202,737</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government activities	<u>258,226</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities				
Water and Sewer	6,180,560	5,459,321	-	-
Bond issue costs	<u>130,886</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>6,311,446</u>	<u>5,459,321</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,569,672</u>	<u>\$ 5,459,321</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes				
Investment earnings				
Miscellaneous				
Developer contributions				
Rental income				
Gain on sale of assets				
Total general revenues				
Change in net position				
Net position, beginning of period				
Net position, end of period				

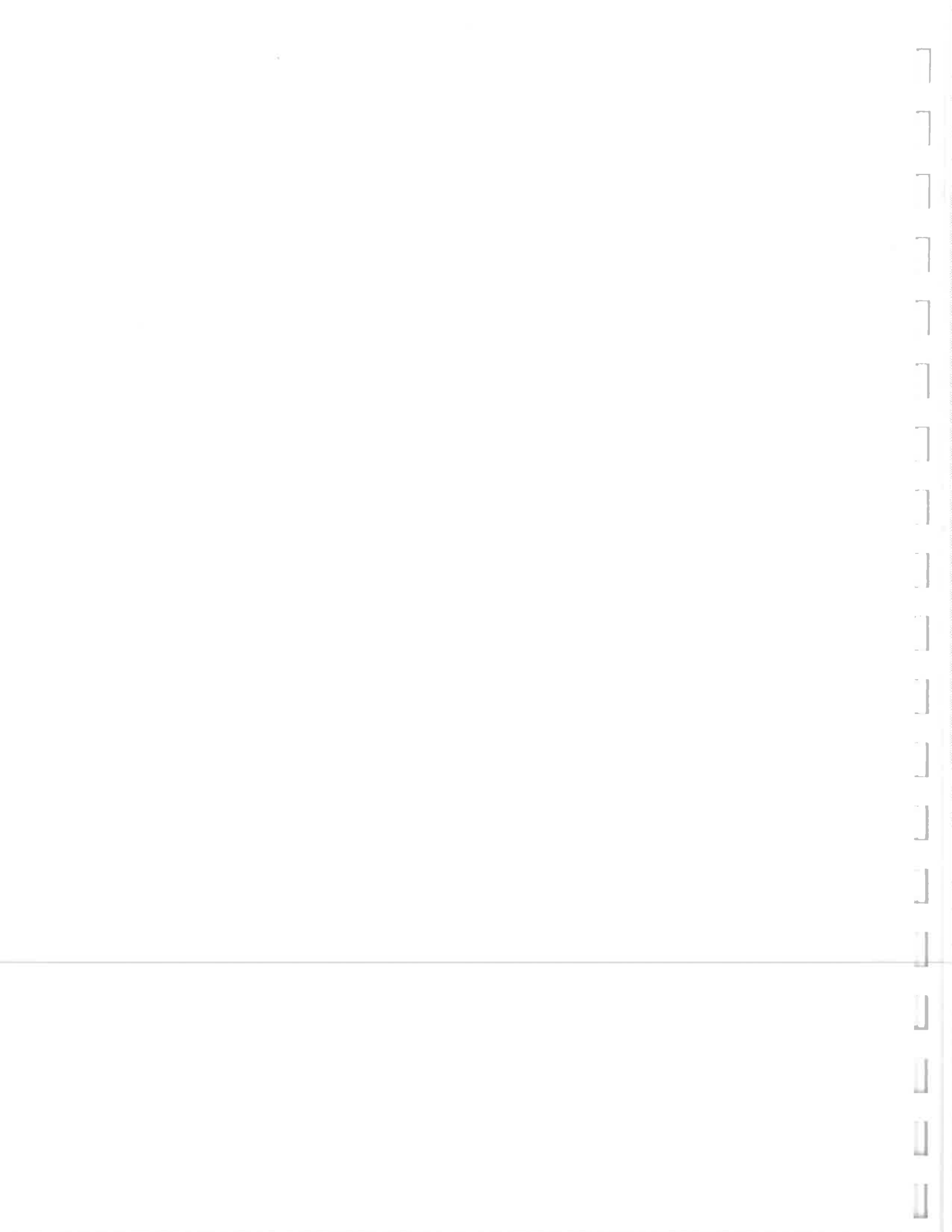
The accompanying notes are an integral part
of these financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$ (55,489)	\$ -	\$ (55,489)
<u>(202,737)</u>	<u>-</u>	<u>(202,737)</u>
<u>(258,226)</u>	<u>-</u>	<u>(258,226)</u>
-	(721,239)	(721,239)
<u>-</u>	<u>(130,886)</u>	<u>(130,886)</u>
<u>-</u>	<u>(852,125)</u>	<u>(852,125)</u>
<u>(258,226)</u>	<u>(852,125)</u>	<u>(1,110,351)</u>
1,500,526	-	1,500,526
338	6,204	6,542
5,225	-	5,225
-	288,518	288,518
-	2,125	2,125
<u>-</u>	<u>184,111</u>	<u>184,111</u>
<u>1,506,089</u>	<u>480,958</u>	<u>1,987,047</u>
<u>1,247,863</u>	<u>(371,167)</u>	<u>876,696</u>
<u>(8,010,345)</u>	<u>25,295,237</u>	<u>17,284,892</u>
<u>\$ (6,762,482)</u>	<u>\$ 24,924,070</u>	<u>\$ 18,161,588</u>



FUND FINANCIAL STATEMENTS

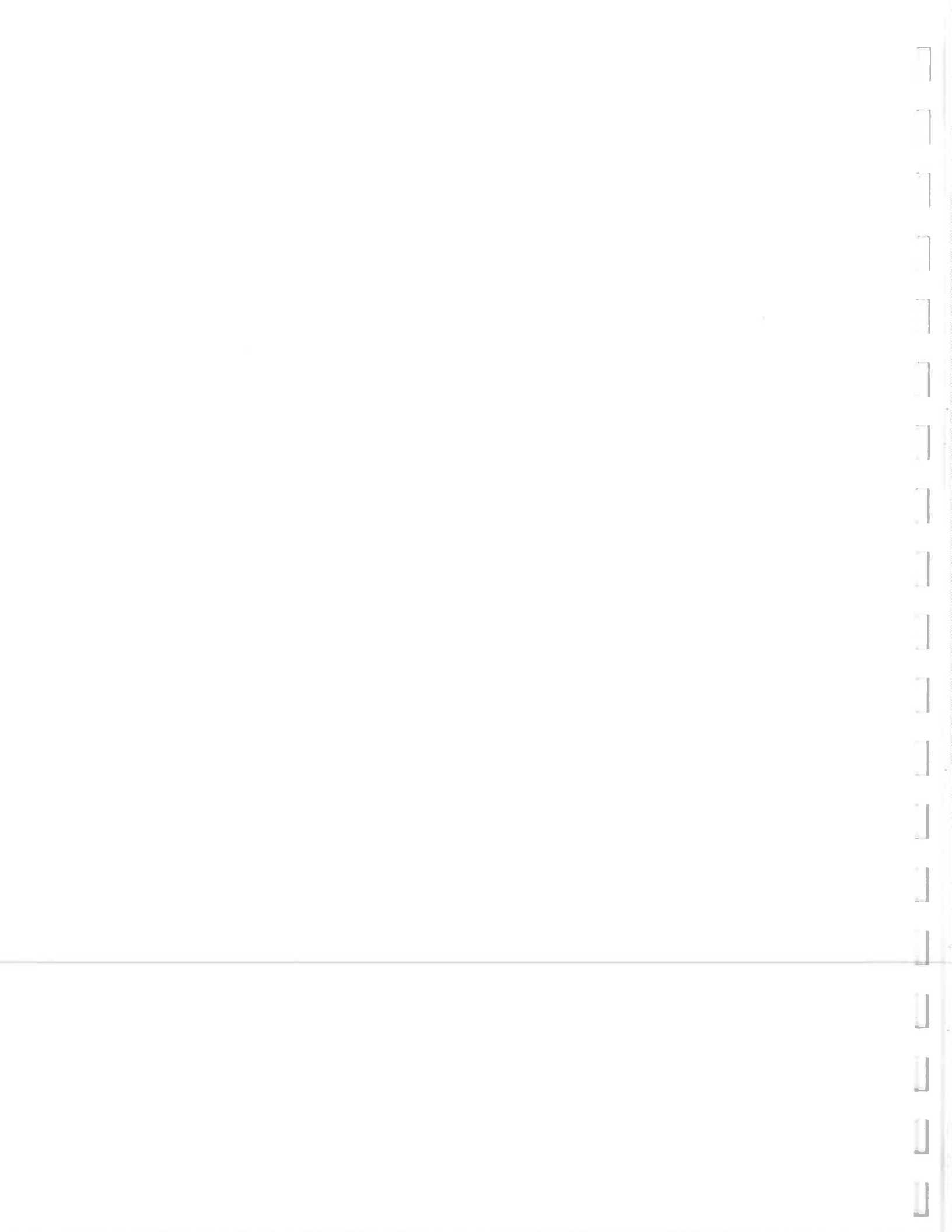


LUMBERTON MUNICIPAL UTILITY DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2018

	<u>Debt Service Fund</u>
ASSETS	
Cash	\$ 1,351,327
Receivables, net of allowance for doubtful accounts:	
Taxes	<u>99,520</u>
Total assets	<u>\$ 1,450,847</u>
 DEFERRED INFLOW OF RESOURCES	
Deferred property tax revenue	\$ 82,329
 FUND BALANCES	
Restricted	
Debt service	<u>1,368,518</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,450,847</u>

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



LUMBERTON MUNICIPAL UTILITY DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR GOVERNMENTAL ACTIVITIES JUNE 30, 2018

Governmental fund balance as reported on the balance sheet for governmental funds. \$ 1,368,518

The governmental fund reports gains or losses on bond refunding as other sources and other uses of funds when they are first incurred. These gains or losses are capitalized and amortized in the Statement of Net Position for Governmental Activities.

Deferred gain on early retirement of debt	(651,037)
Accumulated amortization	282,299

Long-term liabilities of the governmental activities are not due and payable in the current period and therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

General obligation bonds payable	(7,750,000)
Accrued interest expense	(94,591)

Deferred property tax revenue is recorded as a deferred inflow of resources in the governmental funds. Property taxes receivable, net of an allowance for uncollectable balances are recognized as income in the Statement of Net Position for Governmental Activities.

Deferred property tax revenue	<u>82,329</u>
-------------------------------	---------------

Total net position as reported on the Statement of Net Position for governmental activities.	<u>\$ (6,762,482)</u>
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The accompanying notes are an integral part
of these financial statements.

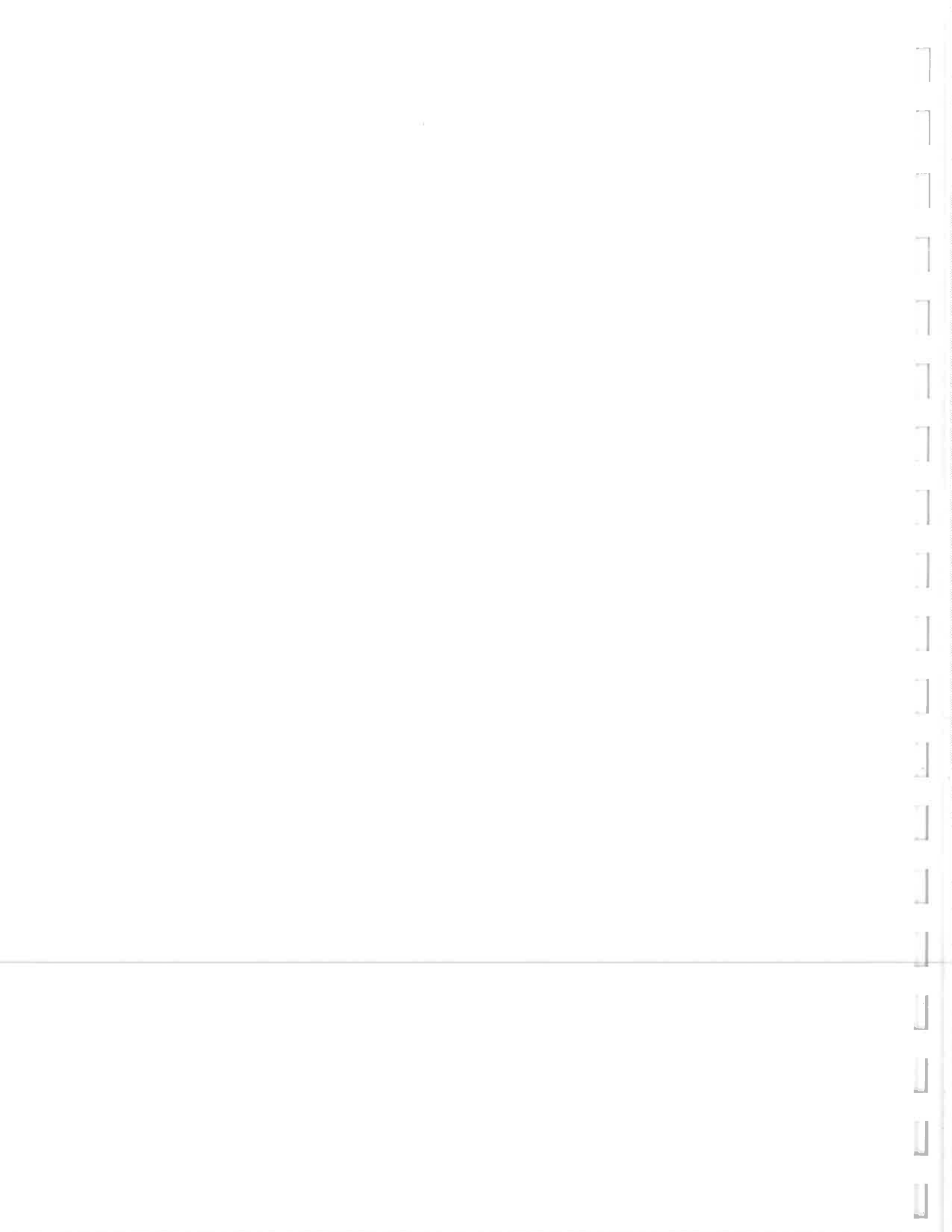


LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Debt Service Fund</u>
REVENUES	
General property taxes	\$ 1,491,326
Penalties and interest	7,385
Interest	338
Miscellaneous	<u>5,225</u>
Total revenues	<u>1,504,274</u>
EXPENDITURES	
Debt service	
Principal	1,195,000
Interest and fiscal charges	271,325
Collection costs	20,586
Appraisal District	<u>34,903</u>
Total expenditures	<u>1,521,814</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,540)
FUND BALANCES, beginning of period	<u>1,386,058</u>
FUND BALANCES, end of period	<u>\$ 1,368,518</u>

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



LUMBERTON MUNICIPAL UTILITY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances for total governmental funds. \$ (17,540)

The issuance of debt provides current resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Principal paid 1,195,000

Interest associated with bonded indebtedness is recorded when paid in the governmental funds. Accrued interest expense is reported in the Statement of Activities.

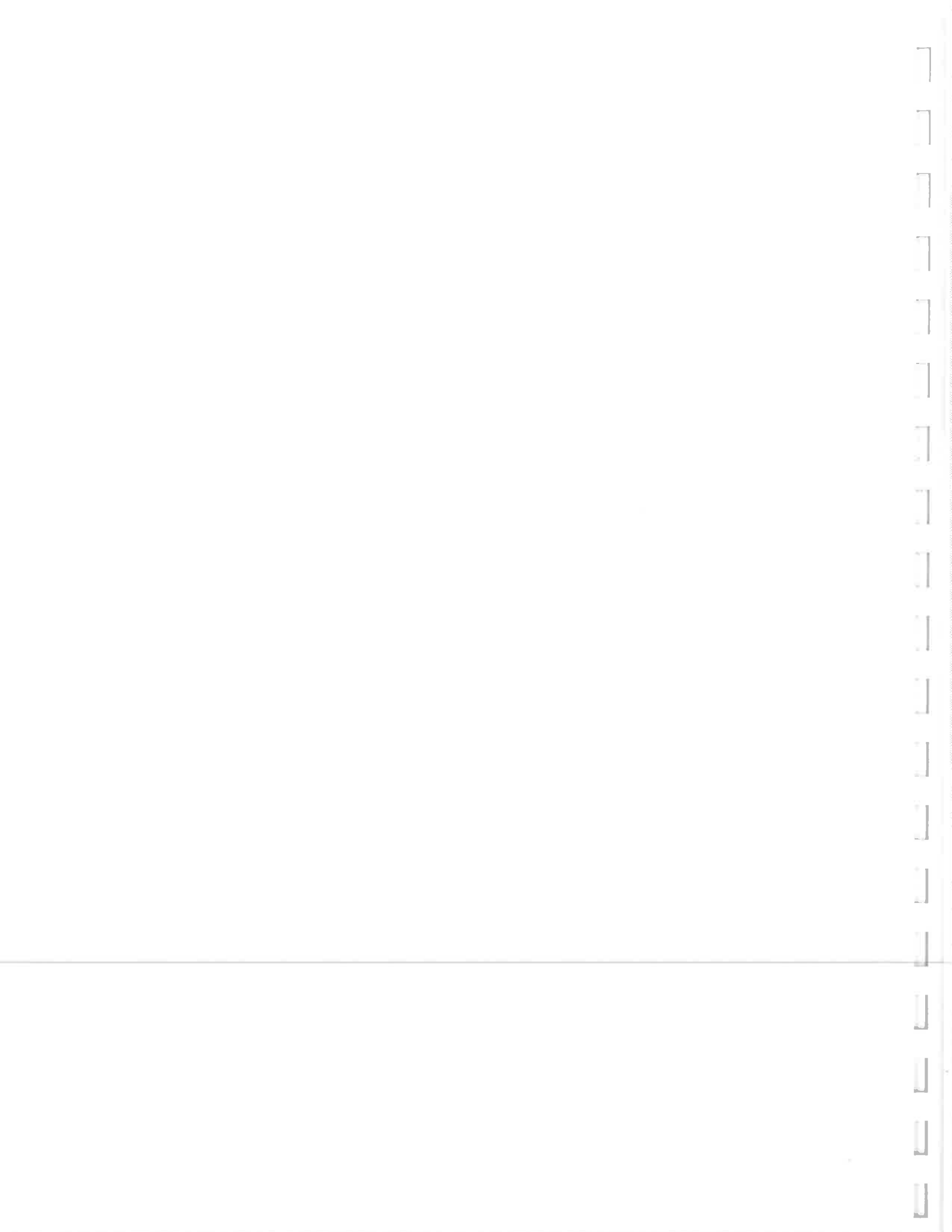
Accrued interest on bonds payable - prior year 107,816
Accrued interest on bonds payable - current year (94,591)
Amortization of gain on refunded bonds 55,365

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Collections and adjustments on prior year tax levies (52,061)
Collections due from current year tax levy 53,874

Change in net position of governmental activities \$ 1,247,863

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

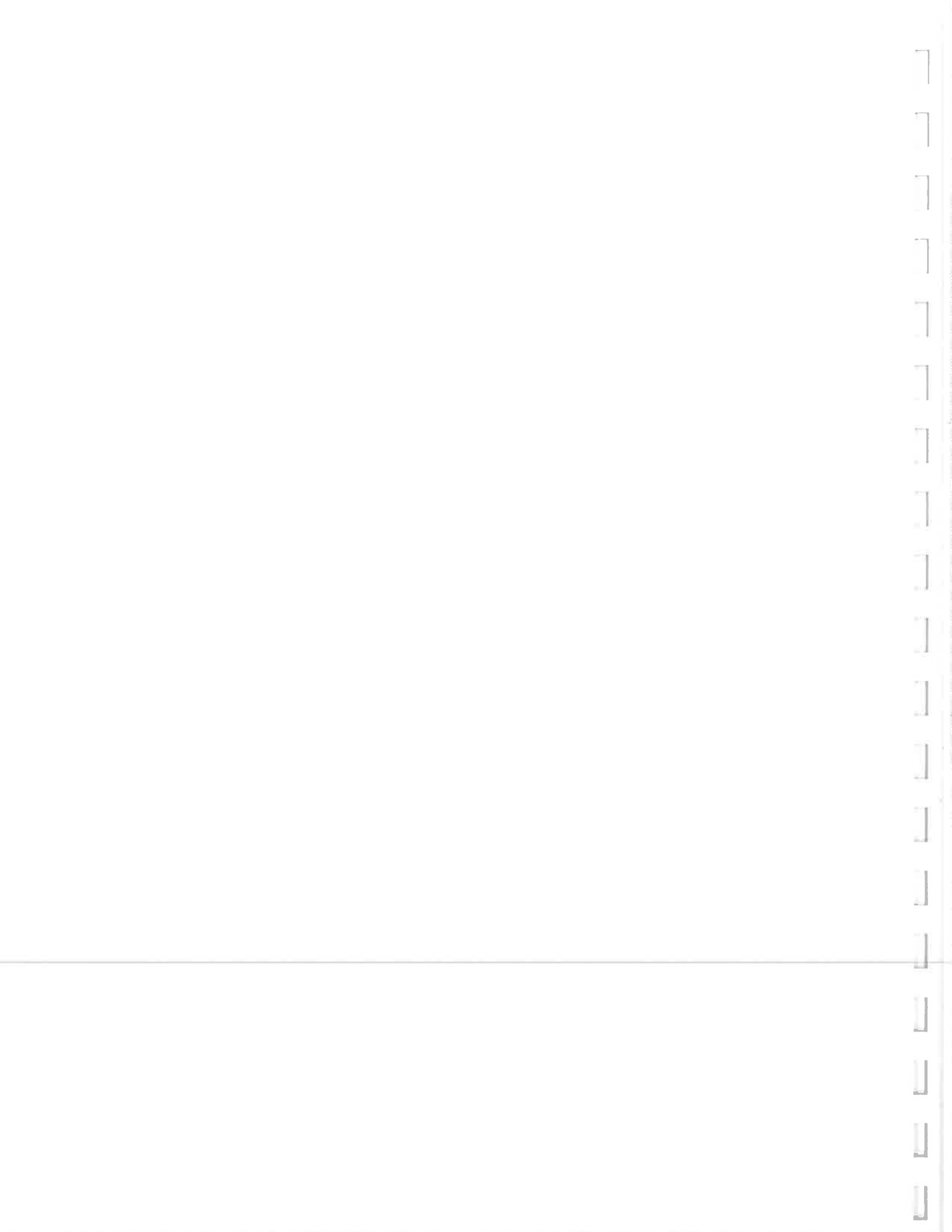


LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2018

	Water and Sewer Fund
CURRENT ASSETS	
Cash	\$ 2,121,376
Investments	221,360
Accounts receivable, net of allowance for doubtful accounts:	
Service accounts	634,601
Other	7,536
Inventory	320,815
Total current assets	3,305,688
NONCURRENT ASSETS	
Restricted	
Cash	1,612,634
Investments	432,488
Intangible assets, net of accumulated amortization	-
Capital assets	
Land	438,597
Construction-in-progress	4,033
Other capital assets, net of accumulated depreciation	28,589,768
Total noncurrent assets	31,077,520
Total assets	34,383,208
DEFERRED OUTFLOW OF RESOURCES	99,519
CURRENT LIABILITIES	
Accounts payable	213,900
Accrued liabilities	80,055
Interest payable	82,798
Current portion, bonds payable	495,828
Compensated absences	58,607
Customer deposits	705,655
Total current liabilities	1,636,843
NONCURRENT LIABILITIES	
Accrued pension liability	187,993
Bonds payable - noncurrent	7,689,713
Total noncurrent liabilities	7,877,706
Total liabilities	9,514,549
DEFERRED INFLOW OF RESOURCES	44,108
NET POSITION	
Invested in capital assets, net of related debt	20,764,059
Restricted for	
Debt service	782,232
Unrestricted	3,377,779
TOTAL NET POSITION	\$ 24,924,070

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

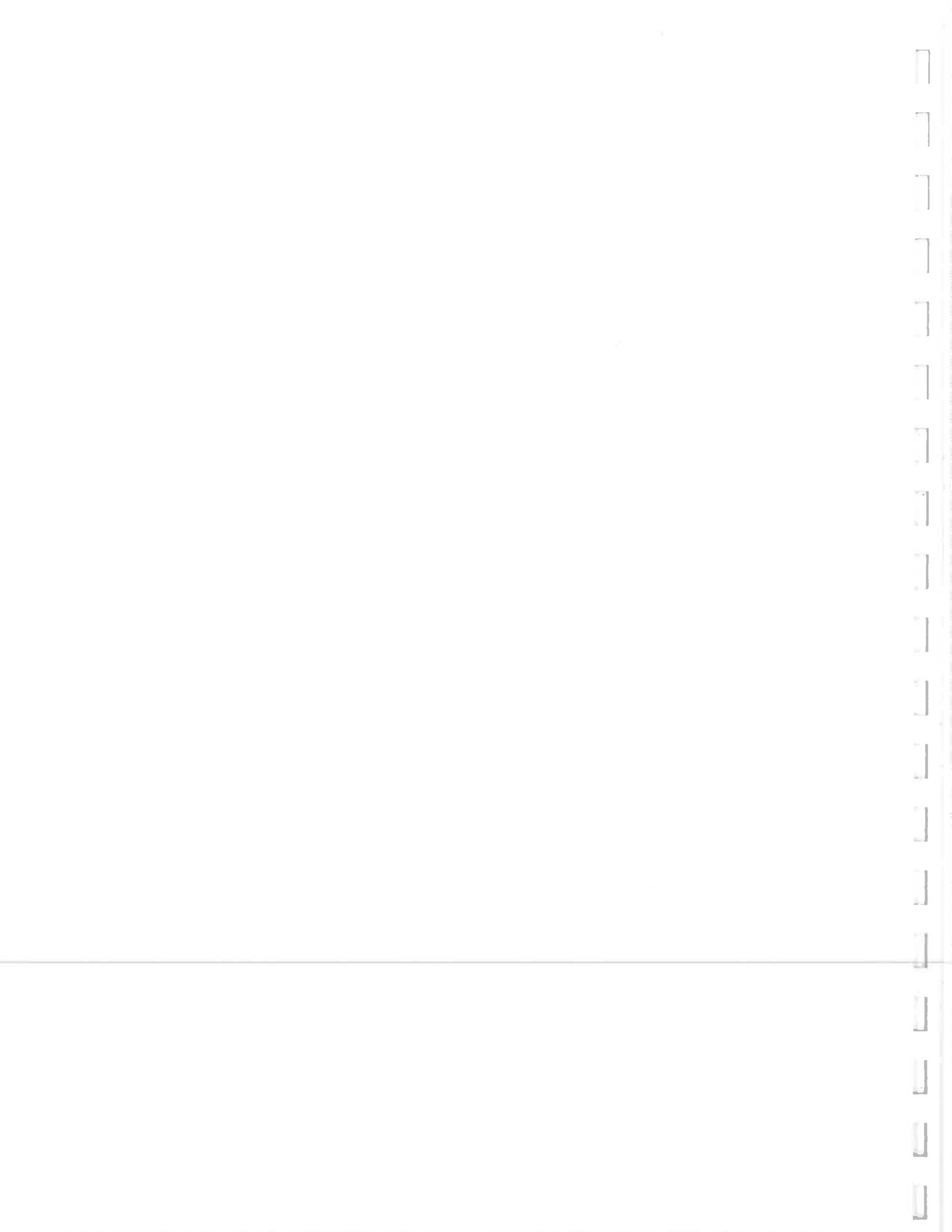


LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2018

	Water and Sewer Fund
OPERATING REVENUES	
Service fees	\$ 4,789,340
Tap connection fees	99,621
Miscellaneous	570,360
	<hr/>
Total operating revenues	5,459,321
	<hr/>
OPERATING EXPENSES	
Personnel	2,348,369
Professional services	37,503
Purchased and contract services	117,470
Consumable supplies and materials	215,147
Recurring expenses and repairs	1,601,330
Depreciation and amortization	1,535,635
	<hr/>
Total operating expenses	5,855,454
	<hr/>
OPERATING INCOME (LOSS)	(396,133)
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	6,204
Interest expense	(325,106)
Bond issue cost	(130,886)
Developer contributions	288,518
Rental income	2,125
Gain on sale of assets	184,111
	<hr/>
Total non-operating revenues (expenses)	24,966
	<hr/>
CHANGES IN NET POSITION	(371,167)
	<hr/>
NET POSITION, beginning of period	25,295,237
	<hr/>
NET POSITION, end of period	\$ 24,924,070
	<hr/>

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



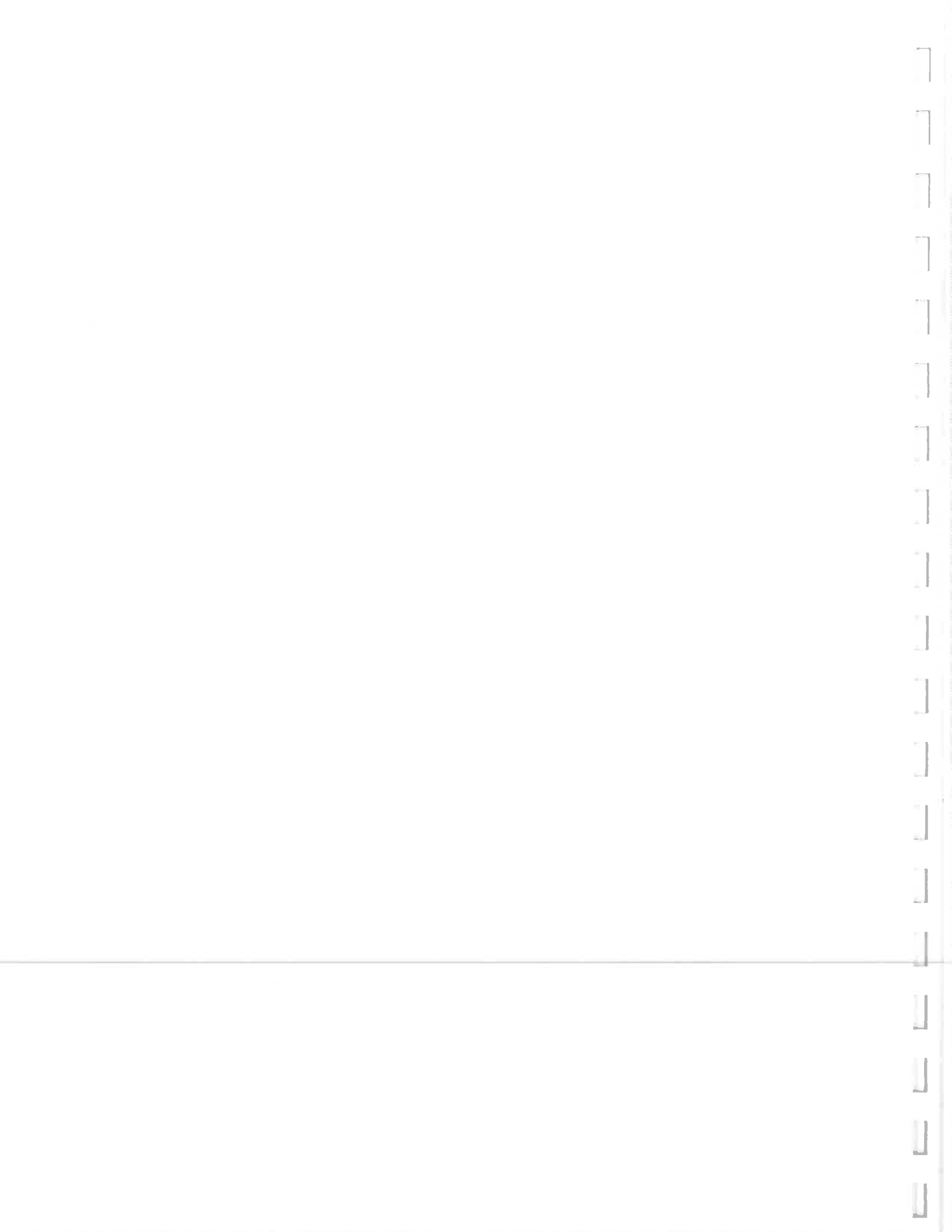
LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2018

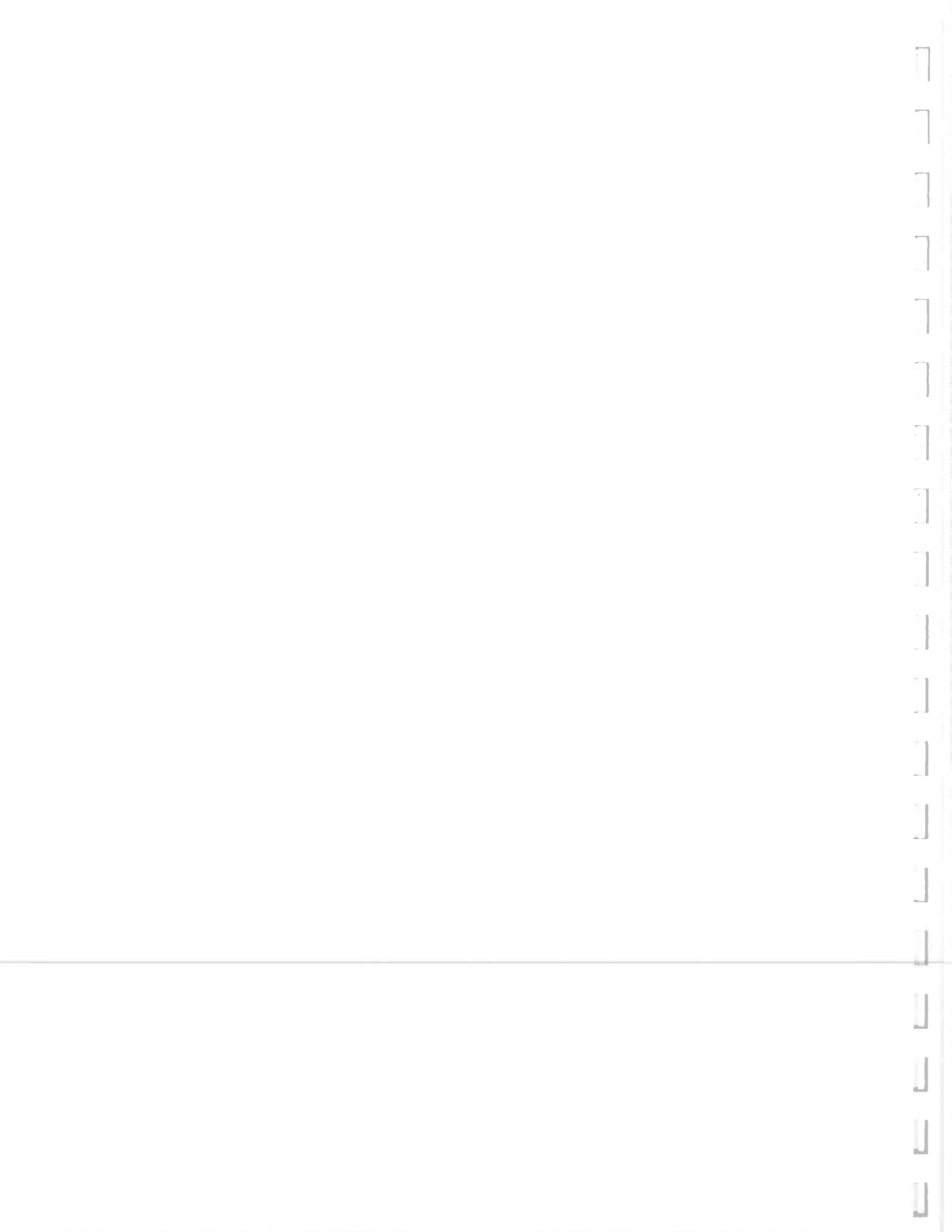
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 5,418,486
Payments to suppliers	(2,705,282)
Payments to employees	(1,700,245)
Payments for interest	(325,106)
Road Use / Mosquito Control collections	482,563
Road Use / Mosquito Control disbursements	<u>(482,563)</u>
Net cash provided by operating activities	<u>687,853</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from disposition of assets	223,377
Payments for capital assets	(141,719)
Construction-in-progress	(81,089)
Proceeds from bond refunding	3,056,862
Retirement of long-term debt	(3,295,000)
Customer security deposits	<u>13,642</u>
Net cash provided (used) by capital and related financing activities	<u>(223,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Deposits to investments	<u>(4,511)</u>
Net cash provided (used) by investing activities	<u>(4,511)</u>
INCREASE (DECREASE) IN CASH	459,415
CASH, beginning of period	<u>3,274,595</u>
CASH, end of period	<u>\$ 3,734,010</u>
Reconciliation of changes in net position to net cash provided by operating activities	
Changes in net position	\$ (371,167)
Adjustments to reconcile changes in net position to net cash provided by operating activities	
Depreciation	1,535,635
Interest income	(6,204)
Rental income	(2,125)
Gain on sale of assets	(184,111)
Developer contributions	(288,518)
Changes in working capital	
Receivables	(40,835)
Inventory	39,455
Accounts payable	40,285
Accrued liabilities	1,017
Interest payable	(40,874)
Compensated absences	<u>5,295</u>
Net cash provided by operating activities	<u>\$ 687,853</u>

During the fiscal year ended June 30, 2018, water and sewer system additions included \$288,518 in developer contributions.

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



NOTES TO THE FINANCIAL STATEMENTS



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the Lumberton Municipal Utility District (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

The Lumberton Municipal Utility District (the District) was created by the 63rd Texas Legislature and operates pursuant to Chapter 49 of the Texas Water Code. The District, with approximately 38,000 acres, is located entirely within the southeast corner of Hardin County and, except for an additional 130 acres, with boundaries in common with Lumberton Independent School District, north of Beaumont, Texas.

The District has adopted Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. As required by generally accepted accounting principles, these financial statements present the activities of the District which is considered to be the primary government as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

Government-wide and Fund Financial Statements

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and proprietary funds.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resource, measurement focus, and the modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District has the following major governmental fund:

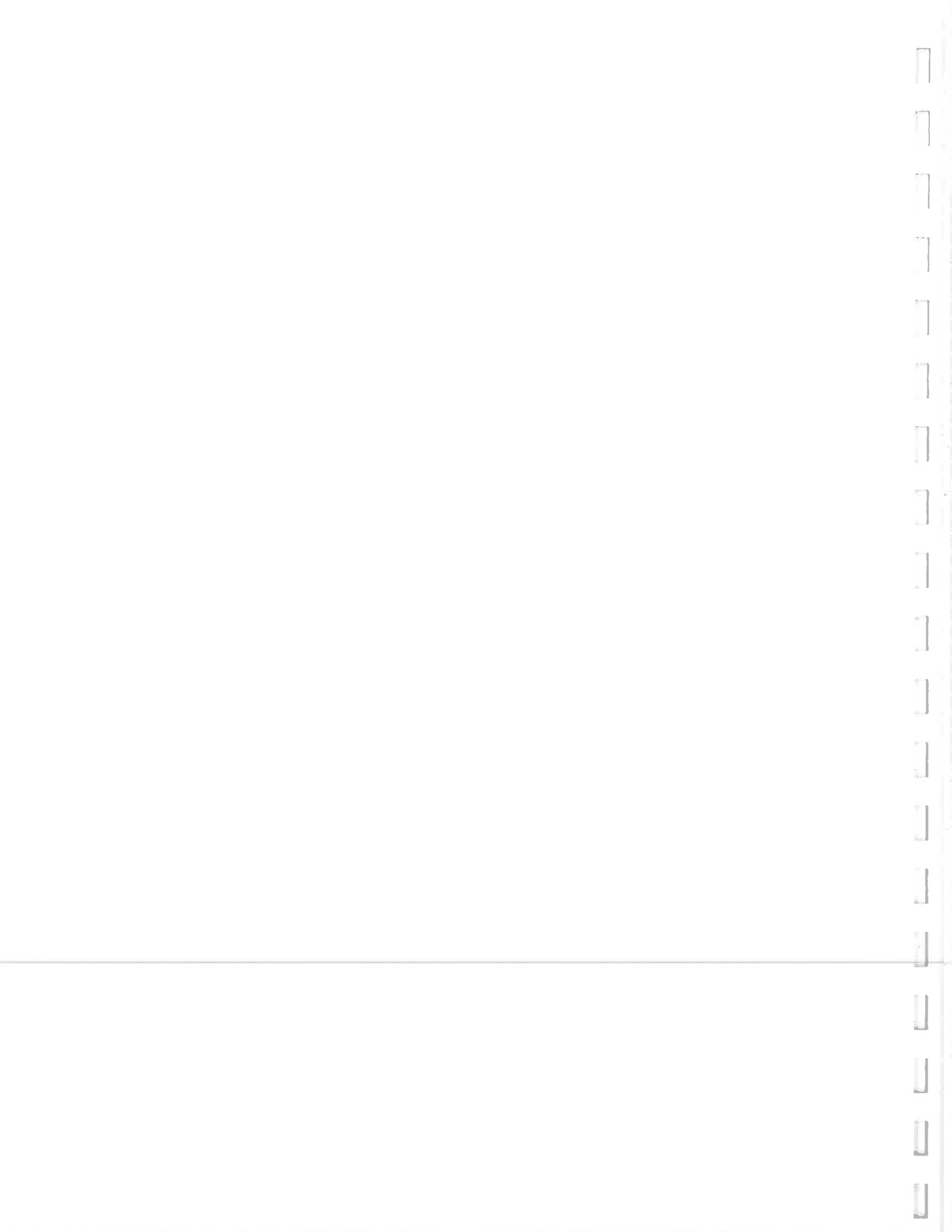
Debt Service Fund – To account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and other costs. The primary source of revenue is property taxes.

The District has the following major proprietary fund:

Enterprise Fund – To account for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges. The predominant function of the District's operations are maintained within the water and sewer operating fund. The water and sewer operating fund is accounted for as an enterprise activity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Using Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgetary Control

Budgets for the Water and Sewer Operating Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts shown on the budget to actual statements are as originally adopted or as amended by the District.

Organizational Costs

The District, in conformance with requirements of the Texas Commission on Environmental Quality (formerly TNRCC), capitalized and charged to organization costs, for the creation period, all costs incurred in the creation of the District allowed by statute. Organizational costs are being amortized over the estimated life of the utility system which is 35 years.

Inventory

Inventory is valued at cost, determined by actual physical count. Consumable supplies are considered an expense when purchased.

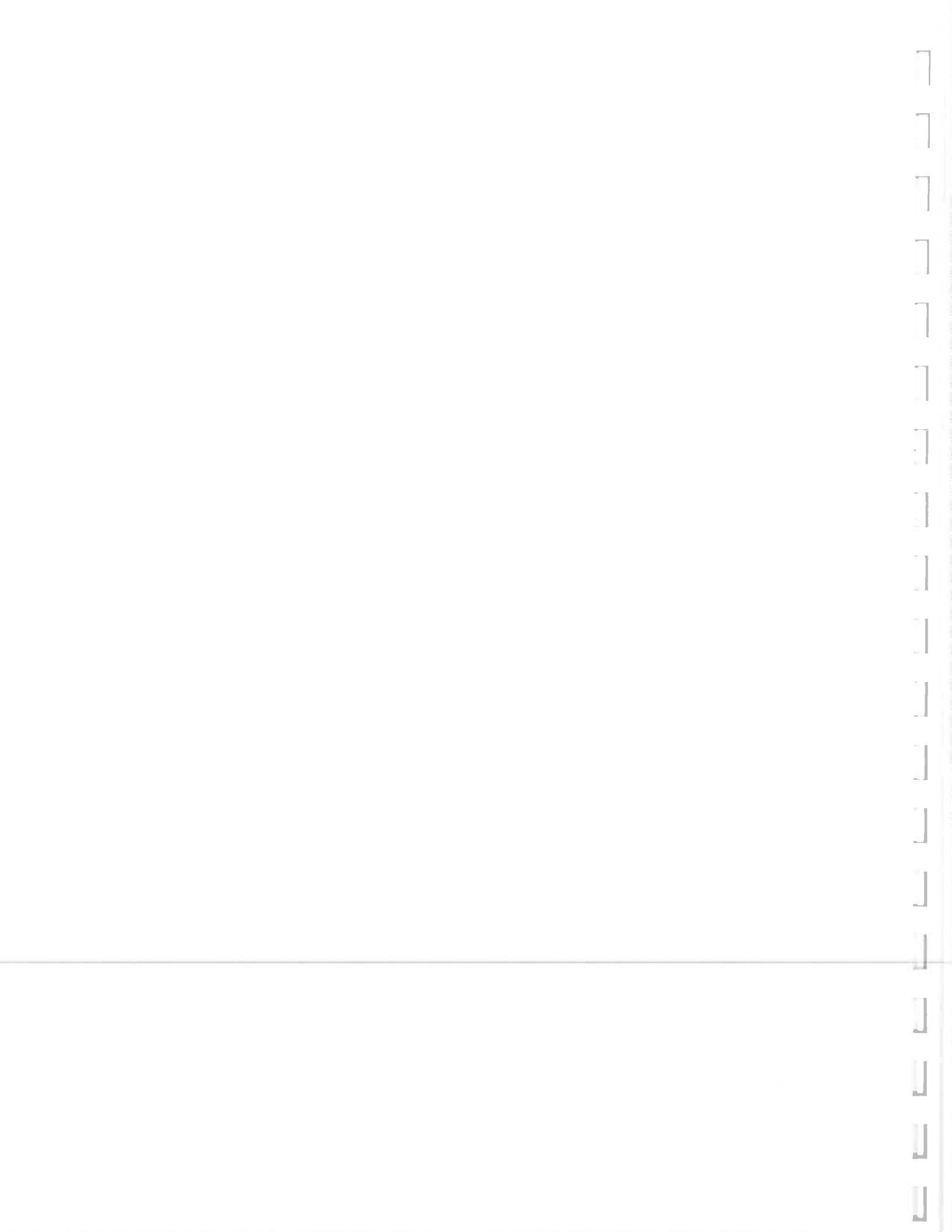
Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions in governmental funds occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statements of net position and balance sheet.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 - 35
Improvements other than buildings	10 - 35
Equipment	3 - 10

Compensated Absences

Vacation accrues at the end of the first year of continuous service. Employees shall be eligible for five working days of vacation after one year of continuous employment, which will increase to ten days on January 1 of the second year of employment. After five years and ten years of continuous employment, vacation days will increase to fifteen days and twenty days, respectively. No vacation days can be carried over into the next year.

Accrued vacation is recorded in the Enterprise Fund.

Nature of Purpose of Reservations and Designations of Fund Equity

The Proprietary Fund maintains the liability for revenue bonds that are paid from water and sewer service revenues. The current principal and interest maturity requirements are funded by an interest and sinking account set up in accordance with bond ordinances. A sinking fund reserve account has also been established for future debt requirements of the revenue bonds. The equity of those two accounts is, according to bond ordinance, a reservation of the Water and Sewer Fund Equity.

Amortization

Gains on advance refunding of bonds are accounted for as deferred inflow of resources in the Governmental Activities Statement of Net Position and are amortized over the original remaining life of the old debt.

Restricted Assets

Resources set aside for the repayment of revenue bonds, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. Restricted resources are used first to fund related appropriations and unrestricted resources are used after restricted resources are depleted.

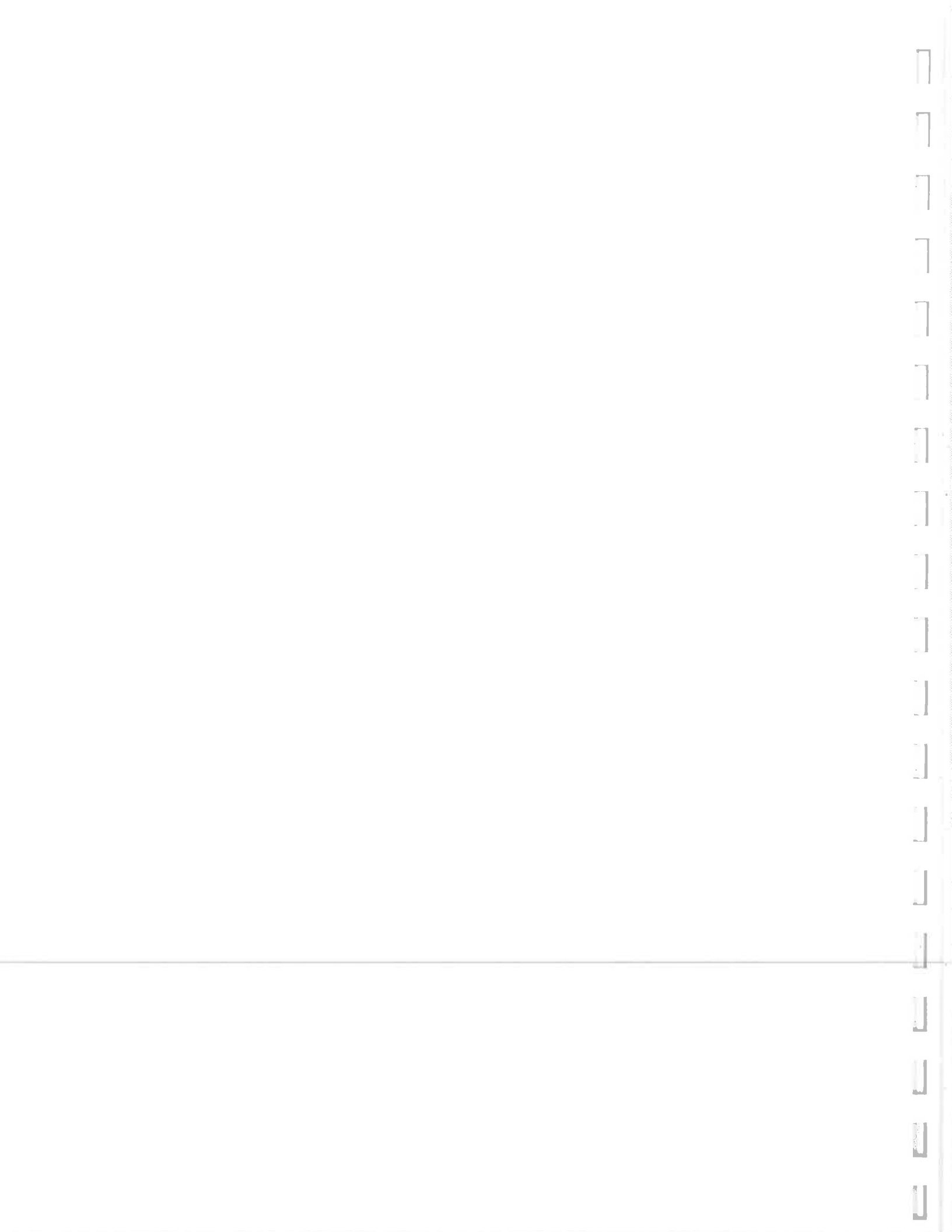
Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund Type considers all highly liquid investments (including restricted assets) with maturities of three months or less when purchased to be cash equivalents.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type activities Statement of Net Position.

In the governmental fund financial statements, 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.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Risk Management and Participation in Risk Pools

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are protected by participation in the Texas Municipal League Intergovernmental Risk Pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Subsequent Events

In accordance with ASC 855, the Management of Lumberton Municipal Utility District has evaluated subsequent events through September 6, 2018, the date on which the financial statements were available for issue.

2) **CASH AND INVESTMENTS**

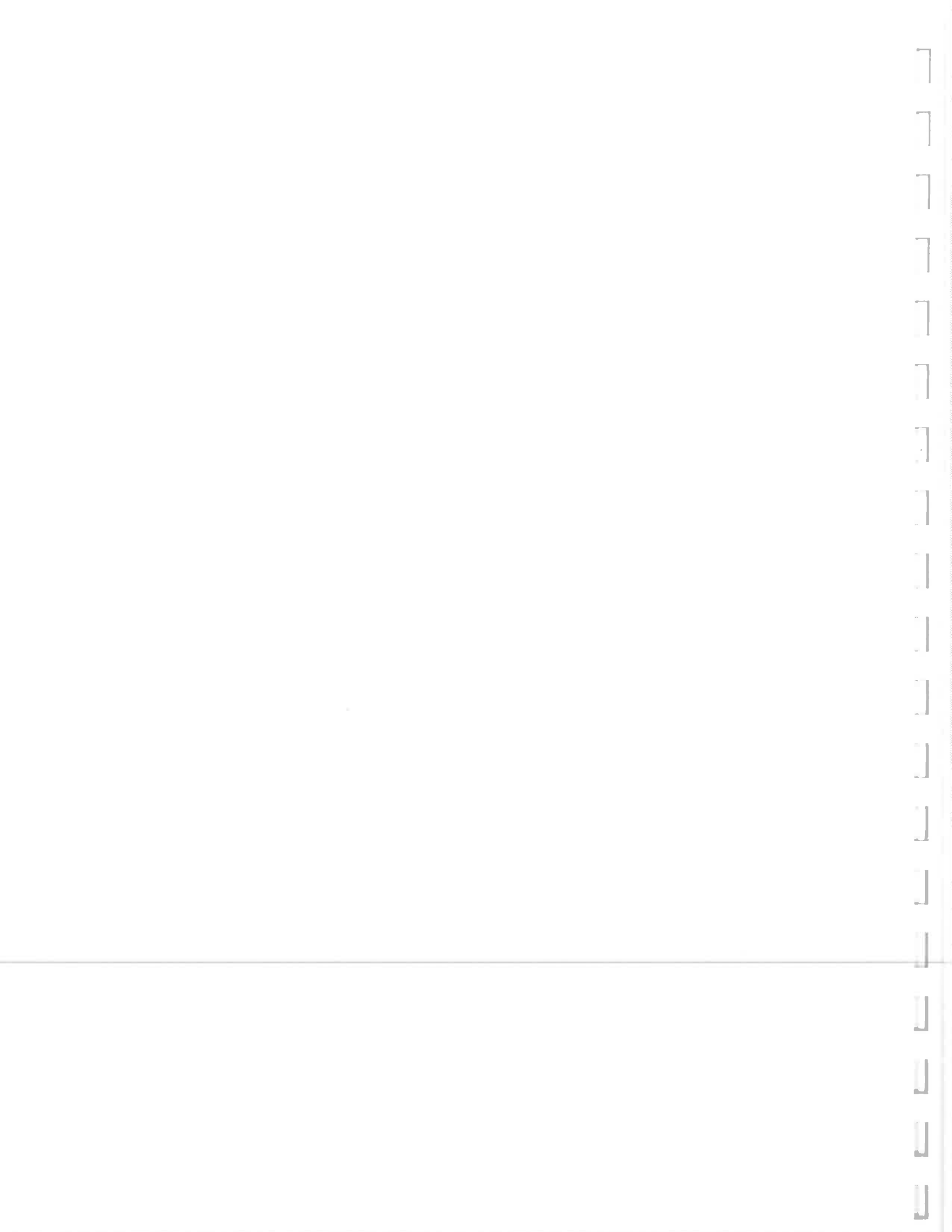
Texas statute and the District's investment policy authorize the District to invest in U.S. Treasury bills, notes, and bonds, which are backed by the full faith and credit of the United States government, U.S. governmental agency securities, and insured or collateralized time deposits issued by banks domiciled in the State of Texas.

At the year-end, the carrying amount of the District's deposits (including Certificates of Deposit reported below) was \$5,739,185 and the bank balance was \$5,719,435. All deposits as of the financial statement date were insured by FDIC coverage or collateralized by a letter of credit and pledged securities held by the depository's agent in the District's name.

The District addresses its credit risk, custodial credit risk and concentration of credit risk by investing only in local financial institution instruments that are fully insured or collateralized. The District addresses its interest rate risk by investing primarily in short-term instruments.

Investments made by the District are summarized below:

<u>Investment</u>	<u>Amount</u>
Certificate of deposit - Local Financial Institution	\$ 432,488
Certificate of deposit - Local Financial Institution	221,360
	<u>\$ 653,848</u>



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

2) **CASH AND INVESTMENTS (CONTINUED)**

Cash and investments are reported in the financial statements as follows:

	Cash	Investments	Total
Governmental Activities	\$ 1,351,327	\$ -	\$ 1,351,327
Business-Type Activities - unrestricted	2,121,376	221,360	2,342,736
Business-Type Activities - restricted			
Interest and Sinking Fund	550,883	-	550,883
Bond Reserve Fund	349,745	432,488	782,233
Customer Meter Deposits	712,006	-	712,006
	\$ 5,085,337	\$ 653,848	\$ 5,739,185

The Board of Directors of Lumberton Municipal Utility District has elected to use Certificates of Deposit as a component of the Reserve Fund required by the Bond Orders associated with the issuance of revenue bonds in 2007, 2012 and 2018.

3) **PROPERTY TAXES**

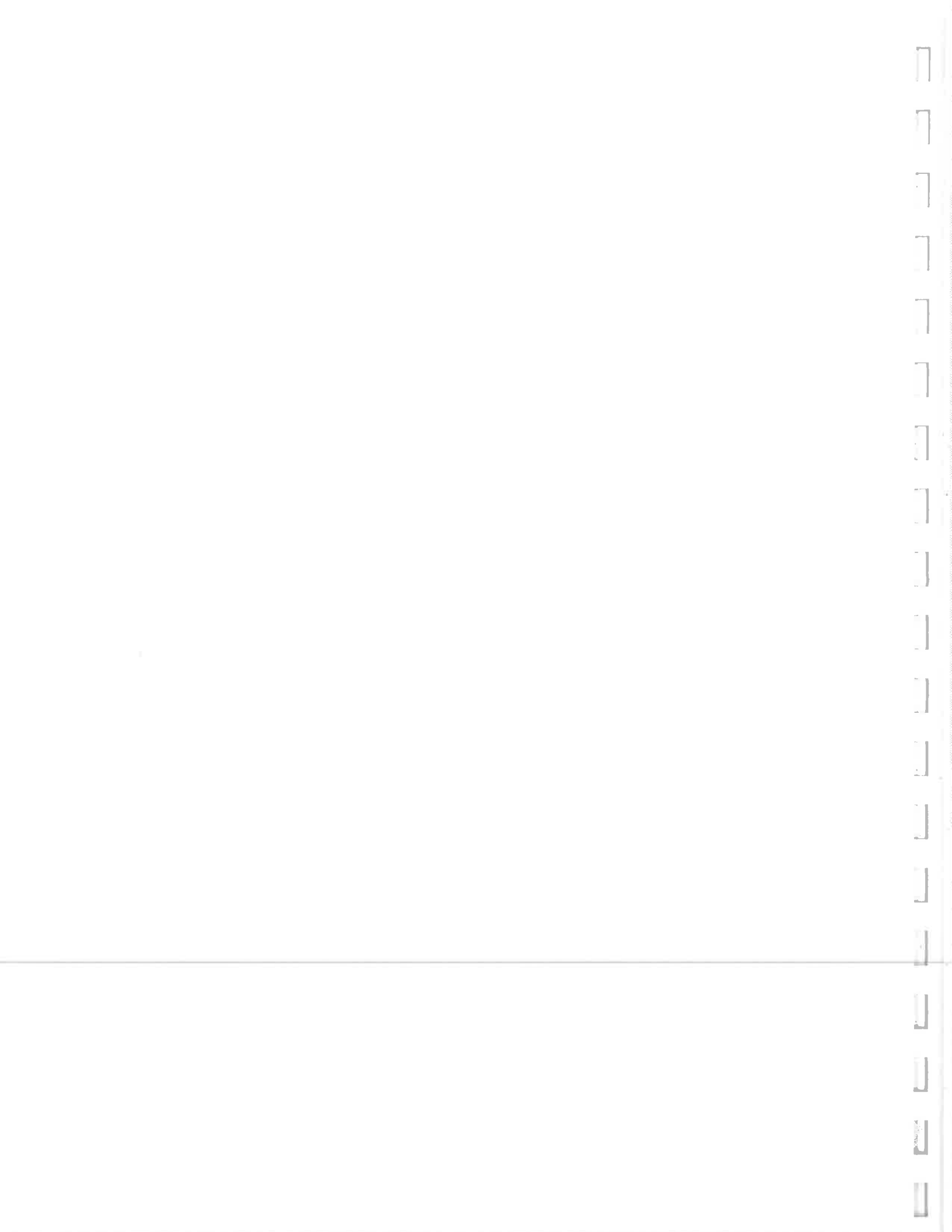
Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied on October 1 and payable by January 31. The District's taxes are billed and collected by the Hardin County Tax Assessor-Collector's office. In the fund financial statements, the District's property tax revenues are recognized as collected.

The District levies taxes in unlimited amounts for the payment of principal and interest of general long-term debt. The District, for the current year, had assessed valuations of \$1,138,141,267 and levied property taxes in the amount of \$1,493,367 from a tax rate of \$0.131232/\$100 valuation.

Property taxes receivables as of June 30, 2018, were comprised of the following:

Year of Levy	Debt Service Fund
2017	\$ 53,874
2016	18,633
2015	12,905
2014	11,511
2013	9,422
Before 2013	59,277
	\$ 165,622

In the Statement of Net Position, Property Taxes Receivable are reported net of an allowance for uncollectibles of \$66,102.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

4) **CAPITAL ASSETS**

A summary of changes in the capital assets for the primary government for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Business Type Activities				
Capital assets, not being depreciated				
Land	\$ 438,597	\$ -	\$ -	\$ 438,597
Construction-in-progress	26,030	81,089	103,086	4,033
Total capital assets, not being depreciated	464,627	81,089	103,086	442,630
Capital assets, being depreciated				
Buildings	5,821,343	-	179,816	5,641,527
Improvements other than buildings	50,421,731	453,667	-	50,875,398
Machinery and equipment	1,838,943	79,656	44,806	1,873,793
Total capital assets, being depreciated	58,082,017	533,323	224,622	58,390,718
Less accumulated depreciation				
Buildings	623,554	161,187	140,551	644,190
Improvements other than buildings	26,697,939	1,234,350	-	27,932,289
Machinery and equipment	1,129,179	140,098	44,806	1,224,471
Total accumulated depreciation	28,450,672	1,535,635	185,357	29,800,950
Total capital assets, being depreciation, net	29,631,345	(1,002,312)	39,265	28,589,768
Business-type activities capital assets, net	\$ 30,095,972	\$ (921,223)	\$ 142,351	\$ 29,032,398

Construction-in-progress for the enterprise funds as of June 30, 2018, includes the following:

	Estimated Project Costs	Construction- In-Progress	Remaining Projected Costs
SSO Program	\$ 35,000	\$ 4,033	\$ 30,967
Total for all projects	\$ 35,000	\$ 4,033	\$ 30,967



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

4) **CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the District as follows:

Business-type Activities	
Water and Sewer	\$ 1,535,635
Total Depreciation Expense - Business-type Activities	\$ 1,535,635

5) **INTANGIBLE ASSETS, DEFERRED GAINS AND AMORTIZATION**

Intangible assets and related amortization as of June 30, 2018, included the following:

	Historical Cost	Accumulated Amortization	Net
Business-Type Activities			
Organization costs, being amortized over 35 years	\$ 379,157	\$ 379,157	\$ -
Governmental Activities			
Deferred gain on defeased bonds (residual deferred charge)	\$ 651,037	\$ 282,299	\$ 368,738

Amortization expense for the year ended June 30, 2018 was \$0 in the Business-type Activities. Amortization of the deferred gain in the Governmental Activities was \$55,365 for the year ended June 30, 2018 and is recorded as a reduction of interest expense.

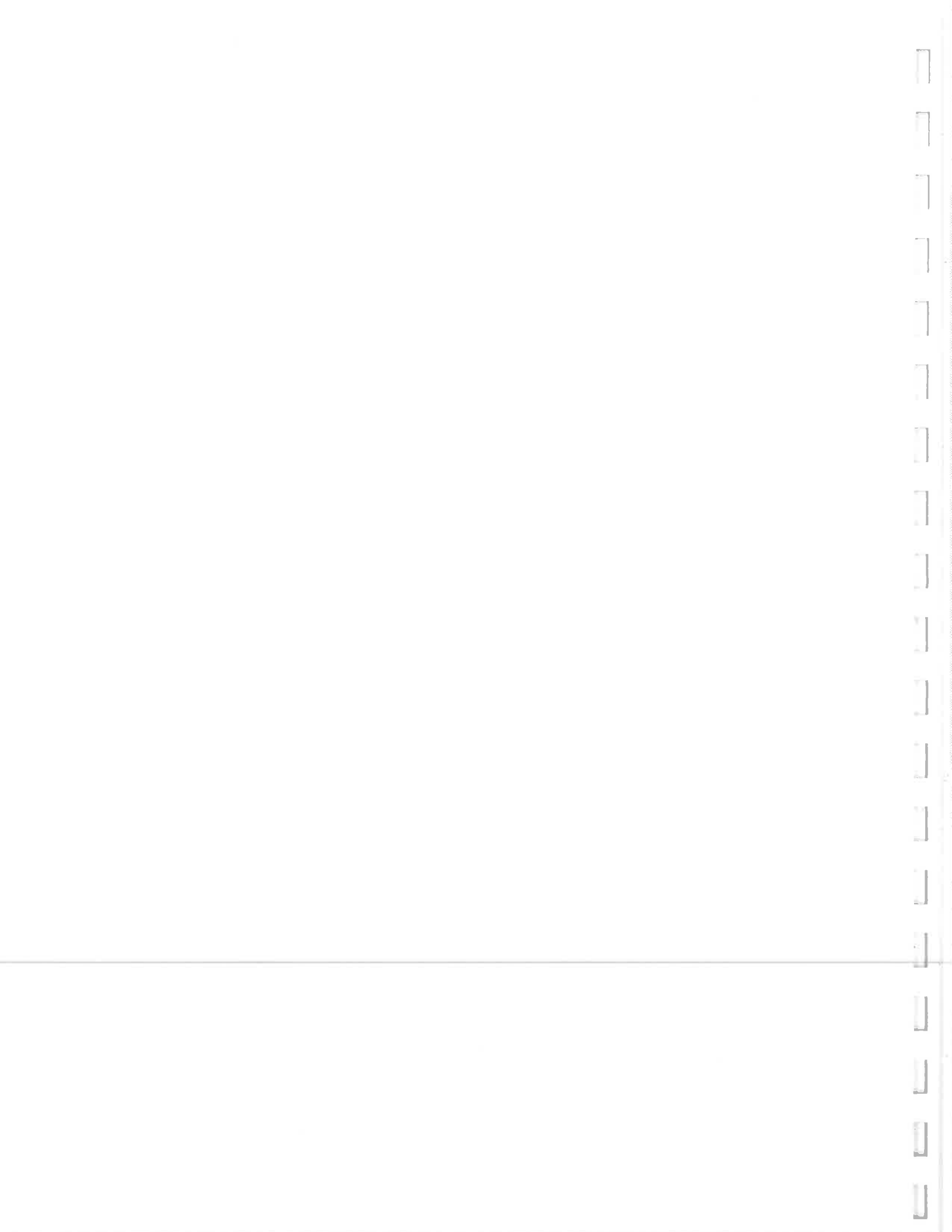
6) **LONG-TERM DEBT**

General Obligation and Revenue Bonds

The District issues general obligation and revenue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities and revenue bonds have been issued for business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation and revenue bonds currently outstanding are as follows:

Purpose	Amount
Governmental activities	\$ 2,820,000
Governmental activities - refunding	4,930,000
Business-type activities	7,835,000
	\$ 15,585,000



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

6) **LONG-TERM DEBT (CONTINUED)**

General Obligation and Revenue Bonds (Continued)

General Obligation Bonds payable at June 30, 2018 are comprised of the following individual issues:

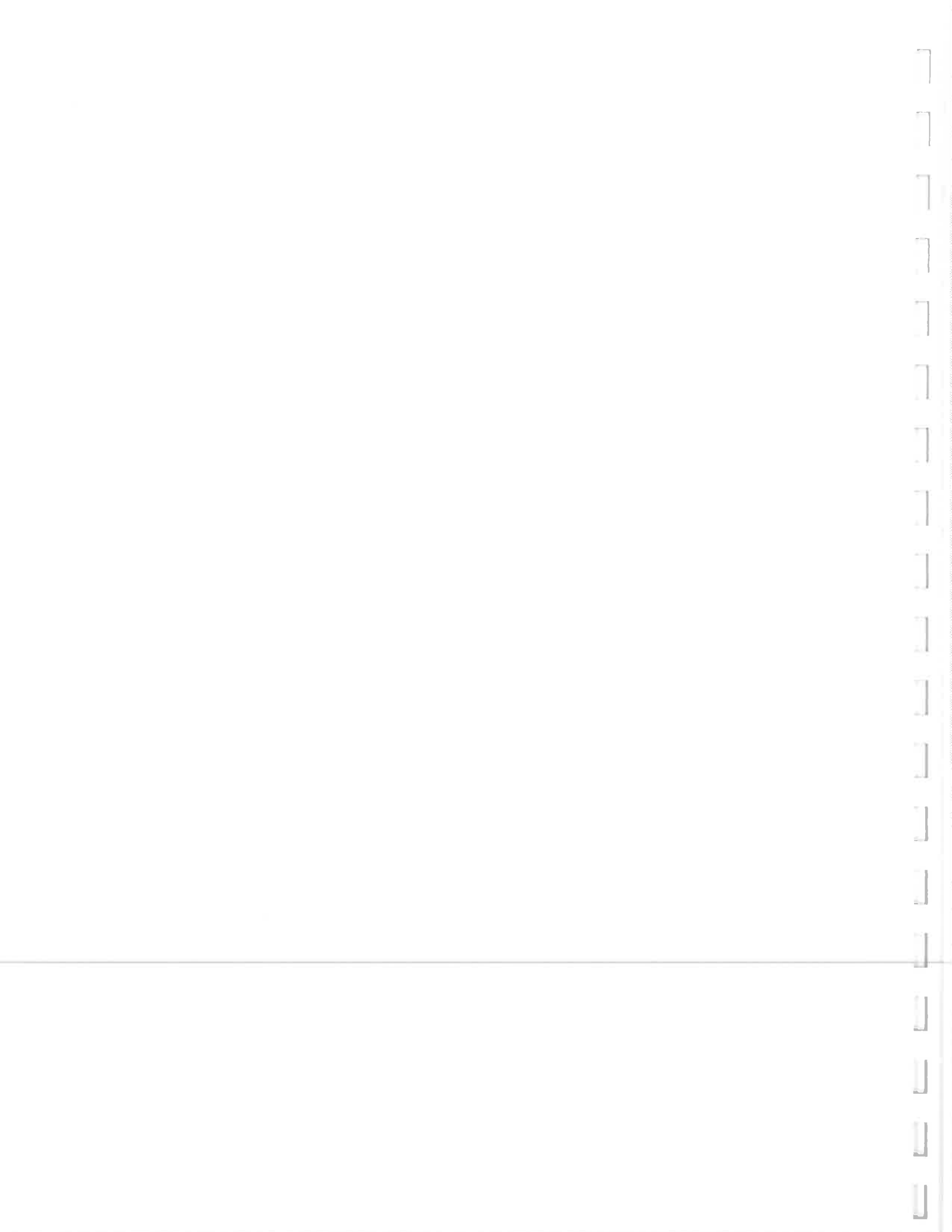
\$7,190,000 Series 2011 General Obligation Refunding Bonds due in annual principal installments of \$740,000 to \$510,000 through August 15, 2022; with interest at 3.50% to 4.00%	\$ 2,820,000
\$5,770,000 Series 2015 Tax Refunding Bonds due in annual principal installments of \$415,000 to \$550,000 through August 15, 2027; with interest at 2.00% to 4.00%	4,930,000
	\$ 7,750,000

Total Revenue Bonds payable at June 30, 2018 are as follows:

\$4,645,000 Series 2007 Utility System Revenue Bonds due in annual principal installments of \$195,000 to \$365,000 through August 15, 2028; with interest at 3.42% to 5.57% (Refunded April 17, 2018 except for principal and related interest due August 15, 2018)	\$ 215,000
\$5,710,000 Series 2012 Utility System Revenue Bonds due in annual principal installments of \$195,000 to \$425,000 through August 15, 2033; with interest at 3.0% to 3.25%	4,940,000
\$2,680,000 Series 2018 Utility System Revenue Refunding Bonds due in annual principal installments of \$15,000 to \$330,000 through August 15, 2029; with interest at 5.0%	2,680,000
	\$ 7,835,000

Annual debt service requirements to maturity for general obligation and revenue bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 1,240,000	\$ 235,162	\$ 445,000	\$ 250,023
2020	930,000	201,563	435,000	269,413
2021	955,000	170,825	455,000	251,763
2022	990,000	135,450	480,000	233,188
2023	1,000,000	95,650	505,000	213,613
2024-2028	2,635,000	187,800	2,905,000	740,515
2029-2033	-	-	2,185,000	229,165
2034	-	-	425,000	6,906
Total	\$ 7,750,000	\$ 1,026,450	\$ 7,835,000	\$ 2,194,586



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

6) **LONG-TERM DEBT (CONTINUED)**

For the fiscal year ended June 30, 2018, interest expense in the Governmental activities was \$202,737; interest expense in the Business-type activities was \$325,106; interest expense in the Governmental Funds was \$271,325.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation Bonds					
2011	\$ 3,590,000	\$ -	\$ 770,000	\$ 2,820,000	\$ 805,000
2015	5,355,000	-	425,000	4,930,000	435,000
	<u>\$ 8,945,000</u>	<u>\$ -</u>	<u>\$ 1,195,000</u>	<u>\$ 7,750,000</u>	<u>\$ 1,240,000</u>
Revenue Bonds					
2007	\$ 3,305,000	\$ -	\$ 3,090,000	\$ 215,000	\$ 215,000
2012	5,145,000	-	205,000	4,940,000	215,000
2018	-	2,680,000	-	2,680,000	15,000
2018 Bond Premium	-	350,541	-	350,541	50,828
	<u>\$ 8,450,000</u>	<u>\$ 3,030,541</u>	<u>\$ 3,295,000</u>	<u>\$ 8,185,541</u>	<u>\$ 495,828</u>
Total Bonded Debt	<u>\$ 17,395,000</u>	<u>\$ 3,030,541</u>	<u>\$ 4,490,000</u>	<u>\$ 15,935,541</u>	<u>\$ 1,735,828</u>

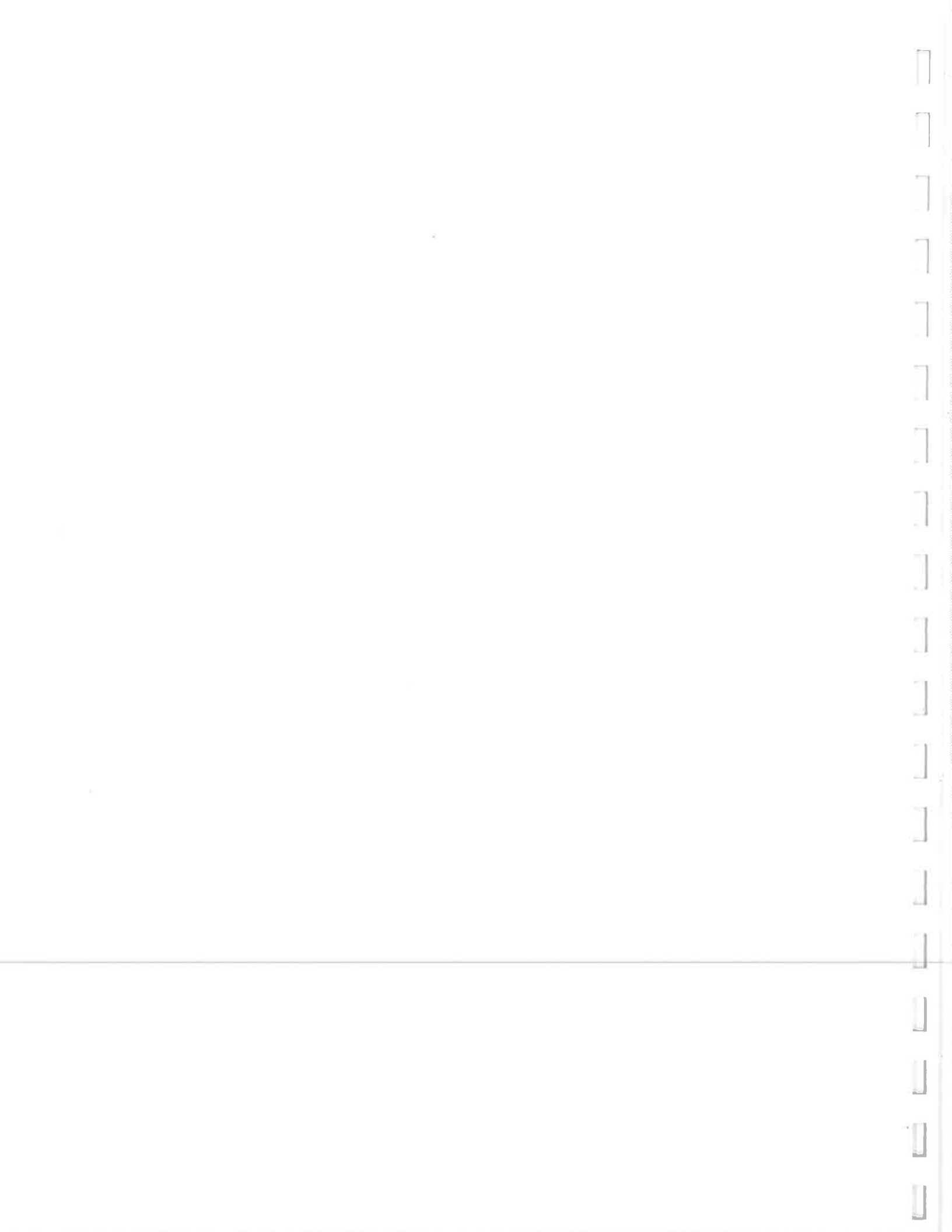
Refunding and Defeased Debt

On November 1, 2011, Lumberton Municipal Utility District issued general obligation bonds totaling \$7,190,000 with interest ranging from 3.50% to 4.00% to refund three series of bonds with interest ranging from 3.15% to 6.00%. Two of the series were called on November 23, 2011 and the third series was advance refunded to be called on August 15, 2012. A portion of the proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds were called on August 15, 2012.

As a result of the advance refunding, the District reduced its total debt service requirements by \$485,173, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$428,319.

On August 20, 2015, the District refunded the General Obligation Bonds, Series 2005. Bonds in the amount of \$5,875,000 bearing interest at 2.1% to 3.85% were called on August 21, 2015 and were funded with the proceeds of Tax Refunding Bonds, Series 2015 in the amount of \$5,770,000 bearing interest at 2.0% to 4.0%. This refunding resulted in a net present value savings of \$348,649.

On April 17, 2018, the District refunded \$2,885,000 of the Utility System Revenue Bonds, Series 2007. The Series 2007 refunded bonds bore interest at 4.97% to 5.57% and were called on May 24, 2018 being funded with the proceeds of the Utility System Revenue Refunding Bonds, Series 2018 in the amount of \$2,680,000 bearing interest at 5%. This refunding resulted in a net present value savings of \$344,857.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

7) **OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

- A) Segment information for certain enterprise funds. This requirement is effectively met in this report because the District maintains only one enterprise fund.
- B) In the Water and Sewer Fund, personnel exceeded budget by \$24,369; recurring expenses and repairs exceeded budget by \$103,280.
- C) In the Debt Service Fund, collection cost exceeded budget by \$12,586 but was offset by appraisal district fees which were budgeted to include collection costs.

8) **PENSION COSTS**

Plan Description

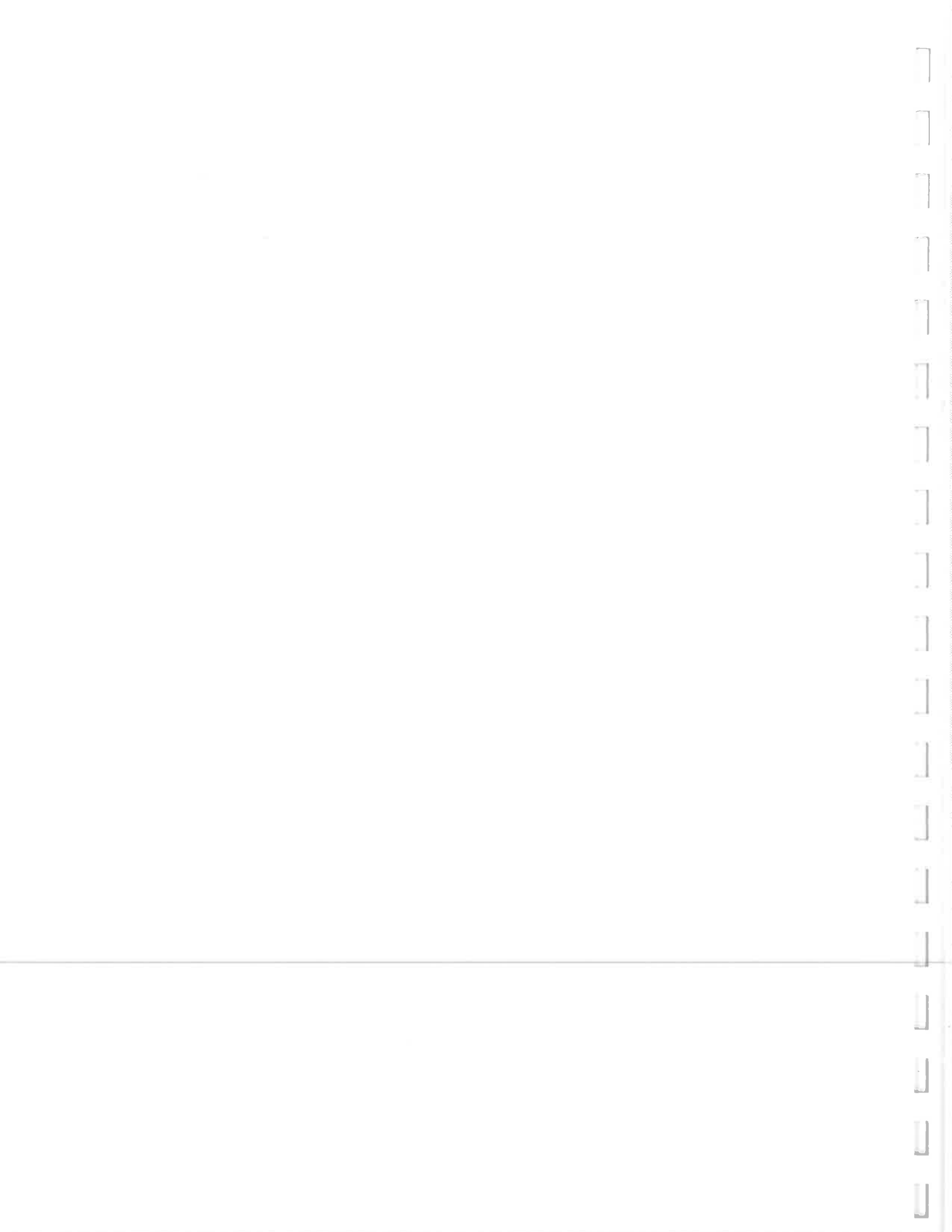
Lumberton Municipal Utility District provides retirement, disability and death benefits for all of its full-time and part-time non-temporary employees through participation in the statewide Texas County and District Retirement System (TCDRS), a nontraditional defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The Plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of those monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	25
Active employees	36
	67



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

8) PENSION COSTS (CONTINUED)

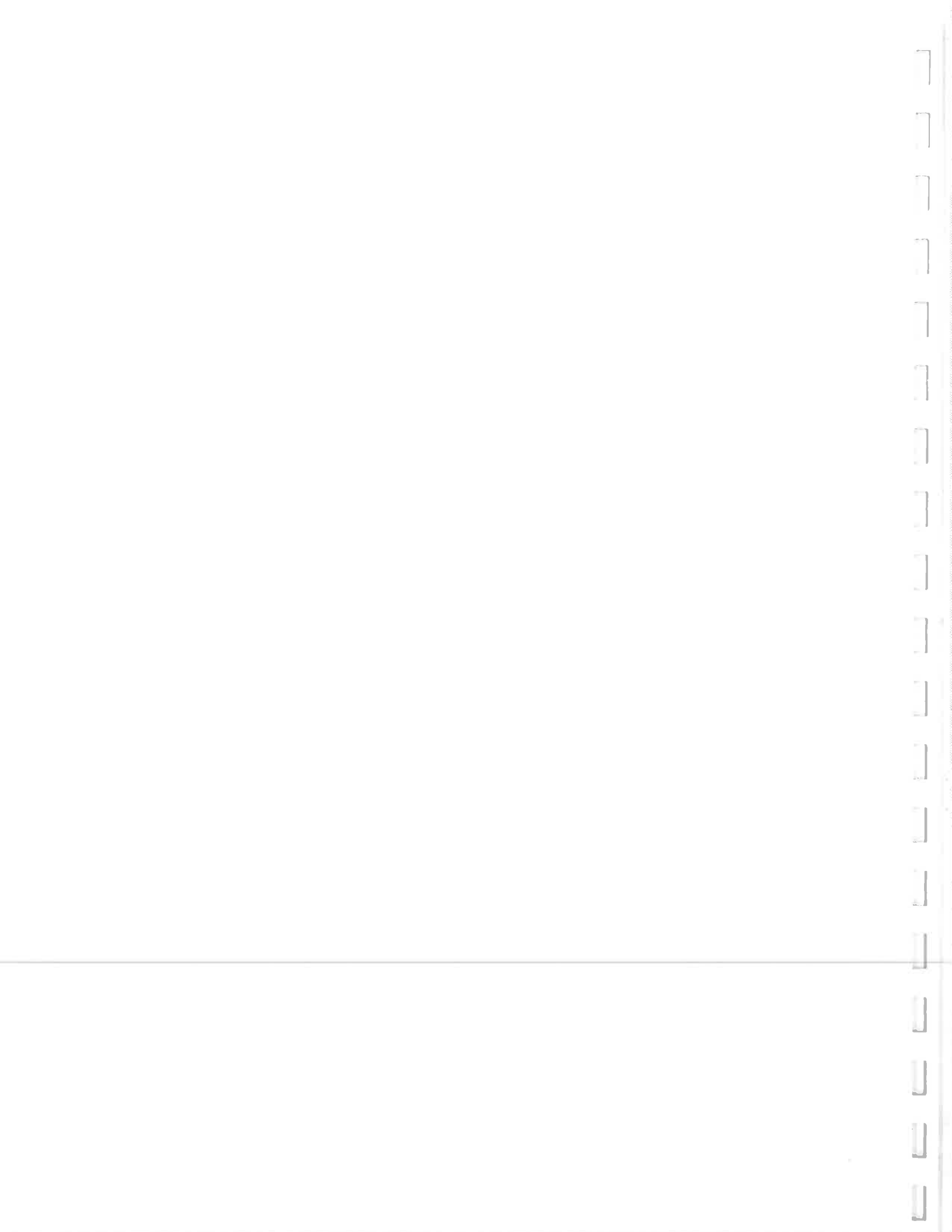
Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 7.37% for the months of the accounting year in 2017 and 7.70% for the months of the accounting year in 2018. The contribution rate payable by the employee members for calendar years 2017 and 2018 is the rate of 6.00%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ended June 30, 2018, the annual pension cost for the TCDRS plan for its employees was \$146,800 and the actual contribution was \$128,807. The required contribution was determined as part of the December 31, 2017 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2017 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized on a level percentage of covered payroll basis over a closed period with a layered approach.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

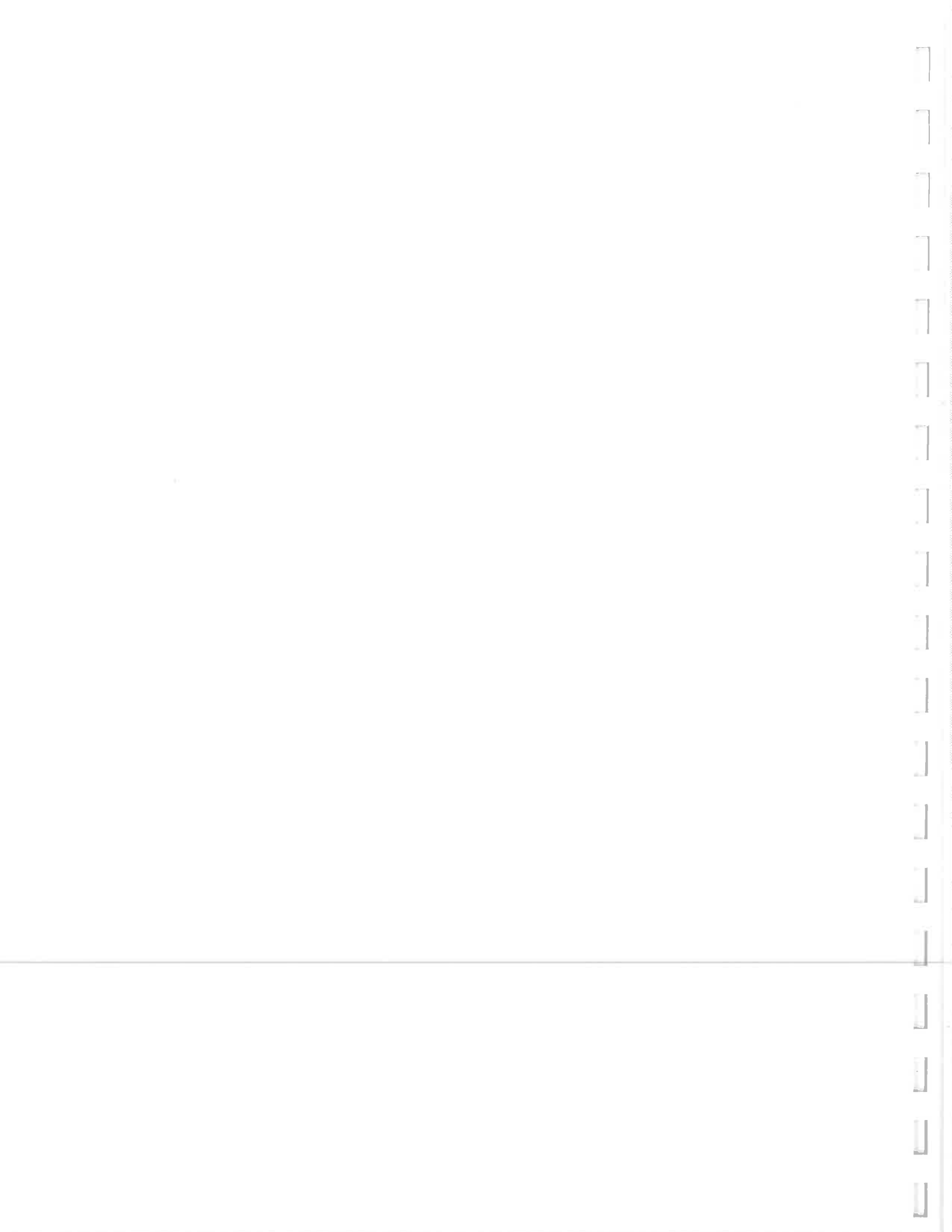
8) **PENSION COSTS (CONTINUED)**

Net Pension Liability / (Asset)

	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2016</u>
Total Pension Liability		
Service cost	\$ 178,925	\$ 176,703
Interest on total pension liability	298,707	259,476
Effect of plan changes	-	-
Effect of assumption changes or inputs	16,811	-
Effect of economic/demographic (gains) or losses	(7,442)	6,258
Benefit payments/refunds of contributions	<u>(85,244)</u>	<u>(16,890)</u>
Net change in total pension liability	401,757	425,547
Total pension liability, beginning	<u>3,550,610</u>	<u>3,125,063</u>
Total pension liability, ending (a)	<u>3,952,367</u>	<u>3,550,610</u>
Fiduciary Net Position		
Employer contributions	126,288	118,763
Member contributions	102,775	100,931
Investment income net of investment expenses	463,256	203,556
Benefit payments/refunds of contributions	(85,244)	(16,890)
Administrative expenses	(2,503)	(2,213)
Other	<u>1,904</u>	<u>17,728</u>
Net change in fiduciary net position	606,476	421,875
Fiduciary net position, beginning	<u>3,157,898</u>	<u>2,736,023</u>
Fiduciary net position, ending (b)	<u>3,764,374</u>	<u>3,157,898</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 187,993</u>	<u>\$ 392,712</u>
Fiduciary net position as a % of total pension liability	95.24%	88.94%
Pensionable covered payroll	\$ 1,712,913	\$ 1,682,183
Net pension liability as a % of covered payroll	10.98%	23.35%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

8) **PENSION COSTS (CONTINUED)**

Discount Rate

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Discount rate ⁽²⁾	8.10%	8.10%	8.10%
Long-term expected rate of return, net of investment expenses ⁽²⁾	8.10%	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply	Does not apply

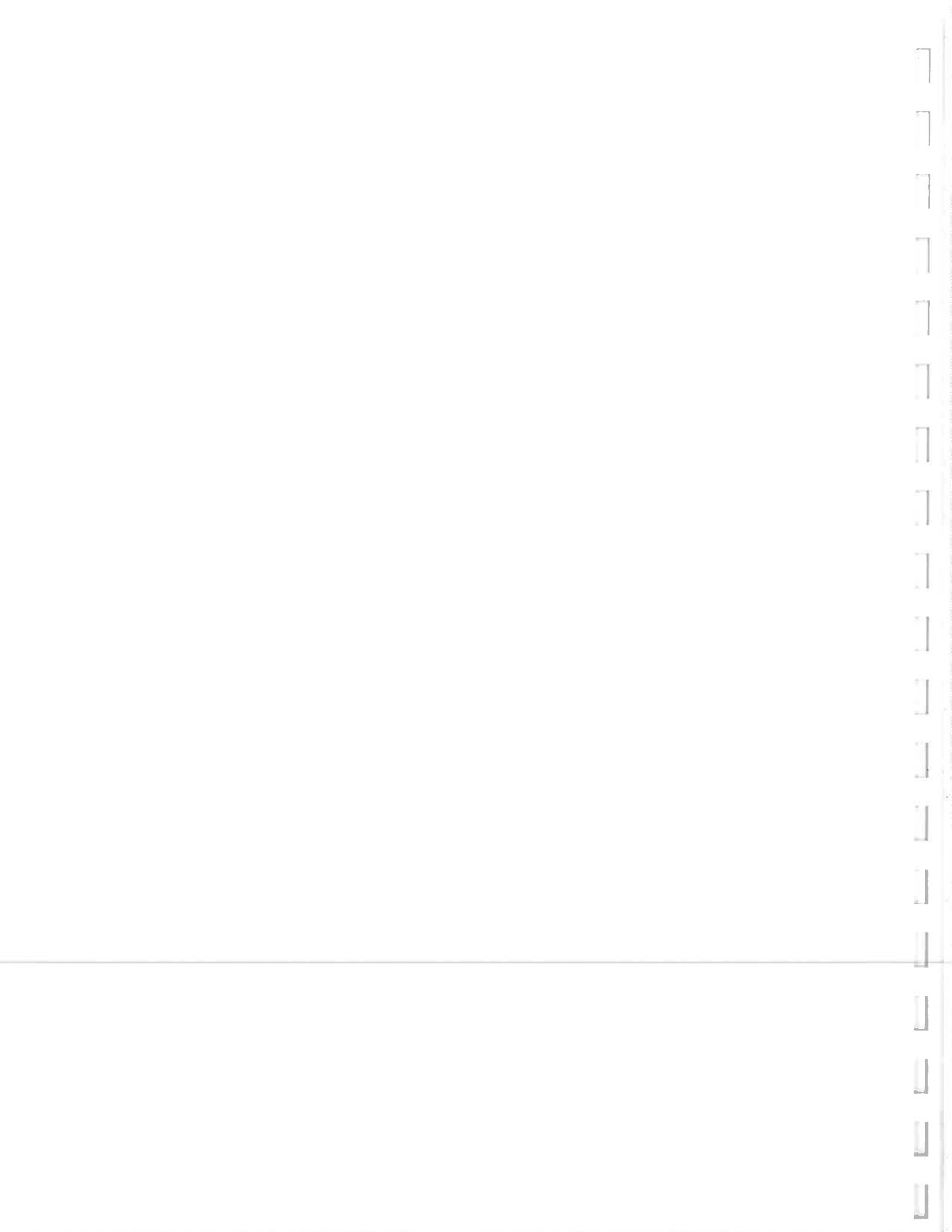
⁽²⁾ This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses required by GASB 68.

⁽³⁾ The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

Valuation date	December 31, 2016	December 31, 2017
Measurement date	December 31, 2016	December 31, 2017
Reporting date	July 1, 2017	June 30, 2018



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

8) PENSION COSTS (CONTINUED)

Actuarial Methods and Assumptions Used for GASB Calculations

Valuation Timing Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost method Entry Age

Amortization Method Level percentage of payroll, closed

Remaining Amortization Period 10.9 years (based on contribution rate calculated in 12/31/2017 valuation)

Asset Valuation Method 5-year smoothed market

Inflation 2.75%

Salary Increases Varies by age and service. 4.9% average over career including inflation.

Investment Rate of Return 8.00%, net of administrative and investment expenses, including inflation

Retirement Age Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions* 2015: New inflation, mortality and other assumptions were reflected.

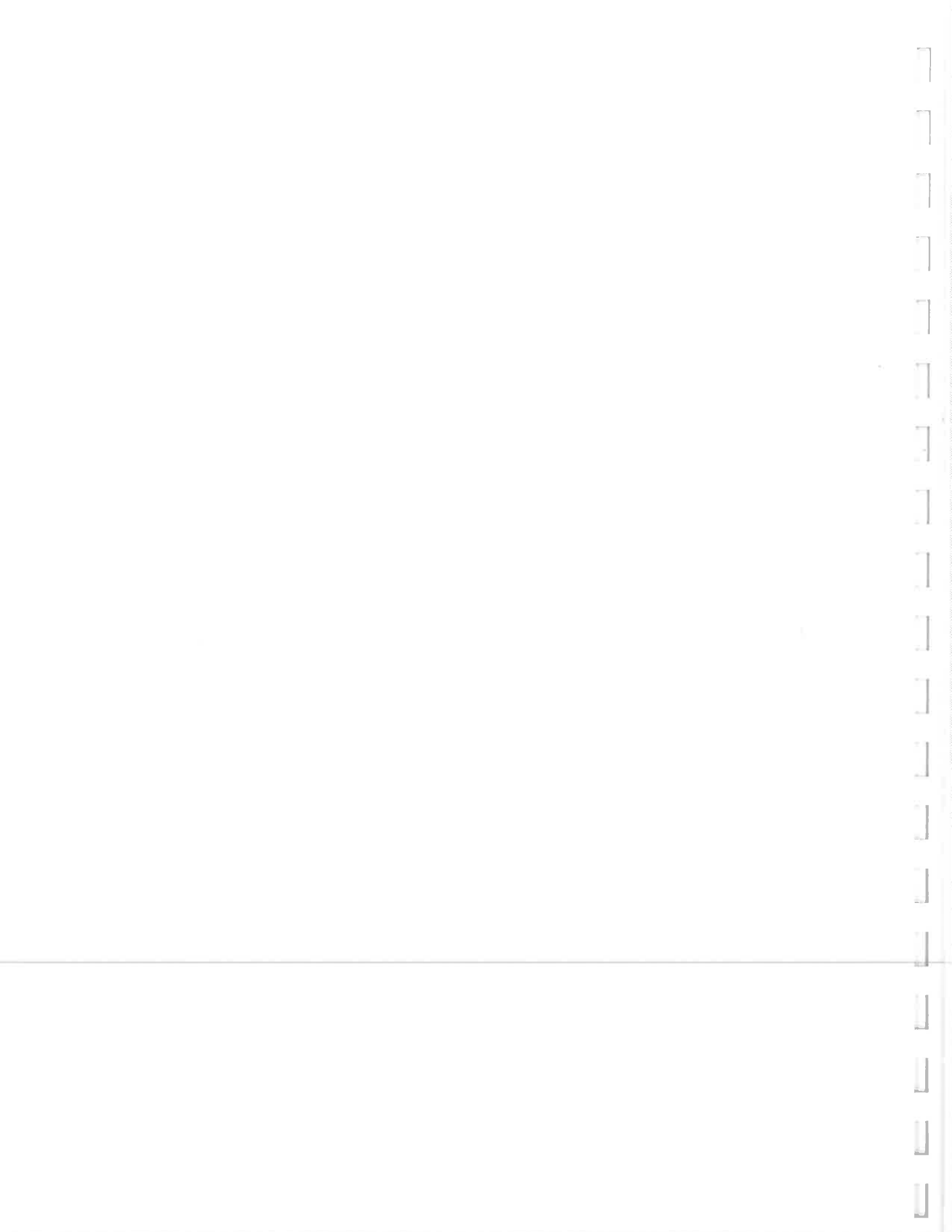
2017: New mortality assumptions were reflected.

Changes in Plan Provisions Reflected in the Schedule of Employer Contributions* 2015: No changes in plan provisions were reflected in the Schedule.

2016: No changes in plan provisions were reflected in the Schedule.

2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

8) PENSION COSTS (CONTINUED)

Long-term Expected Rate of Return

The Long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI EM (net) Index	8.00%	5.55%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnership (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

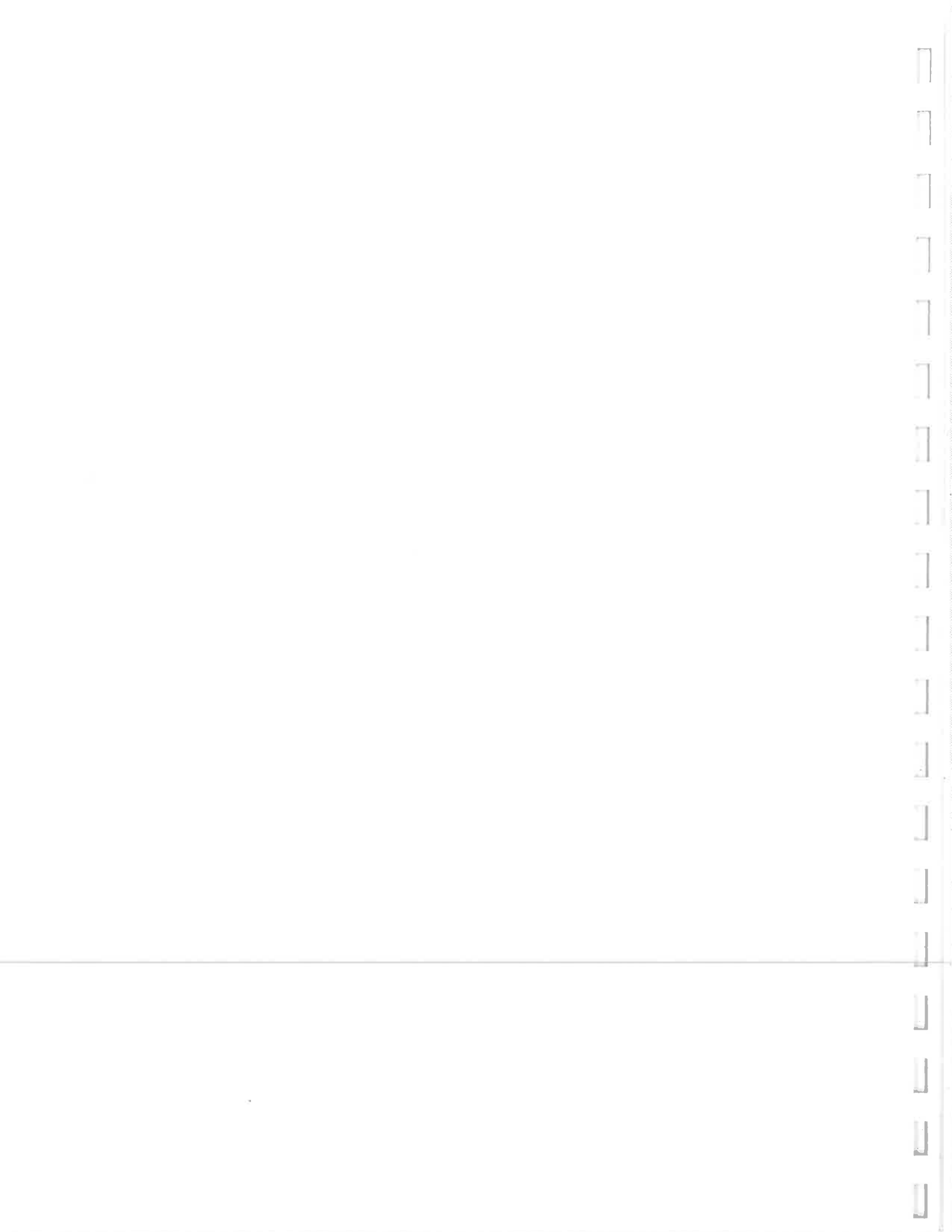
⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumption

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

8) **PENSION COSTS (CONTINUED)**

Changes in Net Pension Liability / (Asset)

	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Balances as of December 31, 2016	\$ 3,550,610	\$ 3,157,898	\$ 392,712
Changes for the year:			
Service Cost	178,925	-	178,925
Interest on total pension liability ⁽¹⁾	298,707	-	298,707
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(7,442)	-	(7,442)
Effect of assumptions changes or inputs	16,811	-	16,811
Refund of contributions	(49,972)	(49,972)	-
Benefit payments	(35,272)	(35,272)	-
Administrative expenses	-	(2,503)	2,503
Member contributions	-	102,775	(102,775)
Net Investment income	-	463,256	(463,256)
Employer contributions	-	126,288	(126,288)
Other ⁽³⁾	-	1,904	(1,904)
	<u>\$ 3,952,367</u>	<u>\$ 3,764,374</u>	<u>\$ 187,993</u>
Balances as of December 31, 2017	<u>\$ 3,952,367</u>	<u>\$ 3,764,374</u>	<u>\$ 187,993</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

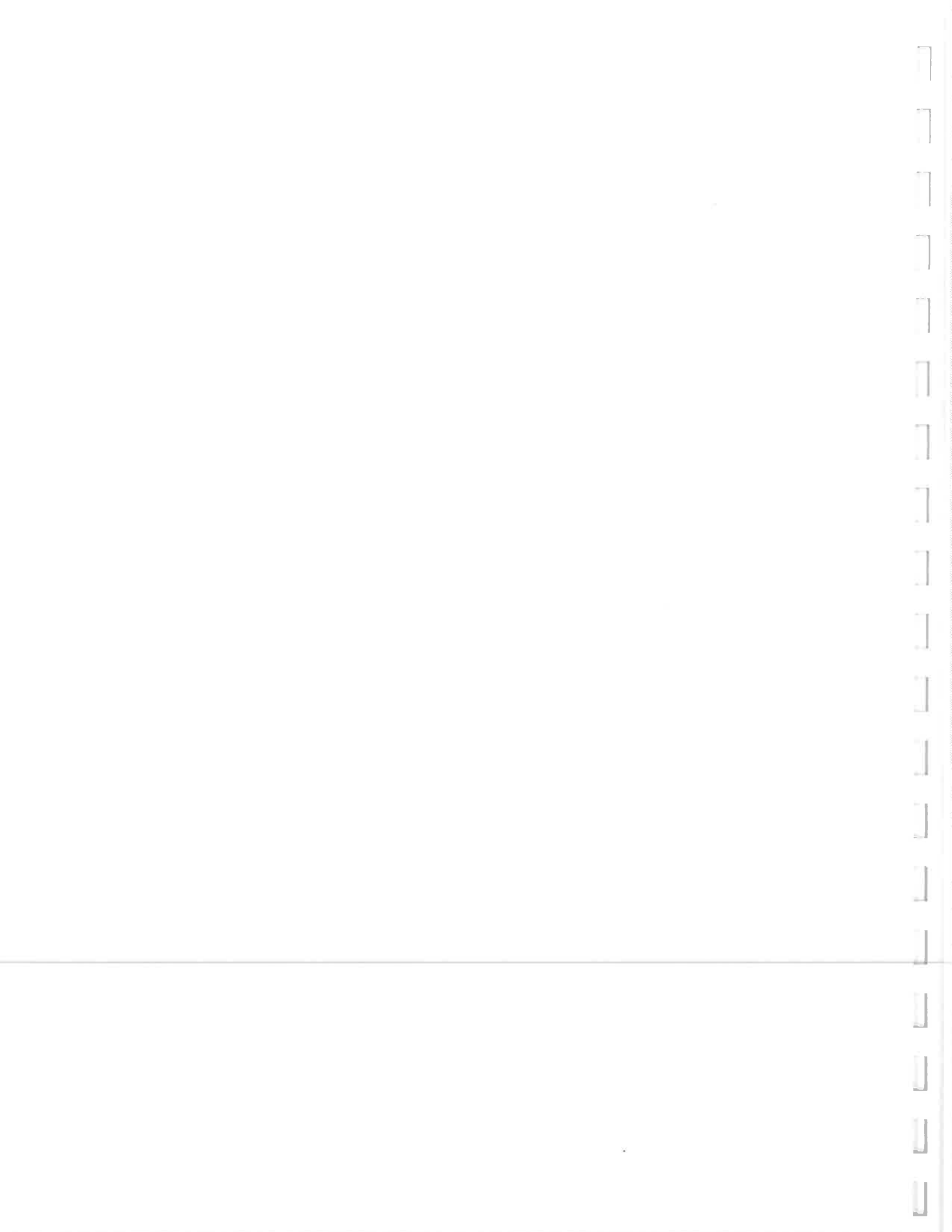
⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 8.10%, as well as what the Lumberton Municipal Utility District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	<u>1% Decrease 7.10%</u>	<u>Current Discount Rate 8.10%</u>	<u>1% Increase 9.10%</u>
Total pension liability	\$ 4,620,094	\$ 3,952,367	\$ 3,399,043
Fiduciary net position	<u>3,764,374</u>	<u>3,764,374</u>	<u>3,764,374</u>
Net pension liability / (asset)	<u>\$ 855,720</u>	<u>\$ 187,993</u>	<u>\$ (365,331)</u>



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

8) **PENSION COSTS (CONTINUED)**

Pension Expense / (Income)	<u>January 1, 2017 to December 31, 2017</u>
Service cost	\$ 178,924
Interest on total pension liability ⁽¹⁾	298,707
Effect on plan changes	-
Administrative expenses	2,503
Member contributions	(102,775)
Expected investment return net of investment expenses	(261,477)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(2,273)
Recognition of assumption changes or inputs	6,838
Recognition of investment gains or losses	28,146
Other ⁽²⁾	<u>(1,904)</u>
Pension expense / (income)	<u>\$ 146,689</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

As of December 31, 2017, the deferred inflow and outflows of resources are as follows:

Deferred inflows / outflows of resources

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 17,003	\$ 6,749
Changes of assumptions	-	27,719
Net difference between projected and actual earnings	27,105	-
Contributions made subsequent to measurement date ⁽³⁾	<u>n/a</u>	<u>65,051</u>
	<u>\$ 44,108</u>	<u>\$ 99,519</u>

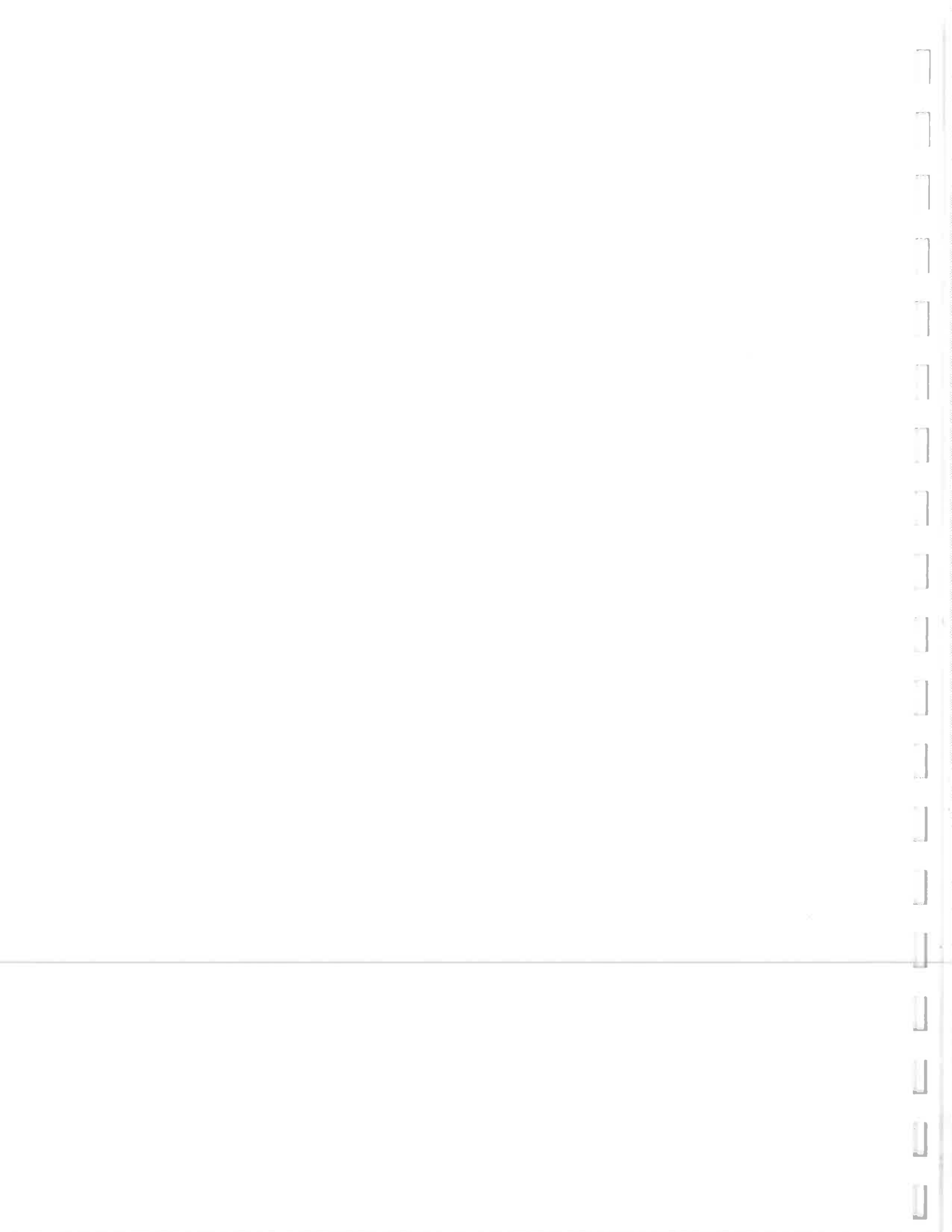
Amounts currently reported as deferred outflows of resources and deferred inflow of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:

2018	\$ 32,711
2019	24,680
2020	(31,733)
2021	(37,974)
2022	1,338
Thereafter ⁽⁴⁾	1,338

⁽³⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

⁽⁴⁾ Total remaining balances to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.



LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

8) **PENSION COSTS (CONTINUED)**

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$4,412 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

9) **COMMITMENTS AND CONTINGENCIES**

The District is a party to various claims and legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or if not so covered, are without merit, or involve such amounts that unfavorable disposition would not have a material effect on the operation of the District.

10) **TAX ABATEMENTS**

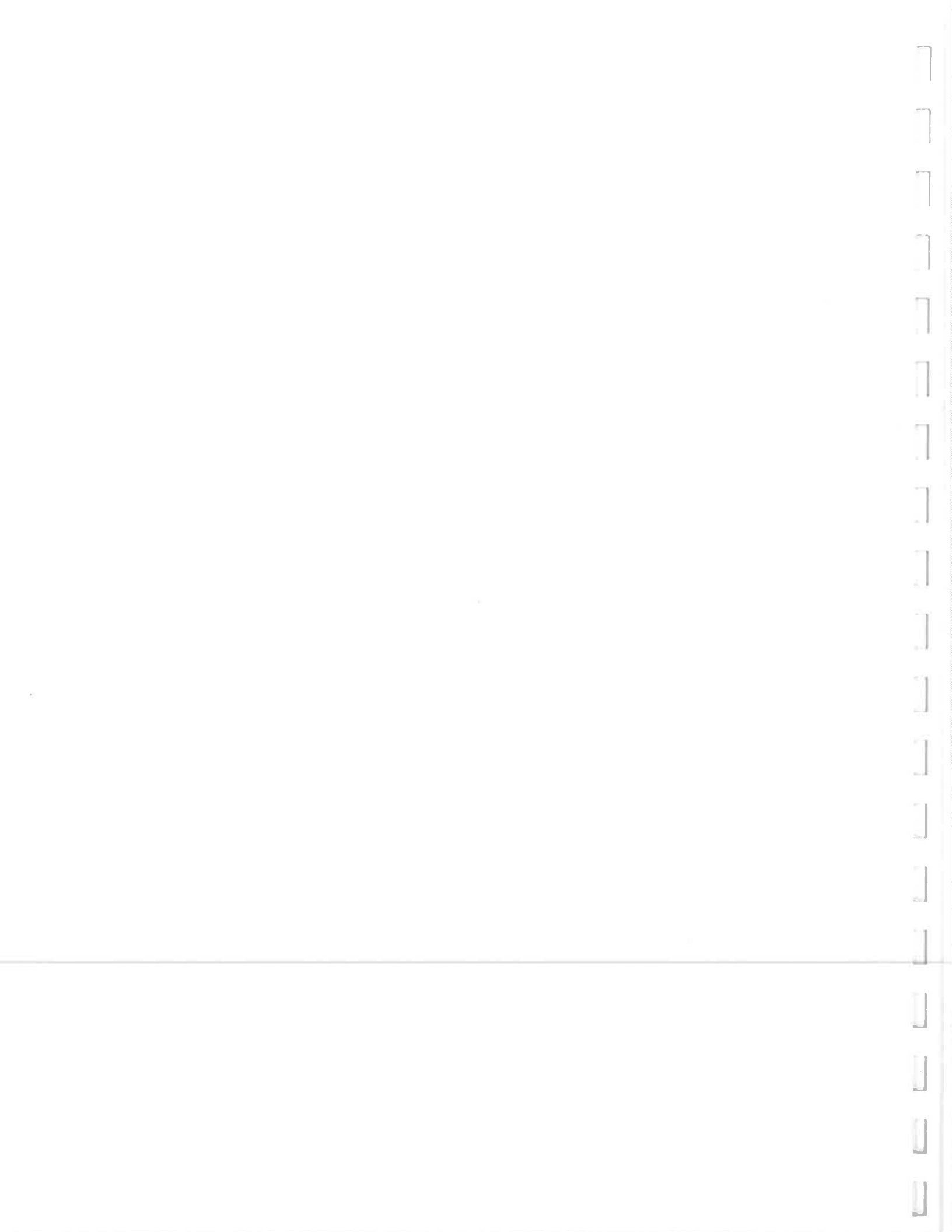
The District has not awarded any Tax Abatement Agreements under Texas Property Redevelopment and Tax Abatement Tax Code Chapter 312. There is one Tax Abatement agreement in effect within the District's boundaries. This agreement is between Hardin County and Altus Lumberton Realty and does not impact the District's tax revenue.

11) **NET POSITION (DEFICIT)**

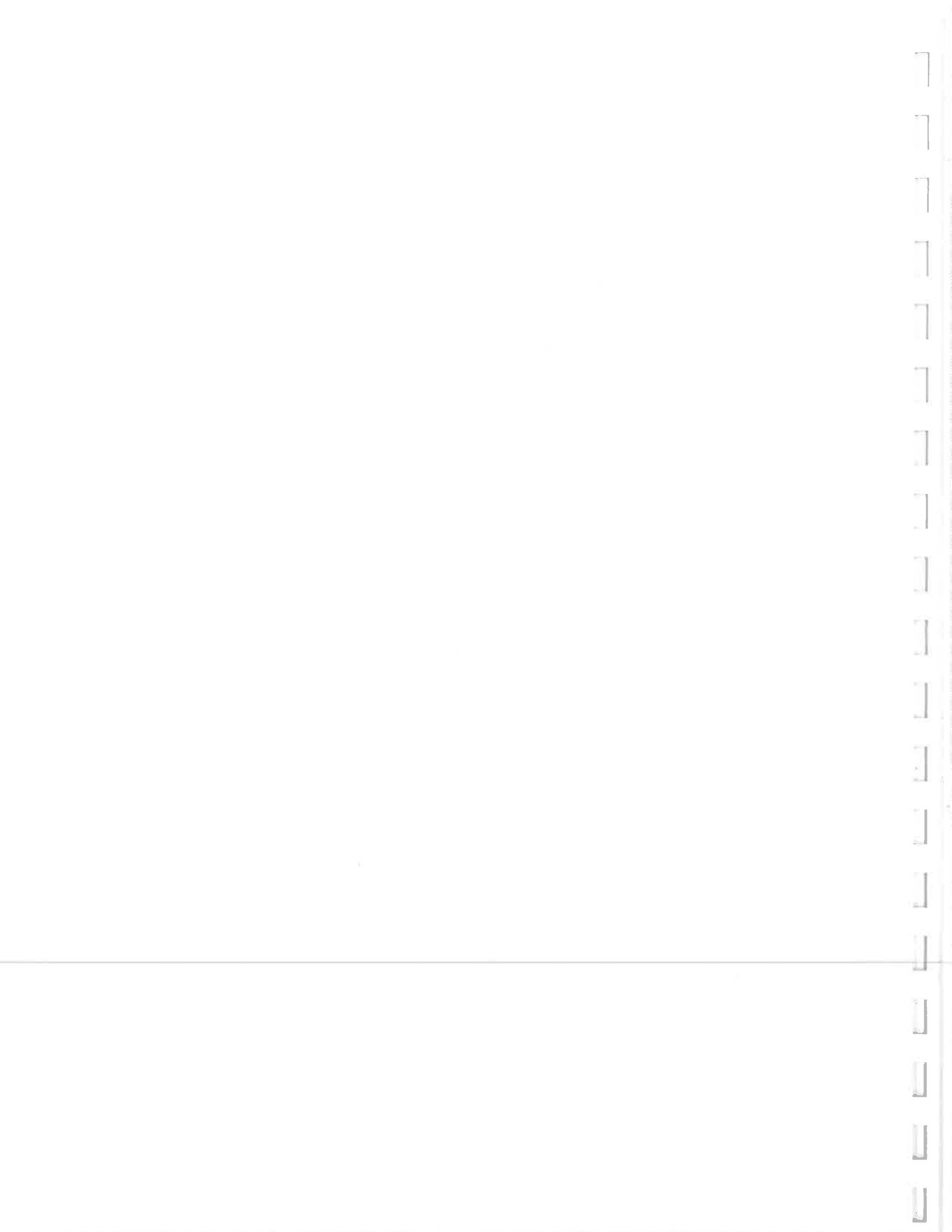
The District utilizes the proceeds of general obligation and revenue bonds to purchase and construct its Water and Sewer system improvements. Those assets are reported as Business-type Activities but the liabilities relating to the bonds are reported both as Governmental Activities and Business-type Activities depending on whether said bonds are general obligation or revenue bonds. Since the Governmental Activities report the liability of the general obligation bonds but do not report any assets associated with those bonds, net position reflects a deficit of \$6,762,482.

12) **CONTINGENCY**

On August 28-29, 2017, the Lumberton Municipal Utility District physical plant, its supporting infrastructure and its customer/taxpayer base were negatively impacted by the record rainfalls of Tropical Storm Harvey. The District remained fully operational and had the liquid assets to address ongoing required system repairs and replacements on a timely basis. District damage was not covered by commercial insurance but management anticipates reimbursement of a portion of the cost of repairs from the Federal Emergency Management Agency (FEMA). Intermediate and long term repair and replacement costs and related potential FEMA reimbursements are unknown at this time. However, management does not anticipate that net repair costs will have a material negative impact on the financial position of the District going forward.



REQUIRED SUPPLEMENTARY INFORMATION



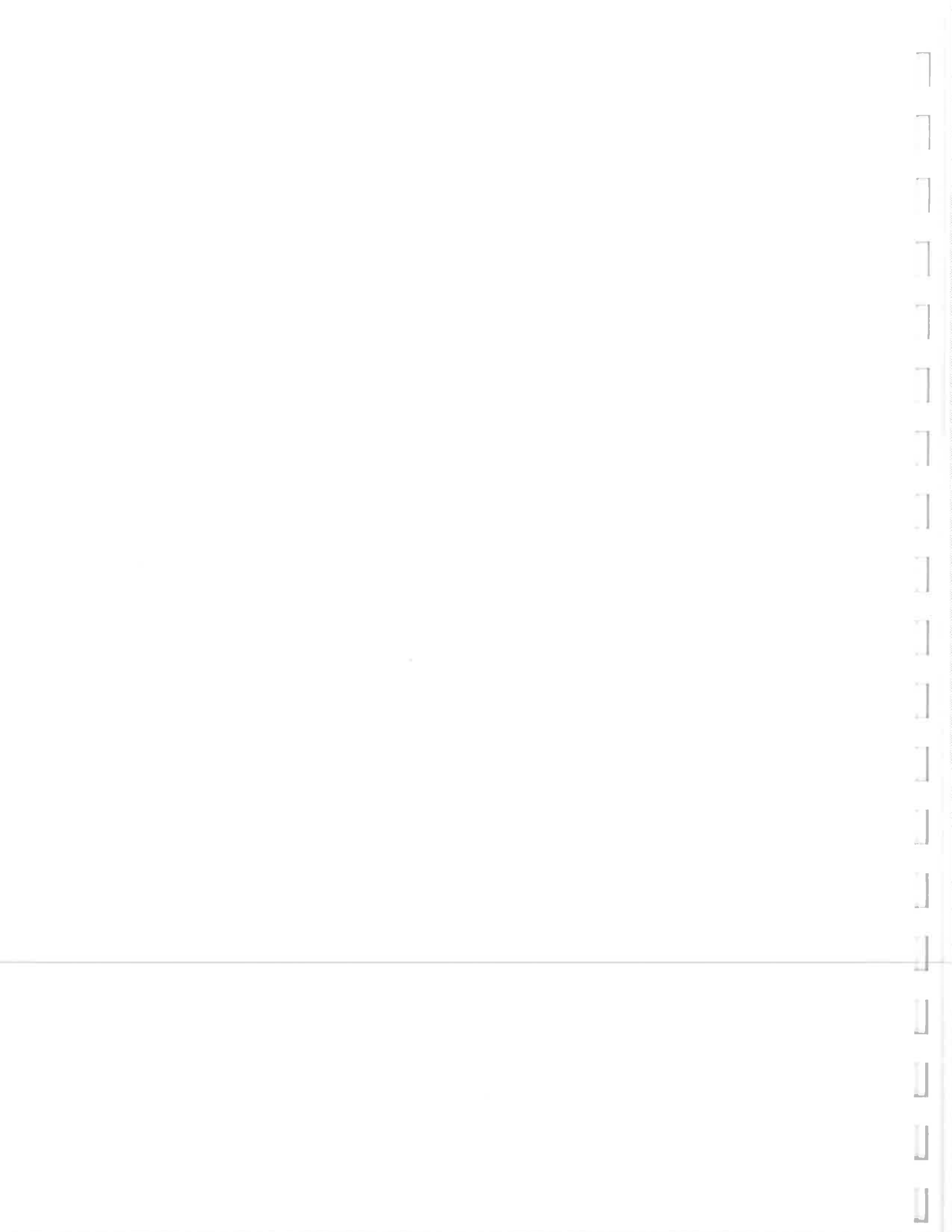
LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2018

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability				
Service cost	\$ 178,925	\$ 176,703	\$ 165,510	\$ 149,047
Interest on total pension liability	298,707	259,476	231,404	204,111
Effect of plan changes	-	-	(56,788)	-
Effect of assumption changes or inputs	16,811	-	26,619	-
Effect of economic/demographic (gains) or losses	(7,442)	6,258	(21,248)	7,732
Benefit payments/refunds of contributions	(85,244)	(16,890)	(21,432)	(13,164)
Net change in total pension liability	401,757	425,547	324,065	347,726
Total pension liability, beginning	3,550,610	3,125,063	2,800,998	2,453,272
Total pension liability, ending (a)	3,952,367	3,550,610	3,125,063	2,800,998
Fiduciary Net Position				
Employer contributions	126,288	118,763	121,840	115,664
Member contributions	102,775	100,931	98,126	87,958
Investment income net of investment expenses	463,256	203,556	(55,681)	151,881
Benefit payments/refunds of contributions	(85,244)	(16,890)	(21,432)	(13,164)
Administrative expenses	(2,503)	(2,213)	(1,927)	(1,875)
Other	1,904	17,728	35	(1,302)
Net change in fiduciary net position	606,476	421,875	140,961	339,162
Fiduciary net position, beginning	3,157,898	2,736,023	2,595,062	2,255,900
Fiduciary net position, ending (b)	3,764,374	3,157,898	2,736,023	2,595,062
Net pension liability / (asset), ending = (a) - (b)	\$ 187,993	\$ 392,712	\$ 389,040	\$ 205,936
Fiduciary net position as a % of total pension liability	95.24%	88.94%	87.55%	92.65%
Pensionable covered payroll	\$ 1,712,913	\$ 1,682,183	\$ 1,635,434	\$ 1,465,975
Net pension liability as a % of covered payroll	10.98%	23.35%	23.79%	14.05%

See Independent Auditor's Report on Supplementary Information.



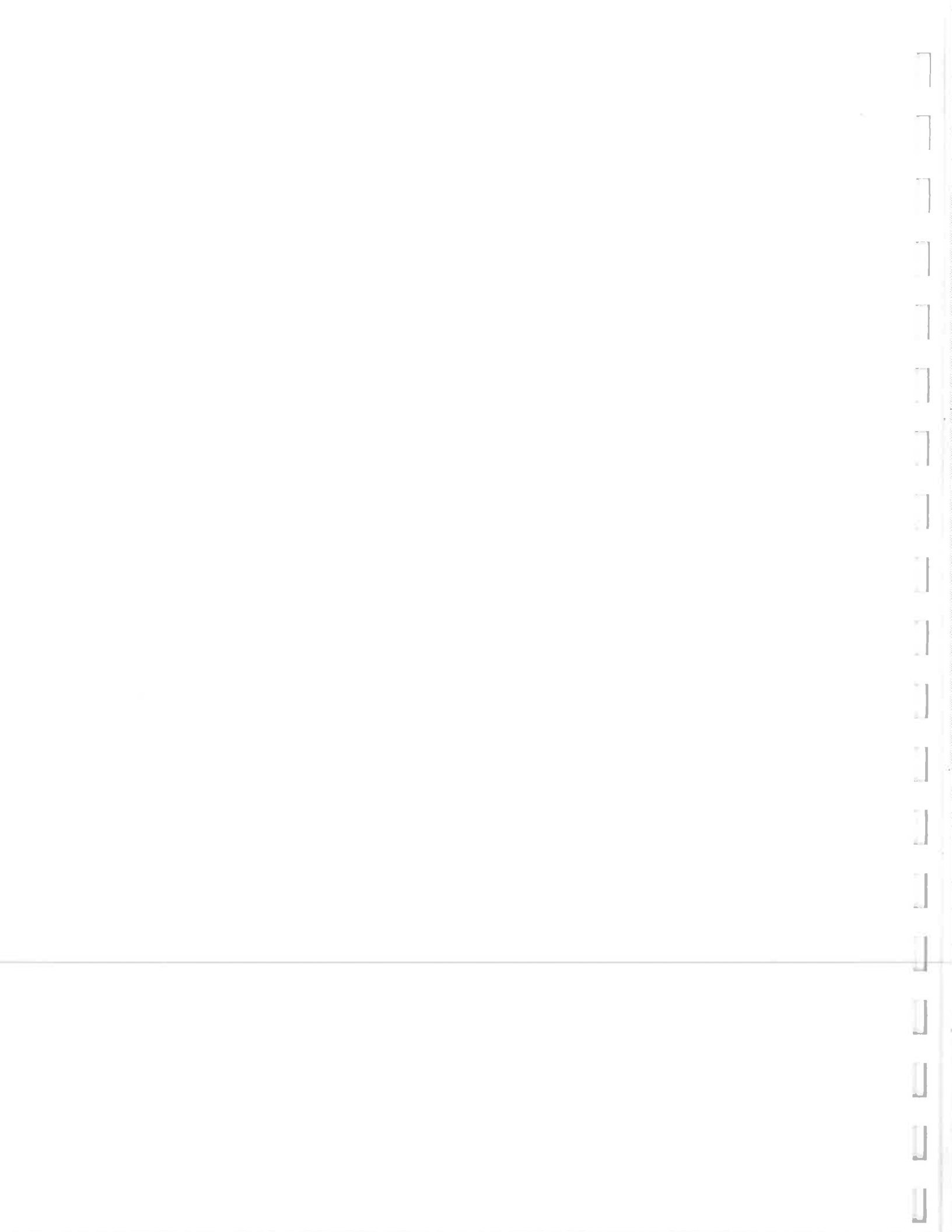
LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution⁽¹⁾</u>	<u>Actual Employer Contribution⁽¹⁾</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2008	\$ 55,821	\$ 55,821	\$ -	\$ 1,229,529	4.5%
2009	57,057	57,057	-	1,317,721	4.3%
2010	83,436	83,436	-	1,326,482	6.3%
2011	93,024	93,211	(187)	1,398,861	6.7%
2012	94,730	94,730	-	1,439,654	6.6%
2013	96,562	96,562	-	1,434,837	6.7%
2014	115,664	115,664	-	1,465,975	7.9%
2015	121,840	121,840	-	1,635,434	7.5%
2016	118,763	118,763	-	1,682,183	7.1%
2017	126,242	126,288	(46)	1,712,913	7.4%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

See Independent Auditor's Report on Supplementary Information.



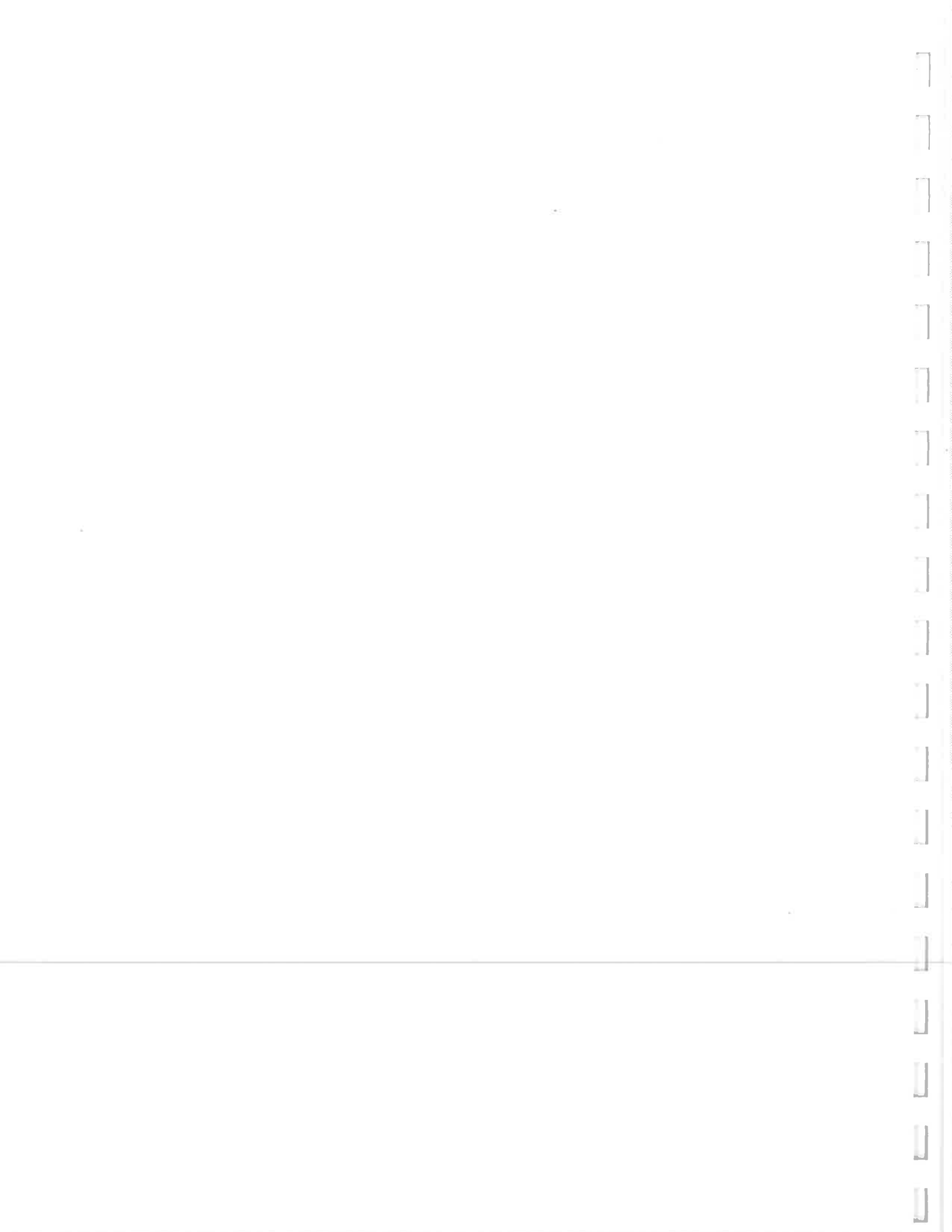
LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGET AND ACTUAL - WATER AND SEWER FUND FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
Service fees	\$ 5,025,000	\$ 5,025,000	\$ 4,789,340	\$ (235,660)
Tap connection fees	105,000	105,000	99,621	(5,379)
Miscellaneous	454,000	454,000	570,360	116,360
	5,584,000	5,584,000	5,459,321	(124,679)
EXPENSES				
Personnel	2,324,000	2,324,000	2,348,369	(24,369)
Professional services	50,000	50,000	37,503	12,497
Purchased and contract services	184,500	184,500	117,470	67,030
Consumable supplies and materials	275,000	275,000	215,147	59,853
Recurring expenses and repairs	1,498,050	1,498,050	1,601,330	(103,280)
Depreciation and amortization	1,747,100	1,747,100	1,535,635	211,465
	6,078,650	6,078,650	5,855,454	223,196
OPERATING INCOME (LOSS) - BUDGET BASIS	(494,650)	(494,650)	(396,133)	98,517
NON-OPERATING REVENUES (EXPENSES)				
Interest on investments	5,000	5,000	6,204	1,204
Interest expense	(323,640)	(323,640)	(325,106)	(1,466)
Bond issue cost	-	-	(130,886)	(130,886)
Developer contributions	-	-	288,518	288,518
Rental income	-	-	2,125	2,125
Gain on sale of assets	-	-	184,111	184,111
	(318,640)	(318,640)	24,966	343,606
CHANGE IN NET POSITION - BUDGET BASIS	\$ (813,290)	\$ (813,290)	(371,167)	\$ 442,123
NET POSITION, beginning of period			25,295,237	
NET POSITION, end of period			\$ 24,924,070	

In accordance with the terms of the District's 2012 and 2018 Bond Orders, operating income before depreciation and amortization $(\$396,133) + \$1,535,635 = \$1,139,502$ exceeded 125% of debt service requirement $(\$712,464 \times 1.25 = \$890,580)$ by \$248,922.

See Independent Auditor's Report on Supplementary Information.

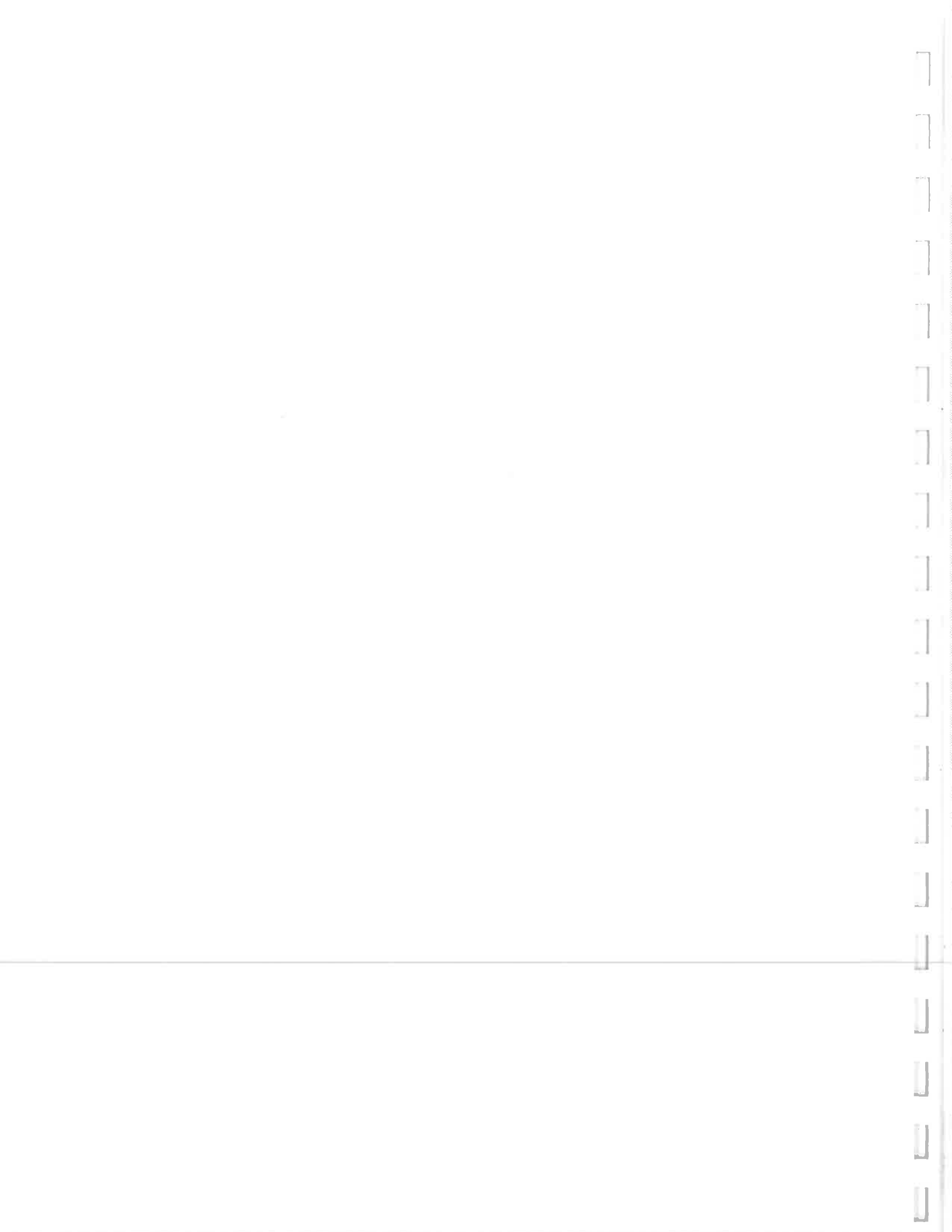


LUMBERTON MUNICIPAL UTILITY DISTRICT

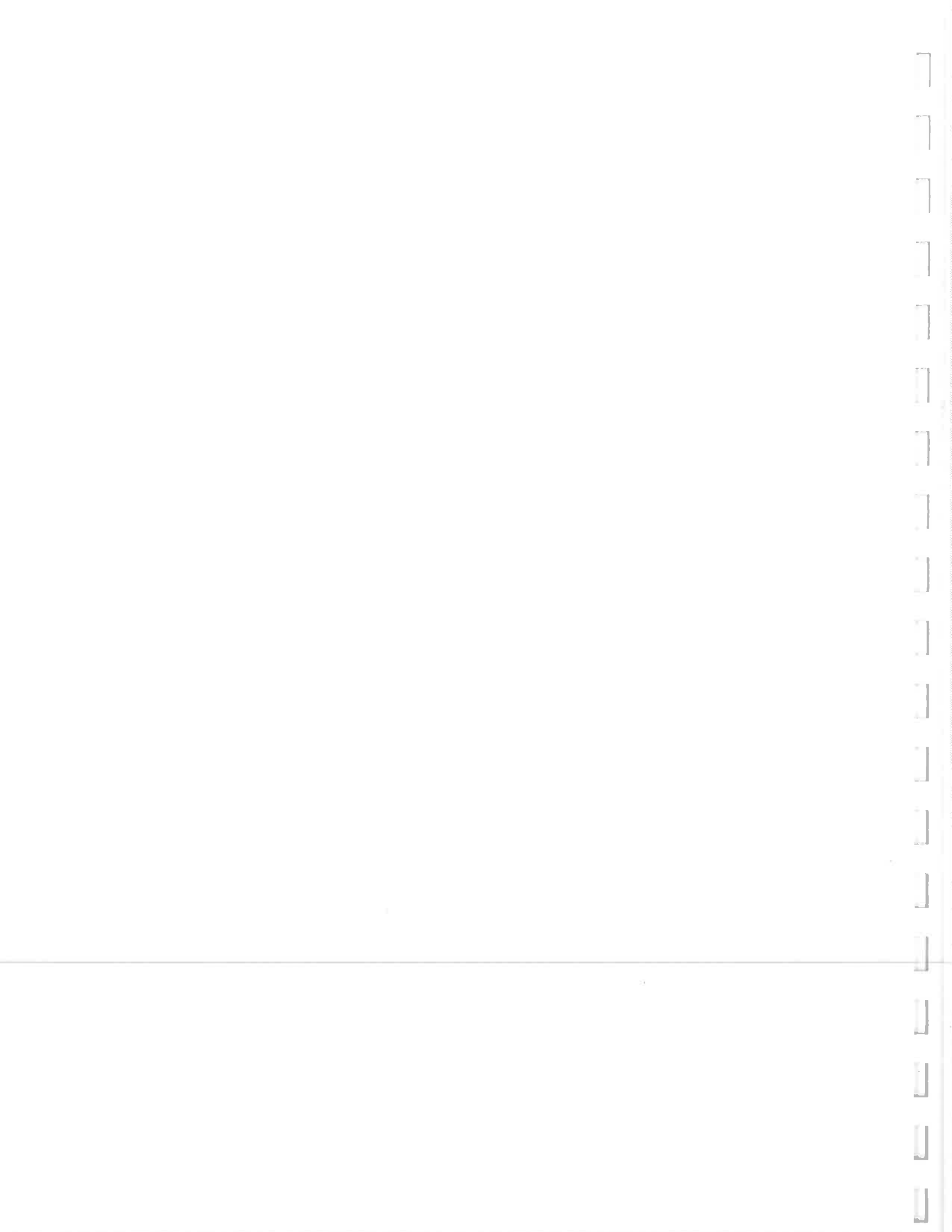
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 1,467,000	\$ 1,467,000	\$ 1,491,326	\$ 24,326
Penalties and interest	35,000	35,000	7,385	(27,615)
Interest	500	500	338	(162)
Miscellaneous	25,000	25,000	5,225	(19,775)
Total revenues	<u>1,527,500</u>	<u>1,527,500</u>	<u>1,504,274</u>	<u>(23,226)</u>
EXPENDITURES				
Debt service				
Principal	1,195,000	1,195,000	1,195,000	-
Interest and fiscal charges	271,325	271,325	271,325	-
Collection costs	8,000	8,000	20,586	(12,586)
Appraisal District fees	50,000	50,000	34,903	15,097
Miscellaneous	300	300	-	300
Total expenditures	<u>1,524,625</u>	<u>1,524,625</u>	<u>1,521,814</u>	<u>2,811</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,875	2,875	(17,540)	(20,415)
FUND BALANCE, beginning of period	<u>1,386,058</u>	<u>1,386,058</u>	<u>1,386,058</u>	<u>-</u>
FUND BALANCE, end of period	<u>\$ 1,388,933</u>	<u>\$ 1,388,933</u>	<u>\$ 1,368,518</u>	<u>\$ (20,415)</u>

See Independent Auditor's Report on Supplementary Information.



TEXAS SUPPLEMENTARY INFORMATION



LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES JUNE 30, 2018

1. Services provided by the District:

- | | | |
|---|---|-------------------------------------|
| <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 type="checkbox"/> Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other | | |

2. Retail rates based on 5/8" meter: Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): 5/8" is most prevalent

Based on Rate Order dated February 7, 2017:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels	
Water	13.00	1,500	Y		0	to 1,500
				2.30	1,501	to 7,000
				2.90	7,001	to plus
Wastewater	12.50	1,500		2.35		to
Surcharge	N/A					
Does the District employ winter averaging for wastewater usage?					Yes	No <input checked="" type="checkbox"/>
Total water and wastewater charges per 10,000 gallons usage (including surcharges)					\$	<u>67.16</u>

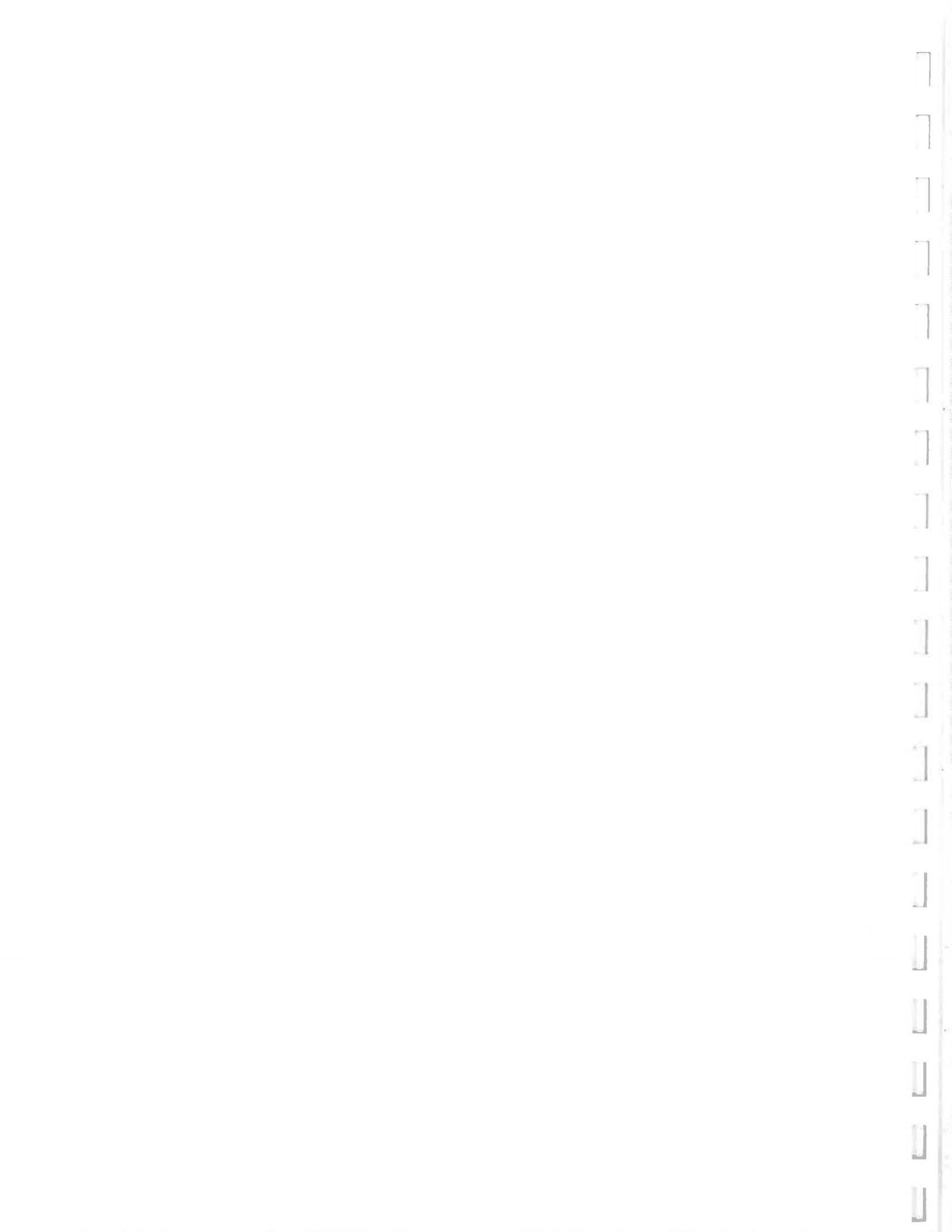
3. Retail service providers: Number of retail and/or wastewater⁽¹⁾ connections within the District as of the fiscal year end. Provide actual number and single family equivalents (ESFC) as noted:

	Active Connections	Active ESFC	Inactive Connections (ESFC) ⁽²⁾	Total
Single family	7,661	7,661	Unknown	7,661
Multifamily	81	179	Unknown	179
Commercial	434	1,244	-	1,244
Other - recreational centers, government and VFD	-	-	-	-
	<u>8,176</u>	<u>9,084</u>	<u>-</u>	<u>9,084</u>

(1) Number of connections relates to water service if water service is provided. Otherwise, number of wastewater connections is provided.

(2) "Inactive" means that water and sewer connections were made but service is not being provided.

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES JUNE 30, 2018 (CONTINUED)

4. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>722,592,000</u>
Gallons billed to customers:	<u>652,640,370</u>

5. Standby fees: Does the District assess standby fees? Yes _____ No X

For the fiscal year ended June 30, 2018:

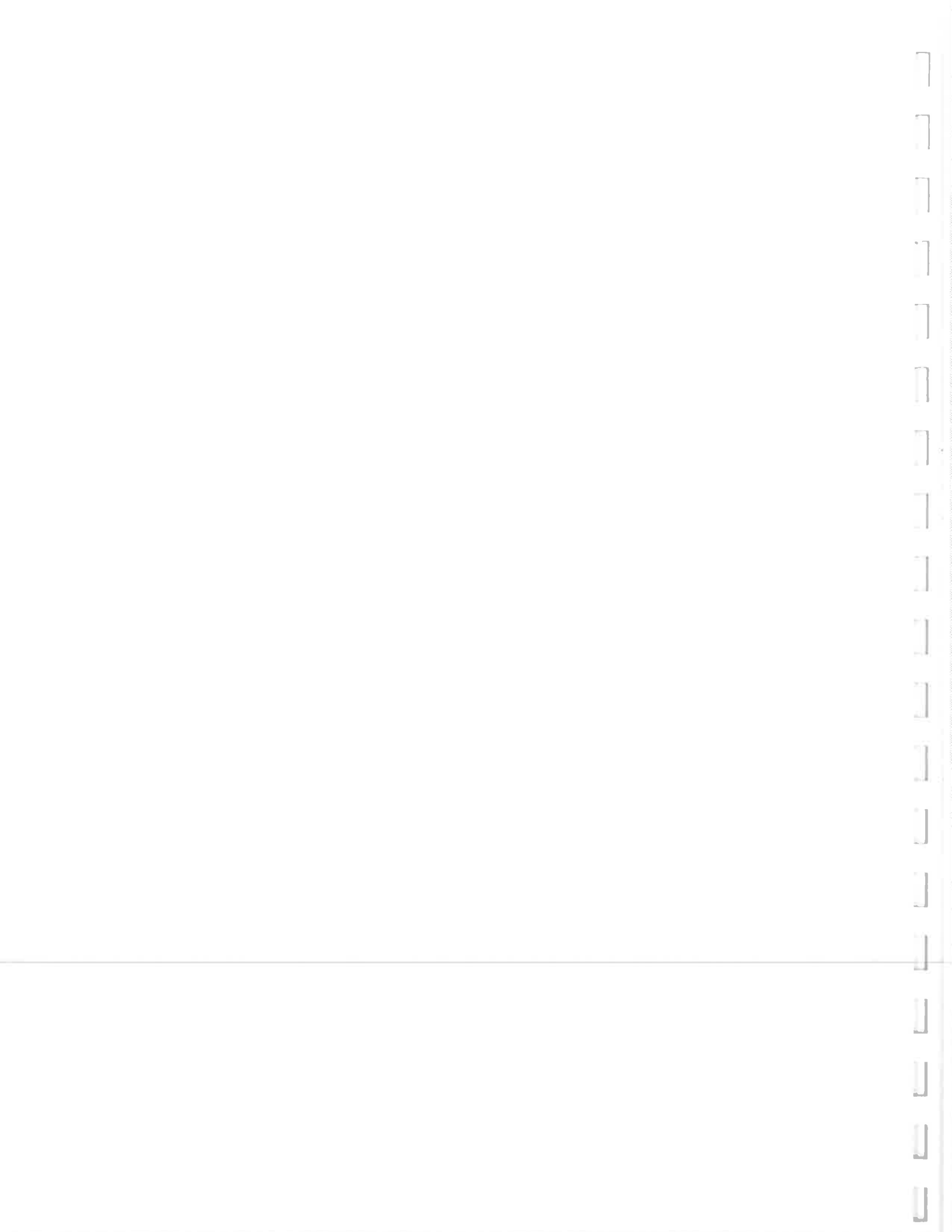
Debt service:	Total levy	N/A
	Total collected	
	Percentage collected	
Operation and maintenance:	Total levy	N/A
	Total collected	
	Percentage collected	

Have standby fees been levied in accordance with Water Code Section 49.231 thereby constituting a lien on a property? Yes _____ No X

6. Anticipated sources of funds to be used by debt service payments in the District's following fiscal year:

	Amount
Debt service tax receipts	\$ -
Surplus construction funds	-
Water and/or wastewater revenue	695,023
Standby fees	-
Debt service fund balance to be used	-
Interest revenues	-
Other funds in excess of required payments	-
Total Anticipated Funds to be used	<u>\$ 695,023</u>

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2018

(CONTINUED)

7. Location of District: County(ies) in which District is located. Hardin County, Texas

Is the general membership of the board appointed by an office outside the District? Yes ___ No X

Is the District located within a city? Entirely ___ Partly X Not at all ___

City(ies) in which District is located. Lumberton

Is the District located within a city's extra territorial jurisdiction (ETJ)? Entirely ___ Partly X Not at all ___

ETJ's in which District is located? City of Beaumont

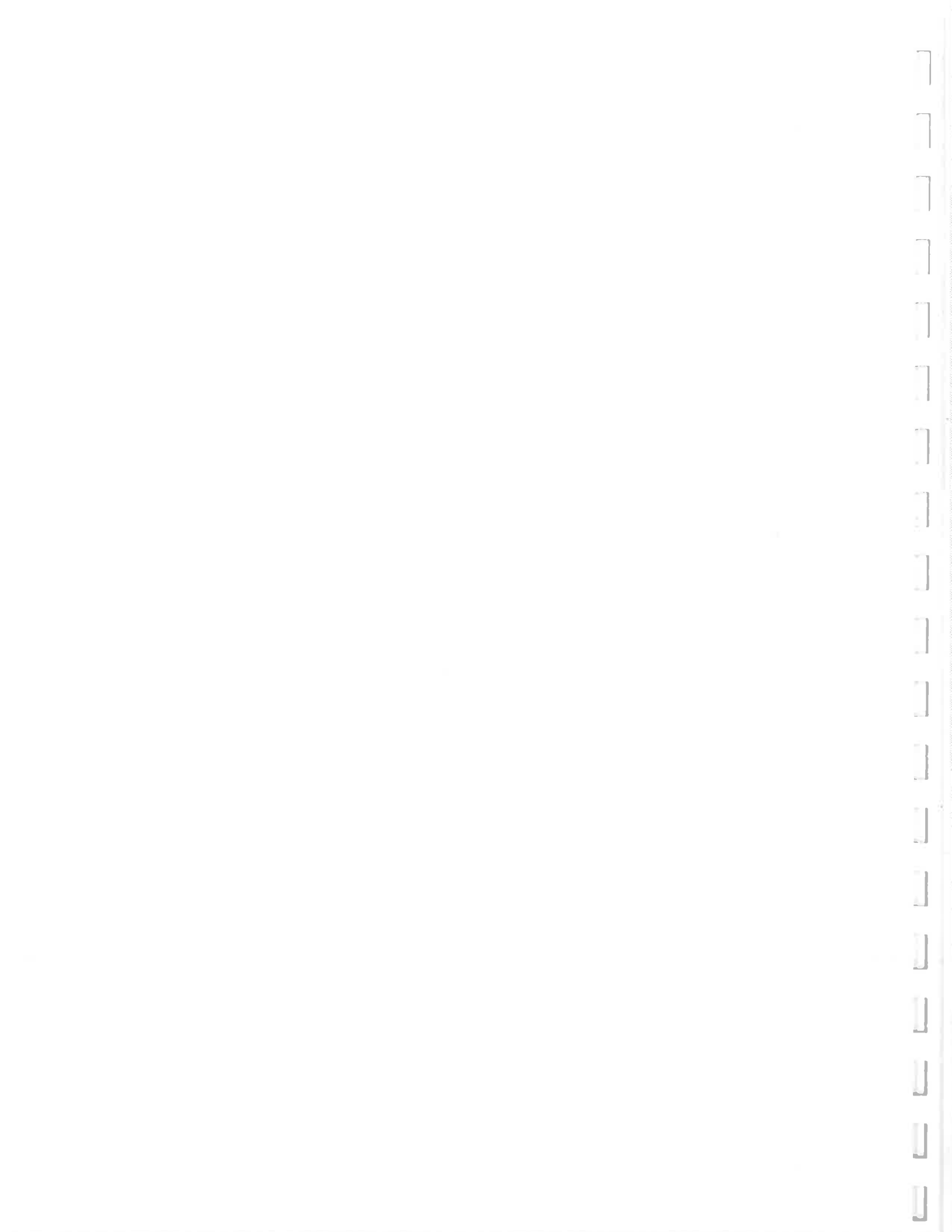
Outside the District? Yes ___ No X

If yes, by whom? N/A

Name of Contact Carla Belt Phone Number (409) 755-1559

Title Accountant

See Independent Auditor's Report on Supplementary Information.

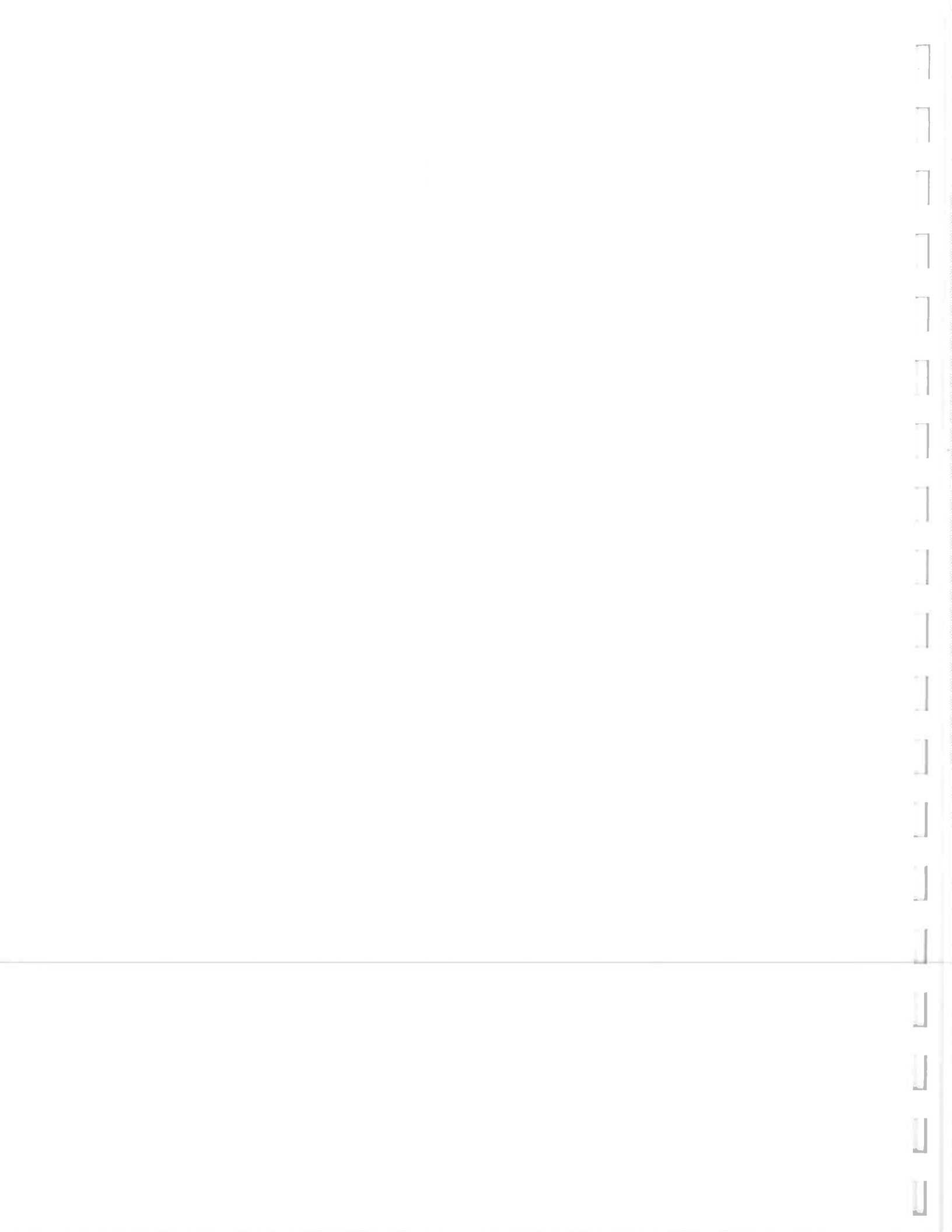


LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF WATER AND SEWER FUND EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

OPERATING EXPENSES	
Personnel (including benefits)	<u>\$ 2,348,369</u>
Professional fees	
Auditing	20,250
Legal	14,404
Engineering	<u>2,849</u>
Total professional fees	<u>37,503</u>
Purchased and contracted services	
Contracted material and repairs	28,615
Other contracted services	<u>88,855</u>
Total contracted services	<u>117,470</u>
Consumable supplies and materials	
Fuel, chemicals and other	183,706
Repair and maintenance	<u>31,441</u>
Total consumable supplies and materials	<u>215,147</u>
Recurring expenses and repairs	
Utilities	352,157
Insurance	52,763
Other administrative expenses	<u>1,196,410</u>
Total administrative expenses	<u>1,601,330</u>
Depreciation and amortization	<u>1,535,635</u>
TOTAL OPERATING EXPENSES	5,855,454
Interest	<u>325,106</u>
TOTAL EXPENSES	<u>\$ 6,180,560</u>

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS JUNE 30, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balances at End of Year	
				Unrestricted	Restricted
Water and Sewer Operating Fund					
Certificate of deposit	6700804869	0.70%	07/20/2018	\$ -	\$ 432,488
Certificate of deposit	0209735352	0.70%	02/06/2019	221,360	-
				<u>\$ 221,360</u>	<u>\$ 432,488</u>

The Board of Directors of Lumberton Municipal Utility District has elected to use Certificates of Deposit as a component of the Reserve Fund required by the Bond Orders associated with the issuance of revenue bonds in 2007, 2012 and 2018. Through board action on November 21, 2016, certificate #6700804869 was denominated as a component of the District's debt service reserve.

See Independent Auditor's Report on Supplementary Information.



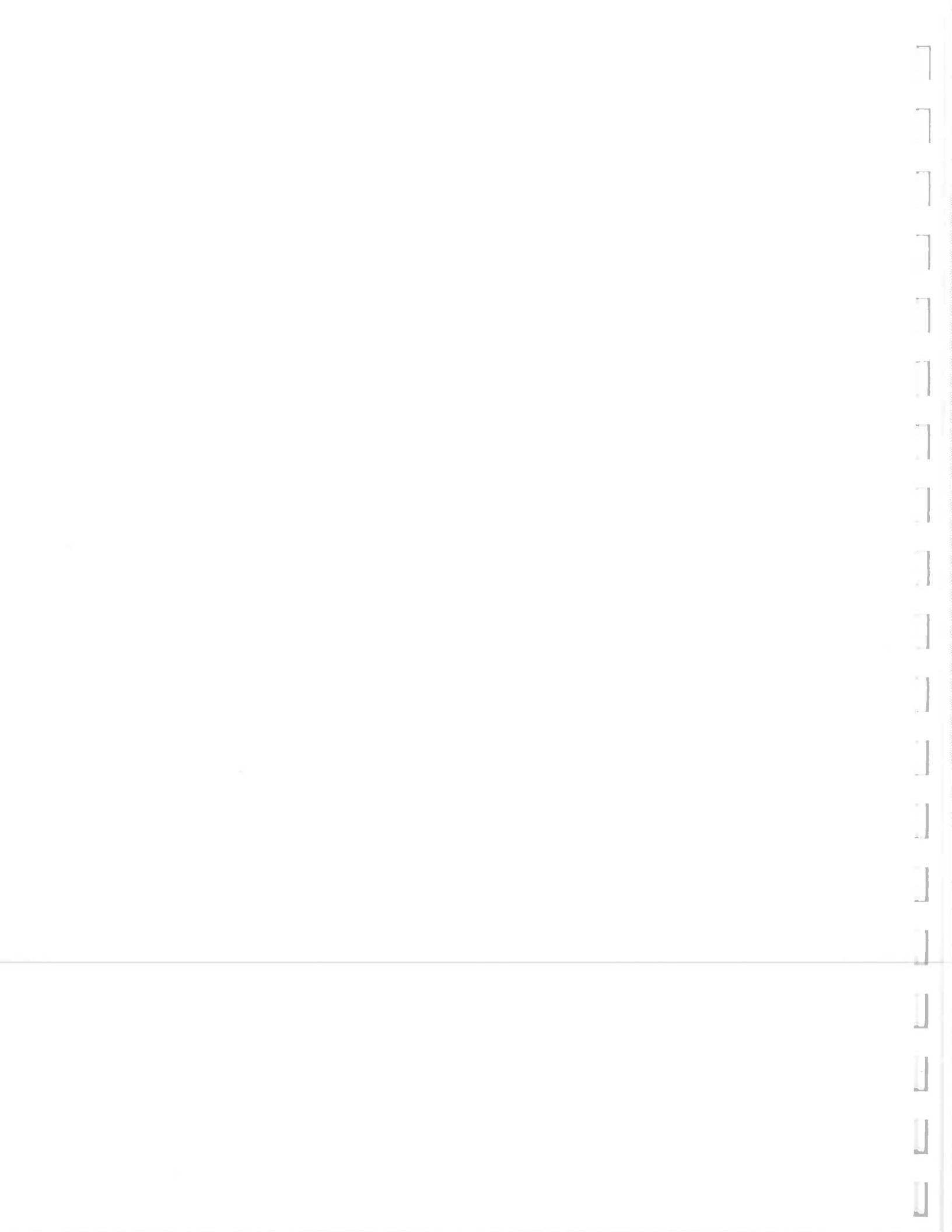
LUMBERTON MUNICIPAL UTILITY DISTRICT

ANALYSIS OF TAXES LEVIED AND RECEIVABLE JUNE 30, 2018

	Debt Service Fund
Taxes receivable, beginning of year	\$ 151,641
2017 original tax levy	1,493,367
Total to be accounted for	1,645,008
Taxes collections	
Current year	1,439,494
Prior year	33,922
Total collections	1,473,416
Adjustments	5,970
	1,479,386
Taxes receivable, end of year	\$ 165,622
Taxes receivable by year	
2017	\$ 53,874
2016	18,633
2015	12,905
2014	11,511
2013	9,422
Before 2013	59,277
Taxes receivable, end of year	\$ 165,622

	2017	2016	2015	2014
Property valuations				
Land and improvements	\$ 1,138,141,267	\$ 1,080,057,590	\$ 1,041,649,600	\$ 1,003,890,390
Tax rates per \$100 valuation				
Debt Service Fund	\$ 0.131232	\$ 0.137400	\$ 0.142536	\$ 0.153085
Original levy	\$ 1,493,367	\$ 1,495,613	\$ 1,481,142	\$ 1,551,700
Percent of taxes collected to taxes levied	96%	97%	96%	97%

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

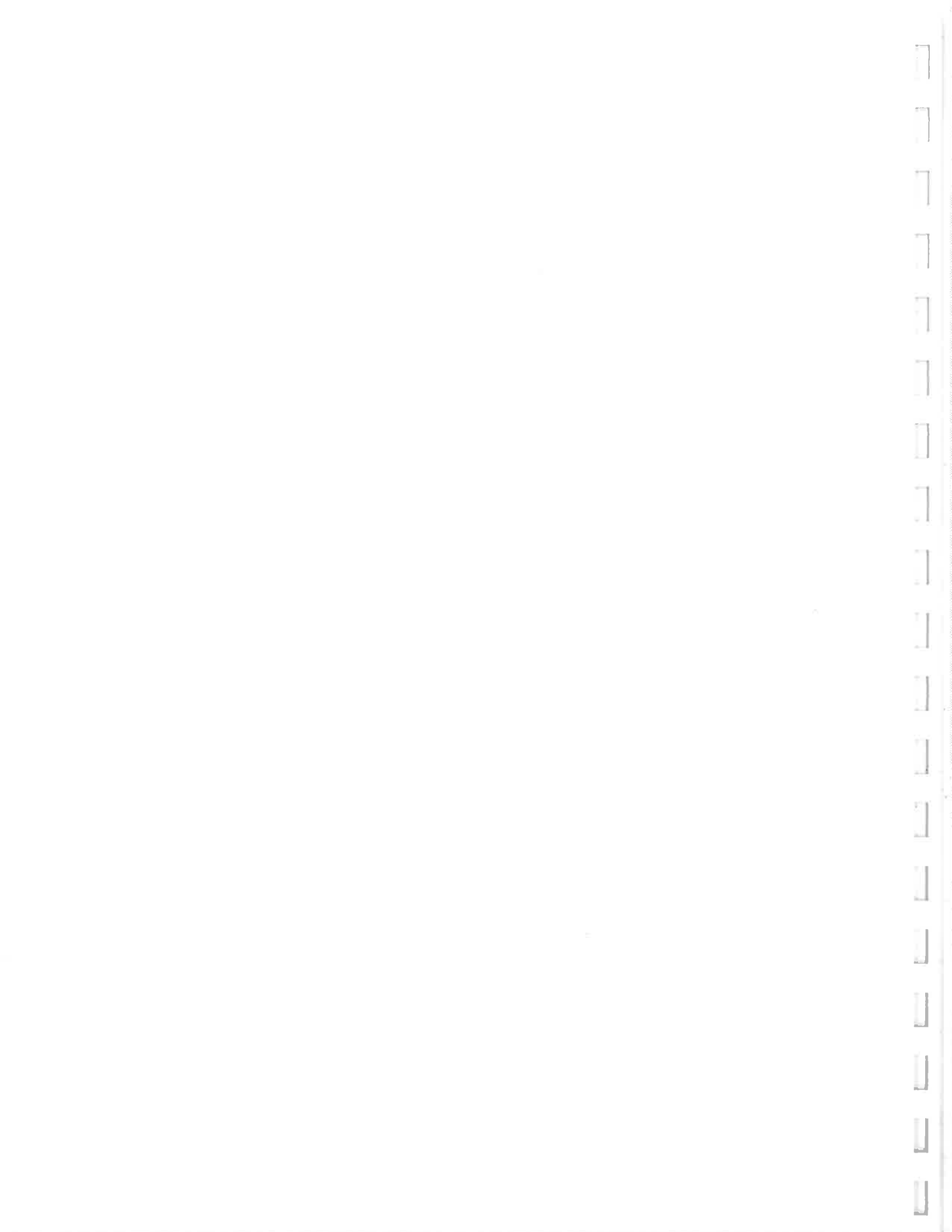
**WATER AND SEWER OPERATING FUND
WATERWORKS AND SEWER REVENUE BONDS
DEBT SERVICE REQUIREMENTS BY YEARS
JUNE 30, 2018**

Due During Fiscal Years Ending June 30,	Utility System Revenue Bonds Series 2007 Issued \$4,645,000			Total Principal and Interest
	August 15,		February 15,	
	Interest	Principal	Interest	
2019	\$ 5,235	\$ 215,000	\$ -	\$ 220,235
	<u>\$ 5,235</u>	<u>\$ 215,000</u>	<u>\$ -</u>	<u>\$ 220,235</u>

Note: Remainder of series refunded April 17, 2018 and called May 20, 2018.

Due During Fiscal Years Ending June 30,	Utility System Revenue Bonds Series 2012 Issued \$5,710,000			Total Principal and Interest
	August 15,		February 15,	
	Interest	Principal	Interest	
2019	\$ 75,619	\$ 215,000	\$ 72,394	\$ 363,013
2020	72,394	225,000	69,019	366,413
2021	69,019	235,000	65,494	369,513
2022	65,494	245,000	61,819	372,313
2023	61,819	260,000	57,919	379,738
2024	57,919	270,000	53,869	381,788
2025	53,869	280,000	49,669	383,538
2026	49,669	295,000	45,244	389,913
2027	45,244	310,000	40,594	395,838
2028	40,594	325,000	35,719	401,313
2029	35,719	340,000	30,619	406,338
2030	30,619	355,000	25,294	410,913
2031	25,294	370,000	19,744	415,038
2032	19,744	385,000	13,488	418,232
2033	13,488	405,000	6,906	425,394
2034	6,906	425,000	-	431,906
	<u>\$ 723,410</u>	<u>\$ 4,940,000</u>	<u>\$ 647,791</u>	<u>\$ 6,311,201</u>

See Independent Auditor's Report on Supplementary Information.



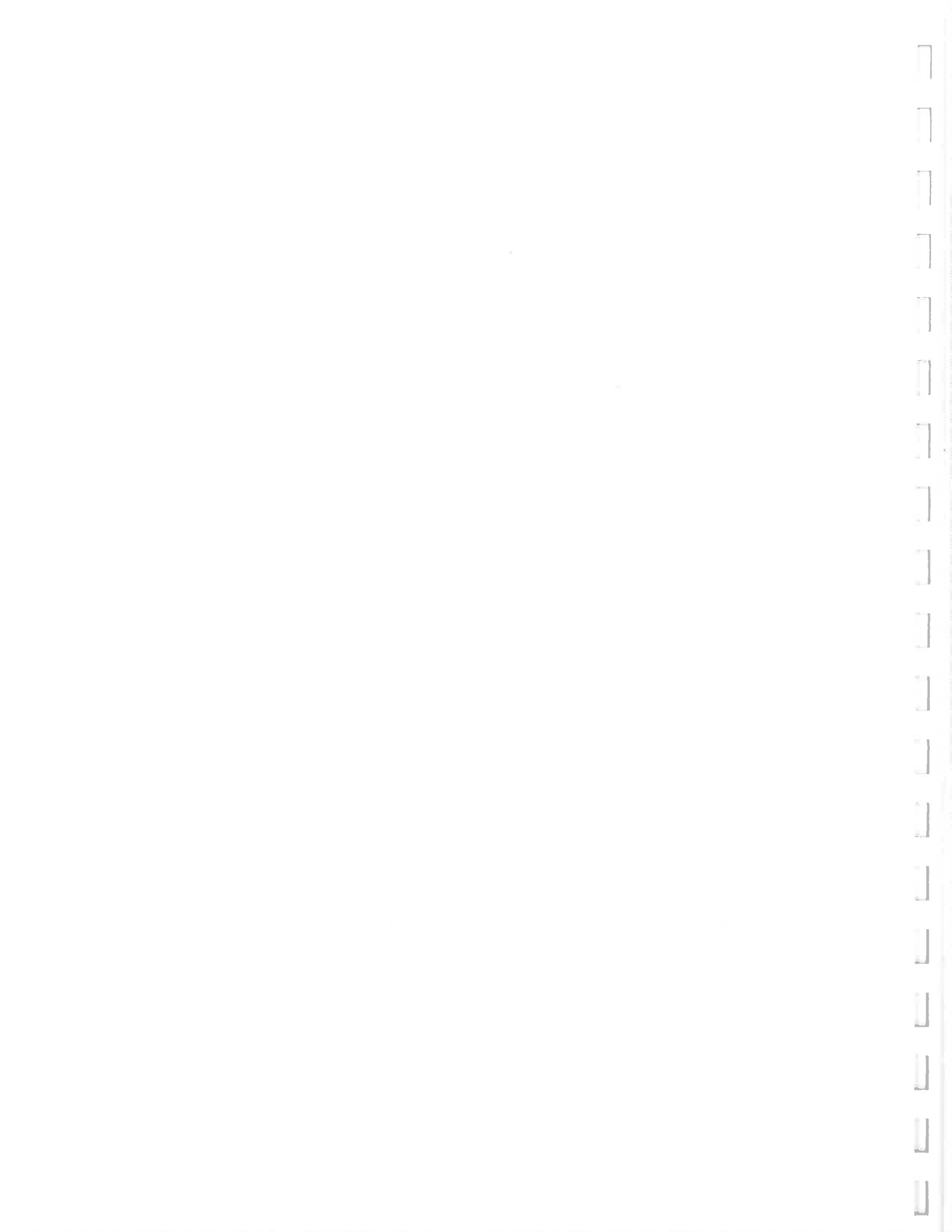
LUMBERTON MUNICIPAL UTILITY DISTRICT

**WATER AND SEWER OPERATING FUND
WATERWORKS AND SEWER REVENUE BONDS
DEBT SERVICE REQUIREMENTS BY YEARS**

**JUNE 30, 2018
(CONTINUED)**

Due During Fiscal Years Ending June 30,	Utility System Revenue Refunding Bonds Series 2018 Issued \$2,680,000			Total Principal and Interest
	August 15,		February 15,	
	Interest	Principal	Interest	
2019	\$ 30,150	\$ 15,000	\$ 66,625	\$ 111,775
2020	66,625	210,000	61,375	338,000
2021	61,375	220,000	55,875	337,250
2022	55,875	235,000	50,000	340,875
2023	50,000	245,000	43,875	338,875
2024	43,875	255,000	37,500	336,375
2025	37,500	270,000	30,750	338,250
2026	30,750	285,000	23,625	339,375
2027	23,625	300,000	16,125	339,750
2028	16,125	315,000	8,250	339,375
2029	8,250	330,000	-	338,250
	<u>\$ 424,150</u>	<u>\$ 2,680,000</u>	<u>\$ 394,000</u>	<u>\$ 3,498,150</u>

See Independent Auditor's Report on Supplementary Information.



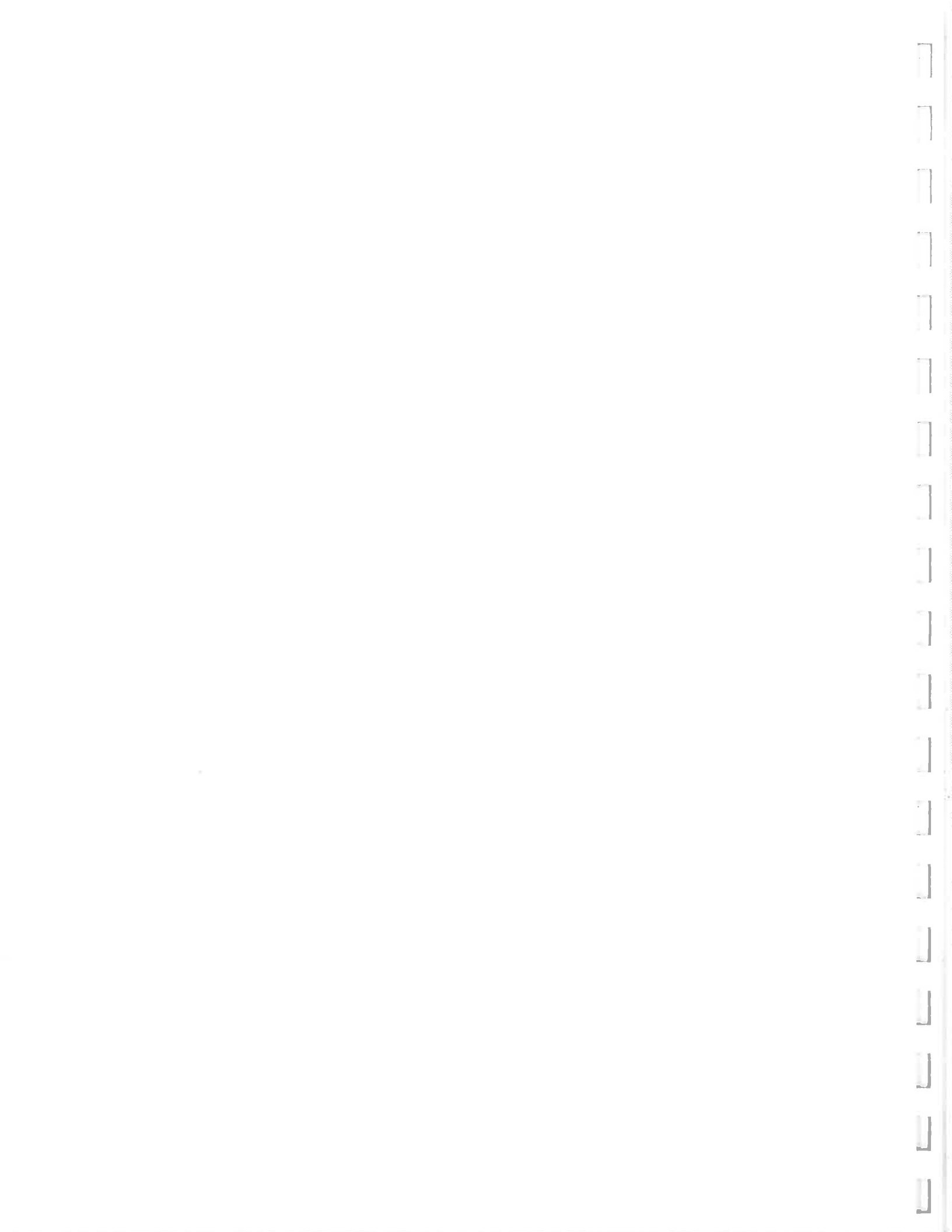
LUMBERTON MUNICIPAL UTILITY DISTRICT

**WATER AND SEWER OPERATING FUND
WATERWORKS AND SEWER REVENUE BONDS
DEBT SERVICE REQUIREMENTS BY YEARS**

**JUNE 30, 2018
(CONTINUED)**

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 445,000	\$ 250,023	\$ 695,023
2020	435,000	269,413	704,413
2021	455,000	251,763	706,763
2022	480,000	233,188	713,188
2023	505,000	213,613	718,613
2024	525,000	193,163	718,163
2025	550,000	171,788	721,788
2026	580,000	149,288	729,288
2027	610,000	125,588	735,588
2028	640,000	100,688	740,688
2029	670,000	74,588	744,588
2030	355,000	55,913	410,913
2031	370,000	45,038	415,038
2032	385,000	33,232	418,232
2033	405,000	20,394	425,394
2034	425,000	6,906	431,906
	<u>\$ 7,835,000</u>	<u>\$ 2,194,586</u>	<u>\$ 10,029,586</u>

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

**GENERAL LONG-TERM DEBT ACCOUNT GROUP
DEBT SERVICE REQUIREMENTS BY YEARS**

**JUNE 30, 2018
(CONTINUED)**

Due During Fiscal Years Ending June 30,	General Obligation Refunding Bonds Series 2011 Issued \$7,190,000			Total Principal and Interest
	August 15,		February 15,	
	Interest	Principal	Interest	
2019	\$ 51,925	\$ 805,000	\$ 37,837	\$ 894,762
2020	37,838	485,000	29,350	552,188
2021	29,350	500,000	20,600	549,950
2022	20,600	520,000	10,200	550,800
2023	10,200	510,000	-	520,200
	<u>\$ 149,913</u>	<u>\$ 2,820,000</u>	<u>\$ 97,987</u>	<u>\$ 3,067,900</u>

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

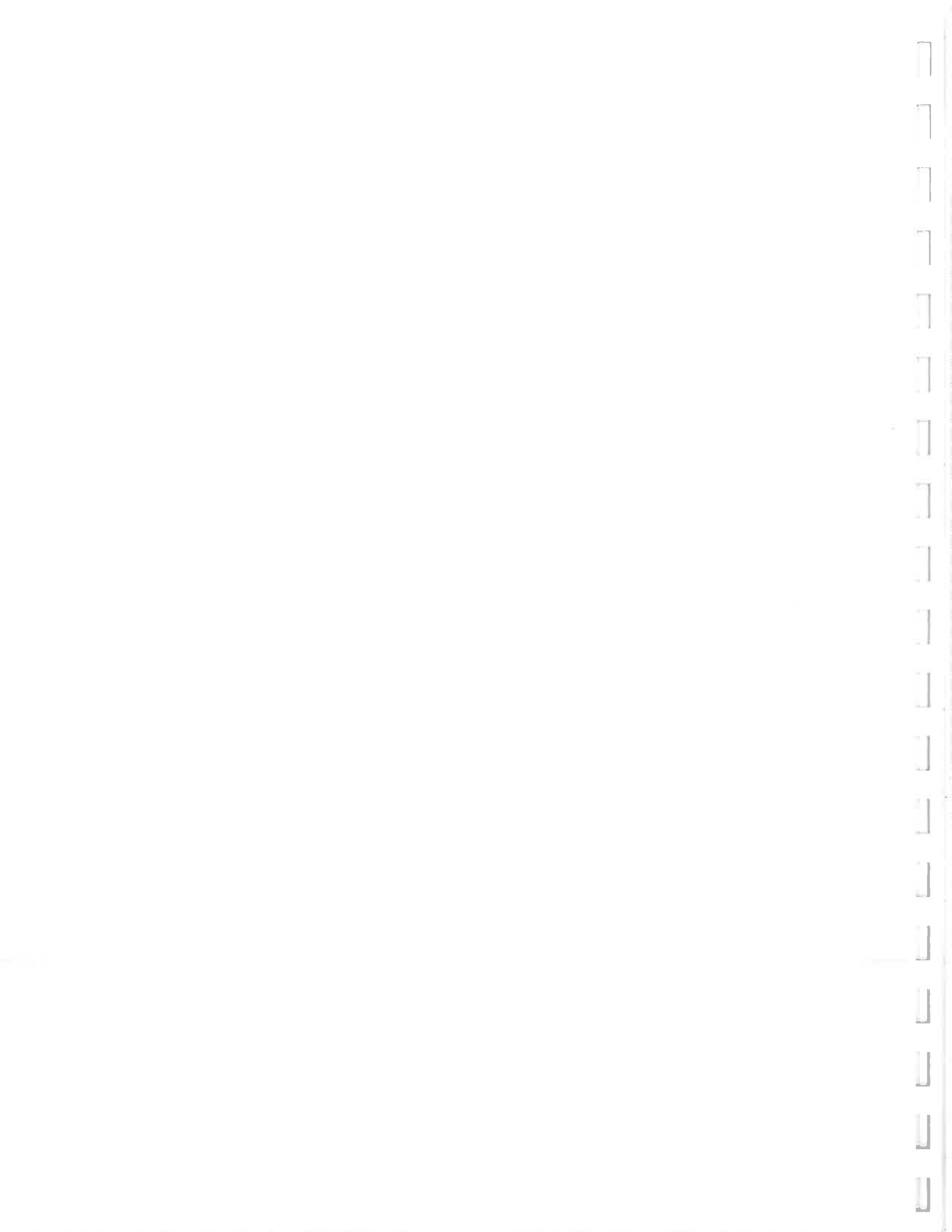
GENERAL LONG-TERM DEBT ACCOUNT GROUP DEBT SERVICE REQUIREMENTS BY YEARS

JUNE 30, 2018

(CONTINUED)

<u>Due During Fiscal Years Ending June 30,</u>	Tax Refunding Bonds Series 2015 Issued \$5,770,000			<u>Total Principal and Interest</u>
	August 15,		February 15,	
	Interest	Principal	Interest	
2019	\$ 74,875	\$ 435,000	\$ 70,525	\$ 580,400
2020	70,525	445,000	63,850	579,375
2021	63,850	455,000	57,025	575,875
2022	57,025	470,000	47,625	574,650
2023	47,625	490,000	37,825	575,450
2024	37,825	505,000	30,250	573,075
2025	30,250	515,000	22,525	567,775
2026	22,525	525,000	14,650	562,175
2027	14,650	540,000	7,563	562,213
2028	7,562	550,000	-	557,562
	\$ 426,712	\$ 4,930,000	\$ 351,838	\$ 5,708,550

See Independent Auditor's Report on Supplementary Information.



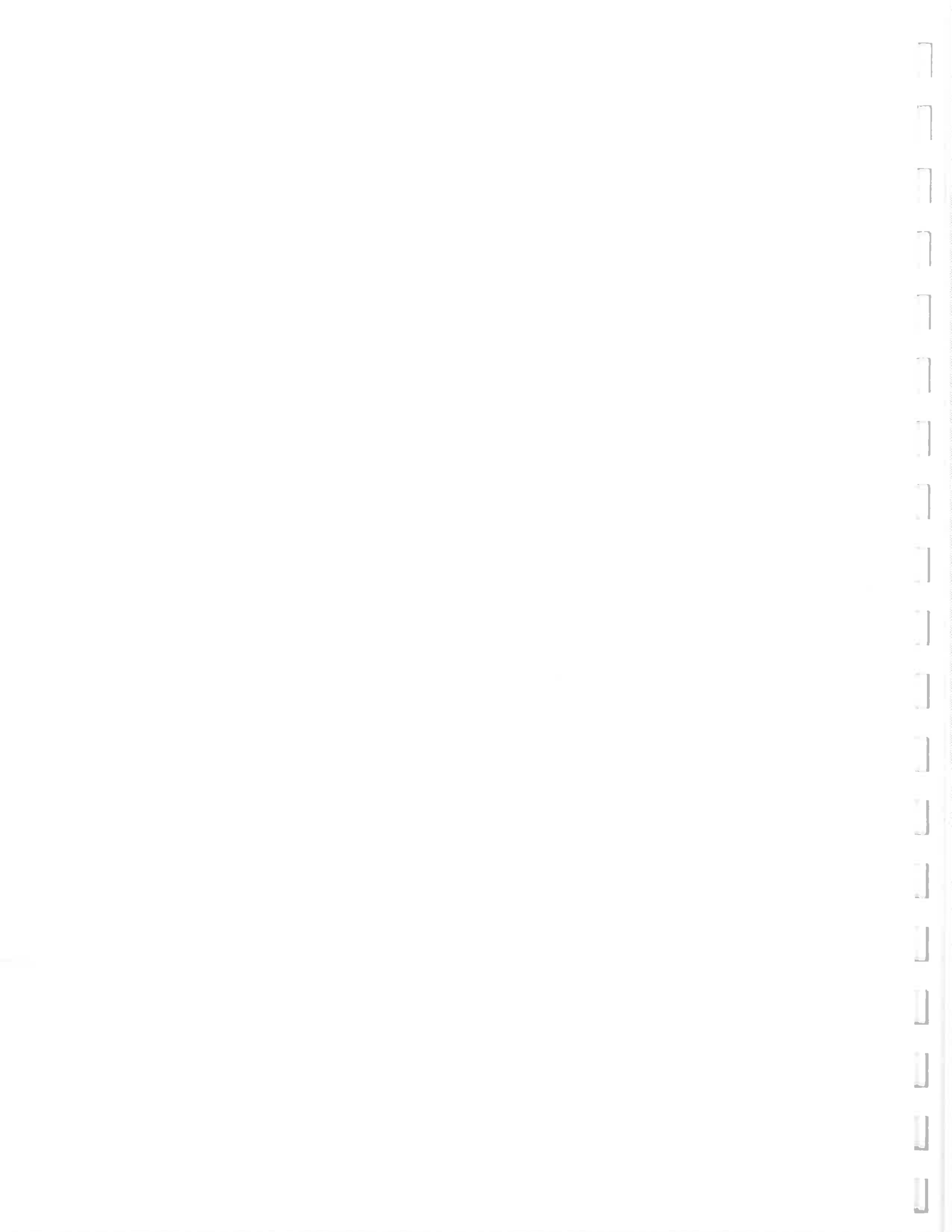
LUMBERTON MUNICIPAL UTILITY DISTRICT

GENERAL LONG-TERM DEBT ACCOUNT GROUP DEBT SERVICE REQUIREMENTS BY YEARS

JUNE 30, 2018
(CONTINUED)

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest
2019	\$ 1,240,000	\$ 235,162	\$ 1,475,162
2020	930,000	201,563	1,131,563
2021	955,000	170,825	1,125,825
2022	990,000	135,450	1,125,450
2023	1,000,000	95,650	1,095,650
2024	505,000	68,075	573,075
2025	515,000	52,775	567,775
2026	525,000	37,175	562,175
2027	540,000	22,213	562,213
2028	550,000	7,562	557,562
	<u>\$ 7,750,000</u>	<u>\$ 1,026,450</u>	<u>\$ 8,776,450</u>

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN WATERWORKS AND SEWER REVENUE BONDS FOR THE YEAR ENDED JUNE 30, 2018

	Bond Issues			Total
	Series 2007	Series 2012	Series 2018	
Interest rates	3.42%-5.57%	3.0%-3.25%	5.00%	
Dates interest payable	8/15 - 2/15	8/15 - 2/15	8/15 - 2/15	
Maturity dates	08/18	08/33	08/28	
Bonds outstanding, beginning of current period	\$ 3,305,000	\$ 5,145,000	\$ -	\$ 8,450,000
New bond proceeds	-	-	2,680,000	2,680,000
Retirements, principal	<u>3,090,000</u>	<u>205,000</u>	<u>-</u>	<u>3,295,000</u>
Bonds outstanding, end of current period	<u>\$ 215,000</u>	<u>\$ 4,940,000</u>	<u>\$ 2,680,000</u>	<u>\$ 7,835,000</u>
Interest paid during current period	<u>\$ 169,327</u>	<u>\$ 154,313</u>	<u>\$ -</u>	<u>\$ 323,640</u>

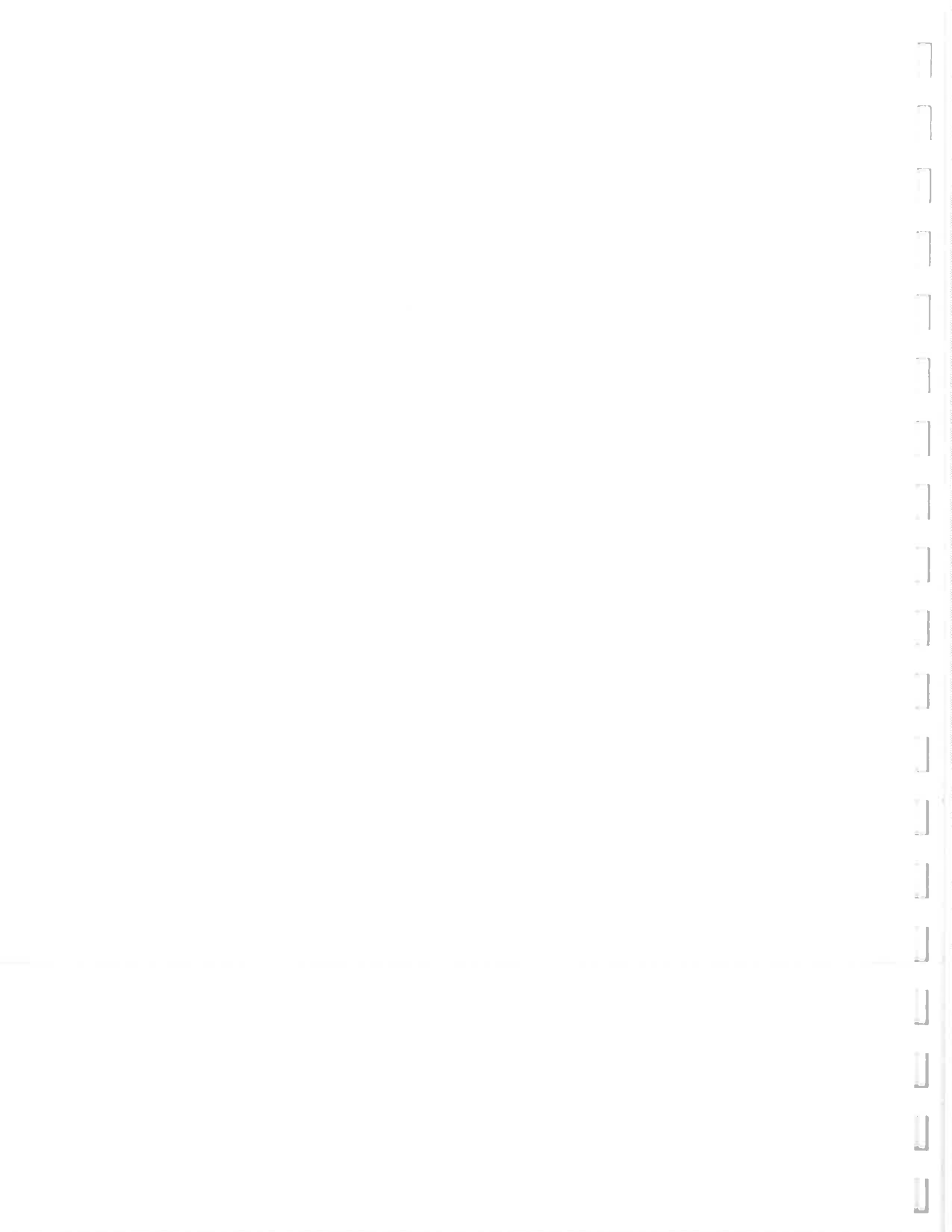
Paying agent's name and address:

Series 2007 - Wells Fargo Bank of Texas, N.A., P.O. Box 2019, Austin, Texas 78768

Series 2012 - BOKF NA, 5956 Sherry Lance, Suite 1201, Dallas, Texas 75225

Series 2018 - BOKF NA, 5956 Sherry Lance, Suite 1201, Dallas, Texas 75225

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT FOR THE YEAR ENDED JUNE 30, 2018

	Bond Issues		
	Series 2011	Series 2015	Total
Interest rates	3.5% - 4.0%	2.0% - 4.0%	
Dates interest payable	8/15 - 2/15	8/15 - 2/15	
Maturity dates	08/22	08/27	
Bonds outstanding, beginning of current period	\$ 3,590,000	\$ 5,355,000	\$ 8,945,000
New bond proceeds	-	-	-
Retirements, principal	770,000	425,000	1,195,000
Bonds outstanding, end of current period	<u>\$ 2,820,000</u>	<u>\$ 4,930,000</u>	<u>\$ 7,750,000</u>
Interest paid during current period	<u>\$ 117,325</u>	<u>\$ 154,000</u>	<u>\$ 271,325</u>

Paying agent's name and address:

Series 2011 - BOKF NA, 5956 Sherry Lance, Suite 1201, Dallas, Texas 75225

Series 2015 - BOKF NA, 5956 Sherry Lance, Suite 1201, Dallas, Texas 75225

Bond authority	Tax Bonds	Revenue Bonds	Refund Bonds
Amount authorized by voters	\$ -	\$ -	\$ 12,960,000
Amount issued	-	-	12,960,000
Remaining to be issued	-	-	-
Debt service fund cash and temporary investment balances as of June 30, 2018			\$ 1,351,327
Average annual debt service payment (principal and interest) for remaining term of all debt			\$ 877,645

Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENT OF REVENUES AND EXPENSES PROPRIETARY FUND FOR THE FIVE YEARS ENDED JUNE 30, 2018

	Amounts				
	2018	2017	2016	2015	2014
Operating revenues					
Charges for service	\$ 4,789,340	\$ 4,404,897	\$ 4,259,379	\$ 4,100,607	\$ 4,170,715
Tap fees	99,621	112,087	98,669	69,347	100,128
Inspection and miscellaneous fees	570,360	571,590	521,889	585,982	446,174
Total revenues	5,459,321	5,088,574	4,879,937	4,755,936	4,717,017
Expenses					
Personnel	2,348,369	2,335,438	2,310,721	2,086,254	1,914,095
Professional fees	37,503	64,973	41,905	40,264	45,206
Purchased and contracted services	117,470	172,844	177,574	177,143	136,495
Consumable supplies and materials	215,147	261,861	267,692	285,910	288,531
Recurring operating expenses	1,601,330	1,318,022	1,594,023	1,345,863	1,308,029
Depreciation and amortization	1,535,635	1,549,251	1,569,960	1,728,231	1,624,768
Total expenses	5,855,454	5,702,389	5,961,875	5,663,665	5,317,124
Excess (expenses)	(396,133)	(613,815)	(1,081,938)	(907,729)	(600,107)
Nonoperating Revenues					
Gain/(Loss) on disposition of assets	184,111	15,422	8,691	14,625	27,221
Interest income	6,204	5,466	3,543	8,459	11,845
Rental income	2,125	-	-	-	-
Developer contributions	288,518	794,917	-	-	-
Interest expense on revenue bonds	(325,106)	(333,504)	(313,568)	(316,639)	(256,598)
Bond issue cost	(130,886)	-	-	-	-
Total nonoperating revenues	24,966	482,301	(301,334)	(293,555)	(217,532)
Net income (loss)	\$ (371,167)	\$ (131,514)	\$ (1,383,272)	\$ (1,201,284)	\$ (817,639)
Total active retail water and/or wastewater connections	8,176	8,140	7,958	7,892	7,664

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
87.8%	86.6%	87.3%	86.2%	88.4%
1.8%	2.2%	2.0%	1.5%	2.1%
10.4%	11.2%	10.7%	12.3%	9.5%
100.0%	100.0%	100.0%	100.0%	100.0%
43.0%	45.9%	47.4%	43.9%	40.6%
0.7%	1.3%	0.9%	0.8%	1.0%
2.2%	3.4%	3.6%	3.7%	2.9%
3.9%	5.1%	5.5%	6.0%	6.1%
29.3%	25.9%	32.7%	28.3%	27.7%
28.1%	30.4%	32.2%	36.3%	34.4%
107.2%	112.0%	122.3%	119.0%	112.7%
-7.2%	-12.0%	-22.3%	-19.0%	-12.7%
3.4%	0.3%	0.2%	0.3%	0.6%
0.1%	0.1%	0.1%	0.2%	0.3%
0.0%	0.0%	0.0%	0.0%	0.0%
5.3%	15.6%	0.0%	0.0%	0.0%
-6.0%	-6.6%	-6.4%	-6.7%	-5.4%
-2.4%	0.0%	0.0%	0.0%	0.0%
0.4%	9.4%	-6.2%	-6.2%	-4.5%
-6.8%	-2.6%	-28.5%	-25.2%	-17.2%

LUMBERTON MUNICIPAL UTILITY DISTRICT

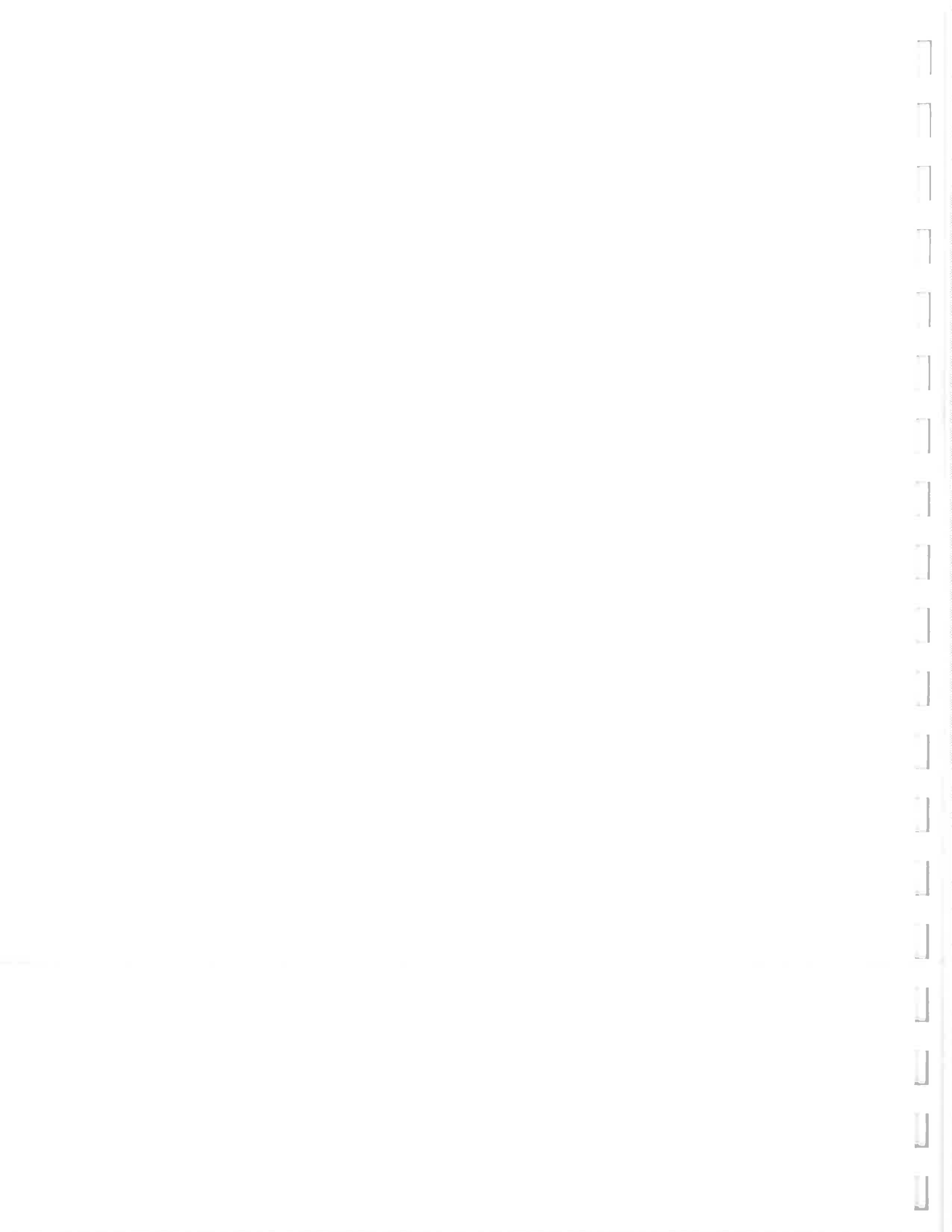
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES DEBT SERVICE FUND FOR THE FIVE YEARS ENDED JUNE 30, 2018

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes, including penalty and interest	\$ 1,498,711	\$ 1,524,338	\$ 1,494,624	\$ 1,588,618	\$ 1,583,542
Interest from investments	338	553	583	865	1,044
Miscellaneous	5,225	8,037	7,339	7,664	9,112
Total revenues	1,504,274	1,532,928	1,502,546	1,597,147	1,593,698
Expenditures					
Tax collection and assessing expenses	55,489	57,539	52,627	54,663	62,974
Debt services, principal and interest	1,466,325	1,461,150	1,495,717	1,530,260	1,516,041
Bond issue expenses	-	-	196,268	-	-
Total expenditures	1,521,814	1,518,689	1,744,612	1,584,923	1,579,015
Excess (deficit) of revenue over expenditures	\$ (17,540)	\$ 14,239	\$ (242,066)	\$ 12,224	\$ 14,683

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
99.7%	99.5%	99.5%	99.4%	99.3%
0.0%	0.0%	0.0%	0.1%	0.1%
0.3%	0.5%	0.5%	0.5%	0.6%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
3.7%	3.8%	3.5%	3.4%	4.0%
97.4%	95.3%	99.5%	95.8%	95.1%
0.0%	0.0%	13.1%	0.0%	0.0%
<u>101.1%</u>	<u>99.1%</u>	<u>116.1%</u>	<u>99.2%</u>	<u>99.1%</u>
<u>-1.1%</u>	<u>0.9%</u>	<u>-16.1%</u>	<u>0.8%</u>	<u>0.9%</u>



LUMBERTON MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2018

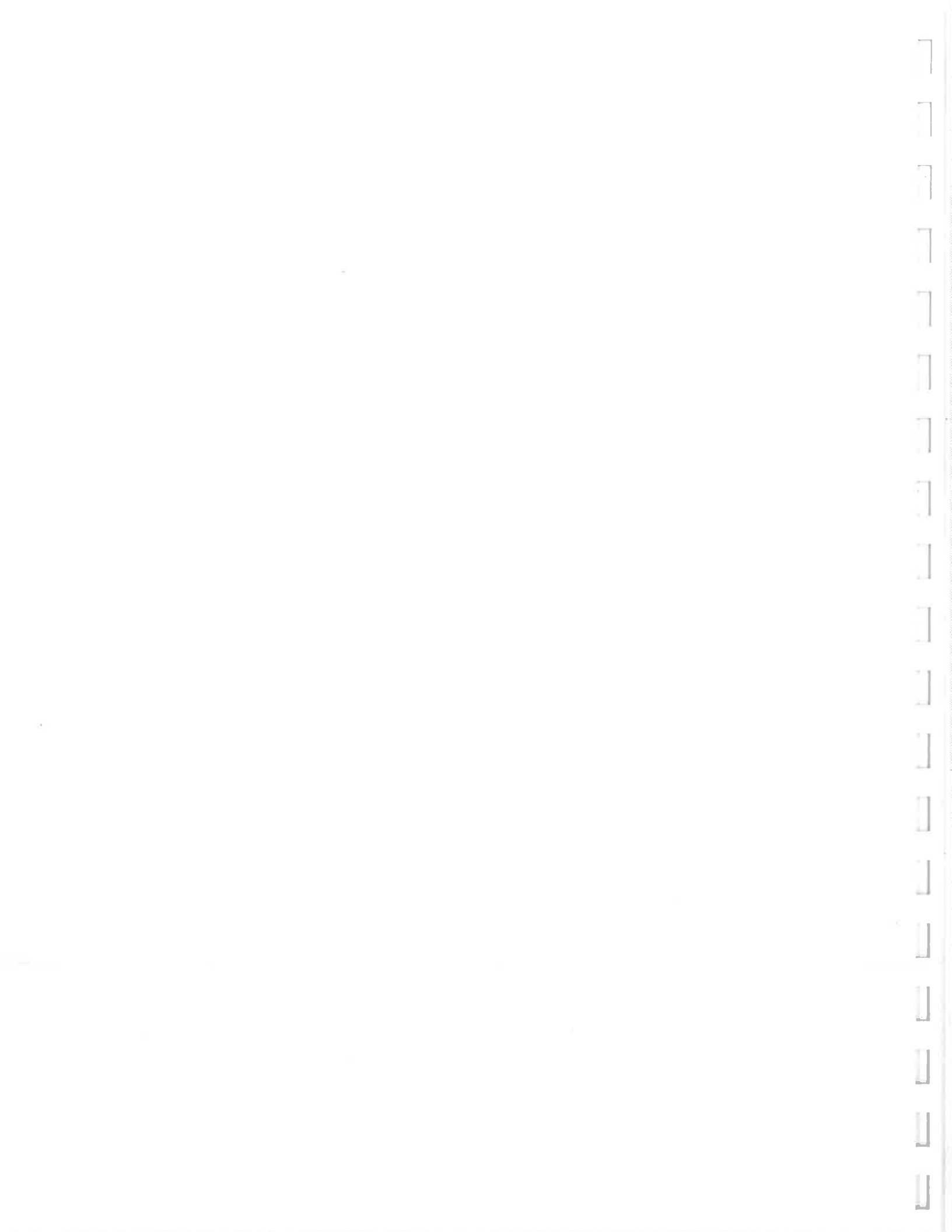
Complete District Mailing Address: Lumberton Municipal Utility District
PO Box 8065
Lumberton, Texas 77657

District Business Telephone Number: (409) 755-1559

Name and Address	Term of Office Date Elected or Date Hired	Salary	Expense Reimbursements	Title at Year-End	Resident of District
Board Members					
Nicholas N. Carter 7760 Rosewood Drive Lumberton, Texas 77657	05/2018 - 05/2022	\$ -	\$ -	President	Yes
Roger Smith 136 Greenleaf Lumberton, Texas 77657	05/2016 - 05/2020	-	-	Vice- President	Yes
David C. Pitchford 5695 Lexington Lumberton, Texas 77657	05/2018 - 05/2022	-	-	Secretary	Yes
James B. (Jimmy) Burk 121 Rolling Hills Lumberton, Texas 77657	05/2018 - 05/2022	-	-	Asst. Secretary	Yes
David L. Desormeaux 280 Creekwood Lumberton, Texas 77657	05/2016 - 05/2020	-	-	Board Member	Yes
Key Administrative Personnel					
Roger Fussell 8300 Century Oaks Silsbee, Texas 77656	10/1999 - Present	110,982	9,000	Manager	No

NOTE: No director is disqualified from serving on the board of the District under the Texas Water Code.

See Independent Auditor's Report on Supplementary Information.



LUMBERTON MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2018 (CONTINUED)

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Fees and Expense Reimbursements June 30, 2018</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
Consultants				
Germer, Bernsen & Gertz, L.L.P. 805 Park Street Beaumont, Texas 77701	10/12/1992	\$ 46,780	Attorney	N/A
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Avenue, Suite 101 Beaumont, Texas 77706	06/29/2006	21,225	Auditor	N/A
LJA Engineering, Inc. 905 Orleans Street Beaumont, Texas 77701	04/06/2016	10,804	Engineer	N/A
U.S. Capital Advisors 444 Westheimer, Suite G500 Houston, Texas 77027	07/01/2015	52,950	Financial Advisor	N/A

See Independent Auditor's Report on Supplementary Information.



September 6, 2018

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lumberton Municipal Utility District
Lumberton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Lumberton Municipal Utility District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of Lumberton Municipal Utility District and have issued our report thereon dated September 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lumberton Municipal Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lumberton Municipal Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lumberton Municipal Utility District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lumberton Municipal Utility District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

