

LUMBERTON MUNICIPAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Hardin §

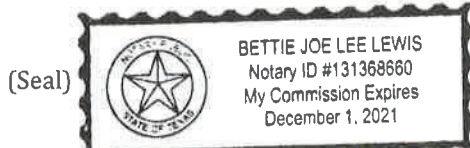
I, Roger Smith, Vice-President of the Lumberton Municipal Utility District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 20th day of September 2021 its annual report for the fiscal year or period ended June 30, 2021 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: 9/20, 2021

By: [Signature]
(Signature of District Representative)

Roger Smith, Vice-President
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 20 day of September, 2021



[Signature]
(Signature of Notary)

My commission expires on 12-1, 2021 Notary Public in and for the State of Texas.

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA



Stanley (Chip) Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA

September 3, 2021

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, 2021 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, 2021, 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 56 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 3, 2021, 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, 2021. 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, 2021, by \$22,045,970 (net position).
- The Lumberton Municipal Utility District's total net position increased by \$1,492,188. The District had expenses associated with all activities totaling \$6,521,929 and total revenues were \$8,014,117.
- As of June 30, 2021, the Lumberton Municipal Utility District's Water and Sewer Fund reported an ending net position of \$25,823,090.

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, 2021

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 \$22,045,970 at June 30, 2021.

LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2021

STATEMENT OF NET POSITION

	Statement of Net Position June 30, 2021			
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 1,108,432	\$ 7,016,964	\$ -	\$ 8,125,396
Capital assets	-	27,373,336	-	27,373,336
Total Assets	1,108,432	34,390,300	-	35,498,732
Deferred Outflow of Resources	-	403,245	-	403,245
Current and other liabilities	1,047,909	2,469,053	-	3,516,962
Long-term liabilities	3,635,000	6,297,463	-	9,932,463
Total Liabilities	4,682,909	8,766,516	-	13,449,425
Deferred Inflow of Resources	202,643	203,939	-	406,582
Net Position:				
Invested in capital assets, net of related debt	-	20,419,199	(4,827,643)	15,591,556
Restricted	1,050,523	823,152	-	1,873,675
Unrestricted	(4,827,643)	4,580,739	4,827,643	4,580,739
Total Net Position	\$ (3,777,120)	\$ 25,823,090	\$ -	\$ 22,045,970
	Statement of Net Position June 30, 2020			
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 1,107,439	\$ 6,717,229	\$ -	\$ 7,824,668
Capital assets	-	27,729,099	-	27,729,099
Total Assets	1,107,439	34,446,328	-	35,553,767
Deferred Outflow of Resources	-	140,684	-	140,684
Current and other liabilities	1,024,527	2,225,633	-	3,250,160
Long-term liabilities	4,625,000	6,850,047	-	11,475,047
Total Liabilities	5,649,527	9,075,680	-	14,725,207
Deferred Inflow of Resources	258,008	157,454	-	415,462
Net Position:				
Invested in capital assets, net of related debt	-	20,230,931	(5,838,008)	14,392,923
Restricted	1,037,912	819,463	-	1,857,375
Unrestricted	(5,838,008)	4,303,484	5,838,008	4,303,484
Total Net Position	\$ (4,800,096)	\$ 25,353,878	\$ -	\$ 20,553,782

For the fiscal years ended June 30, 2021 and 2020, the District has a reclassification of \$4,827,643 and \$5,838,008, 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 \$22,045,970. 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 \$4,580,739 at June 30, 2021. 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, 2021

STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Fees for services	\$ -	\$ -	\$ 6,089,813	\$ 5,858,946	\$ 6,089,813	\$ 5,858,946
General revenues						
Property taxes	1,152,527	1,163,444	-	-	1,152,527	1,163,444
Investment income	913	988	11,884	13,755	12,797	14,743
Net grant activity	-	-	16,807	122,607	16,807	122,607
Other	5,847	4,986	736,326	667,640	742,173	672,626
						-
Total Revenues	<u>1,159,287</u>	<u>1,169,418</u>	<u>6,854,830</u>	<u>6,662,948</u>	<u>8,014,117</u>	<u>7,832,366</u>
Expenses						
Administration	(47,469)	(40,548)	-	-	(47,469)	(40,548)
Interest on long-term debt	(103,842)	(134,886)	-	-	(103,842)	(134,886)
Water and sewer	-	-	(6,370,618)	(6,291,849)	(6,370,618)	(6,291,849)
Total Expenses	<u>(151,311)</u>	<u>(175,434)</u>	<u>(6,370,618)</u>	<u>(6,291,849)</u>	<u>(6,521,929)</u>	<u>(6,467,283)</u>
Increase (decrease) in net position before transfers	1,007,976	993,984	484,212	371,099	1,492,188	1,365,083
Transfers	15,000	32,000	(15,000)	(32,000)	-	-
Net position - beginning	<u>(4,800,096)</u>	<u>(5,826,080)</u>	<u>25,353,878</u>	<u>25,014,779</u>	<u>20,553,782</u>	<u>19,188,699</u>
Net position - ending	<u>\$ (3,777,120)</u>	<u>\$ (4,800,096)</u>	<u>\$ 25,823,090</u>	<u>\$ 25,353,878</u>	<u>\$ 22,045,970</u>	<u>\$ 20,553,782</u>

The District's total net position increased by \$1,492,188 during the current fiscal year. Governmental activities increased by \$1,022,976 and business-type activities increased by \$469,212.

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, 2021 the Lumberton Municipal Utility District's governmental fund reported an ending balance of \$1,055,261.

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, 2021

Unrestricted net position at the end of the year totaled \$4,580,739 for the Water and Sewer Fund. Net position in the Water and Sewer Fund increased by \$469,212 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, 2021. There were no additional appropriations. Tax revenues were above budget by \$29,455 or 2.6%. Debt service expenditures were below budget by \$2,830 or 0.24%.

Proprietary Fund Budget Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2021. Operating revenues exceeded budget by \$181,613 or 3.1%. Operating expenses were below budget by \$532,414 or 7.9%. Actual depreciation and amortization expense were below budgeted depreciation and amortization expenses by \$186,756.

Capital Assets

The Lumberton Municipal Utility District's investment in capital assets for its business-type activities at June 30, 2021, was \$27,373,336 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 \$355,763 after considering accumulated depreciation of \$34,336,954.

CAPITAL ASSETS

	Business-Type Activities		Change
	2021	2020	
Land	\$ 438,597	\$ 438,597	\$ -
Buildings and improvements	5,650,690	5,650,690	-
Water System	12,086,952	11,787,640	299,312
Sewer System	40,882,960	40,298,336	584,624
Machinery and equipment	808,003	584,201	223,802
Automobiles and trucks	883,239	858,657	24,582
Furniture and fixtures	472,321	472,321	-
Engineering fees	354,039	354,039	-
Construction-in-progress	133,489	91,228	42,261
Total at historical cost	61,710,290	60,535,709	1,174,581
Total accumulated depreciation	(34,336,954)	(32,806,610)	(1,530,344)
Net capital assets	\$ 27,373,336	\$ 27,729,099	\$ (355,763)

LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2021

Long-Term Debt

At June 30, 2021, the Lumberton Municipal Utility District had \$11.5 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

	Business-Type Activities			Governmental Activities		
	2021	2020	Change	2021	2020	Change
Bonds Payable	\$6,850,047	\$7,441,838	\$ (591,791)	\$ 4,625,000	\$ 5,580,000	\$ (955,000)

For the fiscal year ended June 30, 2021, interest expense in the Governmental activities was \$103,842, interest expense in the Business-type activities was \$201,412, and interest expense in the Governmental funds was \$170,825.

Economic Factors and Next Year's Budgets

Service fees and other operating revenues are budgeted at \$6,585,500 for the fiscal year ending June 30, 2022 as compared to actual operating revenue of \$6,089,813 for the fiscal year just ended.

Operating expenses, prior to capital outlay and debt principal are budgeted at \$7,411,240 for the fiscal year ending June 30, 2022 as compared to actual operating expenses of \$6,169,206 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, 2021

	Governmental Activities	Business-type Activities	Reclassifications	Total
ASSETS				
Cash	\$ 1,036,482	\$ 3,471,938	\$ -	\$ 4,508,420
Investments	-	227,782	-	227,782
Accounts receivable, net of allowance for doubtful accounts:				
Taxes	65,170	-	-	65,170
Service accounts	-	670,932	-	670,932
Other	-	70,775	-	70,775
Inventory	-	376,955	-	376,955
Prepaid appraisal district fees	6,780	-	-	6,780
Restricted assets:				
Cash	-	1,756,921	-	1,756,921
Investments	-	441,661	-	441,661
Capital assets:				
Land	-	438,597	-	438,597
Construction-in-progress	-	133,489	-	133,489
Other capital assets, net of accumulated depreciation	-	26,801,250	-	26,801,250
Total assets	1,108,432	34,390,300	-	35,498,732
DEFERRED OUTFLOW OF RESOURCES				
	-	403,245	-	403,245
LIABILITIES				
Accounts payable	-	207,921	-	207,921
Accrued liabilities	-	105,078	-	105,078
Interest payable	57,909	104,090	-	161,999
Compensated absences	-	62,488	-	62,488
Customer deposits	-	779,170	-	779,170
Deferred revenue	-	211,159	-	211,159
Accrued pension liability	-	446,563	-	446,563
Debt payable - current	990,000	552,584	-	1,542,584
Debt payable - noncurrent	3,635,000	6,297,463	-	9,932,463
Total liabilities	4,682,909	8,766,516	-	13,449,425
DEFERRED INFLOW OF RESOURCES				
Deferred gain on refunded debt	202,643	-	-	202,643
Deferred inflows related to pension	-	203,939	-	203,939
Total deferred inflow of resources	202,643	203,939	-	406,582
NET POSITION				
Invested in capital assets, net of related debt	-	20,419,199	(4,827,643)	15,591,556
Restricted for:				
Debt service	1,050,523	823,152	-	1,873,675
Unrestricted	(4,827,643)	4,580,739	4,827,643	4,580,739
Total net position	\$(3,777,120)	\$25,823,090	\$ -	\$ 22,045,970

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, 2021

	Expenses	Program Revenues		
		Charges for Services	Operating Grant Contributions	Capital Grant Contributions
Primary Government				
Government activities				
Administration and general	\$ 47,469	\$ -	\$ -	\$ -
Interest on long-term debt	103,842	-	-	-
Total government activities	151,311	-	-	-
Business-type activities				
Water and Sewer	6,370,618	6,089,813	-	16,807
Total business-type activities	6,370,618	6,089,813	-	16,807
Total primary government	\$ 6,521,929	\$ 6,089,813	\$ -	\$ 16,807
General revenues				
Property taxes				
Investment earnings				
Miscellaneous				
Developer contributions				
Rental income				
Transfers In (Out)				
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
\$ (47,469)	\$ -	\$ (47,469)
(103,842)	-	(103,842)
(151,311)	-	(151,311)
-	(263,998)	(263,998)
-	(263,998)	(263,998)
(151,311)	(263,998)	(415,309)
1,152,527	-	1,152,527
913	11,884	12,797
5,847	-	5,847
-	733,689	733,689
-	2,637	2,637
15,000	(15,000)	-
1,174,287	733,210	1,907,497
1,022,976	469,212	1,492,188
(4,800,096)	25,353,878	20,553,782
<u>\$ (3,777,120)</u>	<u>\$ 25,823,090</u>	<u>\$ 22,045,970</u>

FUND FINANCIAL STATEMENTS

LUMBERTON MUNICIPAL UTILITY DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2021

	<u>Debt Service Fund</u>
ASSETS	
Cash	\$ 1,036,482
Receivables, net of allowance for doubtful accounts:	
Taxes	65,170
Prepaid appraisal district fees	<u>6,780</u>
Total assets	<u>\$ 1,108,432</u>
 DEFERRED INFLOW OF RESOURCES	
Deferred property tax revenue	\$ 53,171
 FUND BALANCES	
Restricted	
Debt service	<u>1,055,261</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,108,432</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, 2021

Governmental fund balance as reported on the balance sheet for governmental funds. \$ 1,055,261

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 448,394

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 (4,625,000)
Accrued interest expense (57,909)

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 53,171

Total net position as reported on the Statement of Net Position for governmental activities. \$ (3,777,120)

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, 2021

	<u>Debt Service Fund</u>
REVENUES	
General property taxes	\$ 1,155,280
Penalties and interest	8,322
Interest	913
Miscellaneous	<u>5,847</u>
Total revenues	<u>1,170,362</u>
EXPENDITURES	
Debt service	
Principal	955,000
Interest and fiscal charges	170,825
Collection costs	18,634
Appraisal District	27,836
Miscellaneous	<u>1,000</u>
Total expenditures	<u>1,173,295</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,933)
OTHER FINANCING SOURCES	
Transfer in	<u>15,000</u>
NET CHANGE IN FUND BALANCE	12,067
FUND BALANCES, beginning of period	<u>1,043,194</u>
FUND BALANCES, end of period	<u><u>\$ 1,055,261</u></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, 2021

Net change in fund balances for total governmental funds.	\$ 12,067
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	955,000
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	69,527
Accrued interest on bonds payable - current year	(57,909)
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	35,361
Collections due from current year tax levy	<u>(46,435)</u>
Change in net position of governmental activities	<u>\$ 1,022,976</u>

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2021

	Water and Sewer Fund
CURRENT ASSETS	
Cash	\$ 3,471,938
Investments	227,782
Accounts receivable, net of allowance for doubtful accounts:	
Service accounts	670,932
Other	70,775
Inventory	376,955
Total current assets	4,818,382
NONCURRENT ASSETS	
Restricted	
Cash	1,756,921
Investments	441,661
Capital assets	
Land	438,597
Construction-in-progress	133,489
Other capital assets, net of accumulated depreciation	26,801,250
Total noncurrent assets	29,571,918
Total assets	34,390,300
DEFERRED OUTFLOW OF RESOURCES	
	403,245
CURRENT LIABILITIES	
Accounts payable	207,921
Accrued liabilities	105,078
Interest payable	104,090
Current portion, bonds payable	552,584
Compensated absences	62,488
Customer deposits	779,170
Deferred revenue	211,159
Total current liabilities	2,022,490
NONCURRENT LIABILITIES	
Accrued pension liability	446,563
Bonds payable - noncurrent	6,297,463
Total noncurrent liabilities	6,744,026
Total liabilities	8,766,516
DEFERRED INFLOW OF RESOURCES	
	203,939
NET POSITION	
Invested in capital assets, net of related debt	20,419,199
Restricted for Debt Service	823,152
Unrestricted	4,580,739
TOTAL NET POSITION	\$ 25,823,090

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, 2021

	Water and Sewer Fund
OPERATING REVENUES	
Service fees	\$ 5,322,258
Tap connection fees	161,364
Miscellaneous	606,191
Total operating revenues	6,089,813
OPERATING EXPENSES	
Personnel	2,559,290
Professional services	80,508
Purchased and contract services	97,208
Consumable supplies and materials	258,847
Recurring expenses and repairs	1,643,009
Depreciation and amortization	1,530,344
Total operating expenses	6,169,206
OPERATING INCOME (LOSS)	(79,393)
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	11,884
Interest expense	(201,412)
Rental income	2,637
Developer contributions	733,689
FEMA grant revenue	16,807
Total non-operating revenues (expenses)	563,605
NET INCOME (LOSS) BEFORE TRANSFERS	484,212
Transfer out	(15,000)
CHANGE IN NET POSITION	469,212
NET POSITION, beginning of period	25,353,878
NET POSITION, end of period	\$ 25,823,090

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,011,129
Payments to suppliers and service providers	(2,835,557)
Payments to employees	(1,850,632)
Net cash provided by operating activities	<u>1,324,940</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer out	(15,000)
Net cash provided (used) by noncapital financing activities	<u>(15,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for capital assets	(376,531)
Construction-in-progress	(64,361)
Interest payments	(225,369)
Retirement of long-term debt	(455,000)
Customer security deposits	27,350
Net cash provided (used) by capital and related financing activities	<u>(1,093,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	11,884
Rental income	2,637
Deposits to investments	(4,127)
Net cash provided (used) by investing activities	<u>10,394</u>
INCREASE (DECREASE) IN CASH	
	226,423
CASH, beginning of period	<u>5,002,436</u>
CASH, end of period	<u>\$ 5,228,859</u>
Cash is presented in the Statement of Net Position as follows:	
Current Assets - Cash	\$ 3,471,938
Noncurrent Assets - Restricted Cash	1,756,921
	<u>\$ 5,228,859</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (79,393)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	1,530,344
(Increase) decrease in assets	
Receivables	(78,684)
Inventory	23,011
Increase (decrease) in liabilities	
Accounts payable	(92,706)
Accrued liabilities	46,422
Accrued pension liability	273,333
Compensated absences	(16,237)
(Increase) decrease in outflow/inflow of resources	(281,150)
Net cash provided by operating activities	<u>\$ 1,324,940</u>

During the fiscal year ended June 30, 2021, water and sewer system additions included \$733,689 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, 2021

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, 2021

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, 2021

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 were 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.

Interfund Receivables/Payables and Transfers

From time to time transactions occur between individual funds. 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. Transactions representing goods provided or services rendered are reported as transfers in/transfers out. Transactions reported for the year ended June 30, 2021 represent transfers to cover administrative expenditures related to the levy and collection of property taxes. See Note 7 for additional information.

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, 2021

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, 2021

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 3, 2021, 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 \$6,934,784 and the bank balance was \$6,940,556. 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:

Investment	Amount
Certificate of deposit - Local Financial Institution	\$ 441,661
Certificate of deposit - Local Financial Institution	227,782
	\$ 669,443

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

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

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

	Cash	Investments	Total
Governmental Activities	\$ 1,036,482	\$ -	\$ 1,036,482
Business-Type Activities - unrestricted	3,471,938	227,782	3,699,720
Business-Type Activities - restricted			
Interest and Sinking Fund	590,579	-	590,579
Bond Reserve Fund	381,491	441,661	823,152
Customer Meter Deposits	784,851	-	784,851
	\$ 6,265,341	\$ 669,443	\$ 6,934,784

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 2018 and 2020.

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 \$1,315,739,898 and levied property taxes in the amount of \$1,144,951 from a tax rate of \$0.086749/\$100 valuation.

Property taxes receivables as of June 30, 2021, were comprised of the following:

Year of Levy	Debt Service Fund
2020	\$ 36,081
2019	15,746
2018	12,112
2017	12,395
2016	10,060
Before 2016	65,503
	\$ 151,897

In the Statement of Net Position, Property Taxes Receivable are reported net of an allowance for uncollectibles of \$86,727.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

4) **CAPITAL ASSETS**

A summary of changes in the capital assets for the primary government for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Business Type Activities				
Capital assets, not being depreciated				
Land	\$ 438,597	\$ -	\$ -	\$ 438,597
Construction-in-progress	91,228	64,361	22,100	133,489
Total capital assets, not being depreciated	529,825	64,361	22,100	572,086
Capital assets, being depreciated				
Buildings	5,650,690	-	-	5,650,690
Improvements other than buildings	52,440,015	883,936	-	53,323,951
Machinery and equipment	1,915,179	248,384	-	2,163,563
Total capital assets, being depreciated	60,005,884	1,132,320	-	61,138,204
Less accumulated depreciation				
Buildings	967,861	162,103	-	1,129,964
Improvements other than buildings	30,444,126	1,222,075	-	31,666,201
Machinery and equipment	1,394,623	146,166	-	1,540,789
Total accumulated depreciation	32,806,610	1,530,344	-	34,336,954
Total capital assets, being depreciation, net	27,199,274	(398,024)	-	26,801,250
Business-type activities capital assets, net	\$ 27,729,099	\$ (333,663)	\$ 22,100	\$ 27,373,336

Construction-in-progress for the enterprise fund as of June 30, 2021, includes the following:

	Estimated Project Costs	Construction- In-Progress	Remaining Projected Costs
2021 Wastewater System Expansion and Improvement Project (see Note 12)	\$ -	\$ 44,574	\$ -
FEMA	1,095,115	88,915	1,006,200
Total for all projects	\$ 1,095,115	\$ 133,489	\$ 1,006,200

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

4) **CAPITAL ASSETS (CONTINUED)**

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

Business-type Activities	
Water and Sewer	\$ 1,530,344
Total Depreciation Expense - Business-type Activities	\$ 1,530,344

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

Intangible assets and related amortization as of June 30, 2021, 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	\$ 448,394	\$ 202,643

Amortization expense for the year ended June 30, 2021 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, 2021 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:

Governmental activities	\$ 1,030,000
Governmental activities - refunding	3,595,000
Business-type activities	5,940,000
	\$ 10,565,000

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

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

General Obligation and Revenue Bonds (Continued)

General Obligation Bonds payable at June 30, 2021 are comprised of the following individual issues:

\$7,190,000 Series 2011 General Obligation Refunding Bonds due in annual principal installments of \$500,000 to \$520,000 through August 15, 2022; with interest at 3.50% to 4.00%	\$ 1,030,000
\$5,770,000 Series 2015 Tax Refunding Bonds due in annual principal installments of \$455,000 to \$550,000 through August 15, 2027; with interest at 2.00% to 4.00%	<u>3,595,000</u>
	<u>\$ 4,625,000</u>

Total Revenue Bonds payable at June 30, 2021 are as follows:

\$2,680,000 Series 2018 Utility System Revenue Refunding Bonds due in annual principal installments of \$220,000 to \$330,000 through August 15, 2028; with interest at 5.0%	\$ 2,235,000
\$3,705,000 Series 2020 Utility System Revenue Refunding Bonds due in annual principal installments of \$185,000 to \$400,000 through August 15, 2033; with interest at 4.0% to 5.0%	<u>3,705,000</u>
	<u>\$ 5,940,000</u>

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
2022	\$ 990,000	\$ 135,450	\$ 420,000	\$ 268,600
2023	1,000,000	95,650	445,000	246,975
2024	505,000	68,075	470,000	224,100
2025	515,000	52,775	495,000	199,975
2026	525,000	37,175	530,000	174,350
2027-2031	1,090,000	29,775	2,450,000	469,500
2032-2035	-	-	<u>1,130,000</u>	<u>69,600</u>
Total	<u>\$ 4,625,000</u>	<u>\$ 418,900</u>	<u>\$ 5,940,000</u>	<u>\$ 1,653,100</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

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

General Obligation and Revenue Bonds (Continued)

For the fiscal year ended June 30, 2021, interest expense in the Governmental activities was \$103,842; interest expense in the Business-type activities was \$201,412; interest expense in the Governmental Funds was \$170,825.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation					
Bonds					
2011	\$ 1,530,000	\$ -	\$ 500,000	\$ 1,030,000	\$ 520,000
2015	4,050,000	-	455,000	3,595,000	470,000
	<u>\$ 5,580,000</u>	<u>\$ -</u>	<u>\$ 955,000</u>	<u>\$ 4,625,000</u>	<u>\$ 990,000</u>
Revenue Bonds					
2012	\$ 235,000	\$ -	\$ 235,000	-	-
2018	2,455,000	-	220,000	2,235,000	235,000
2020	3,705,000	-	-	3,705,000	185,000
2018 Bond Premium	248,885	-	46,622	202,263	42,415
2020 Bond Premium	797,953	-	90,169	707,784	90,169
	<u>\$ 7,441,838</u>	<u>\$ -</u>	<u>\$ 591,791</u>	<u>\$ 6,850,047</u>	<u>\$ 552,584</u>
Total Bonded Debt	<u>\$ 13,021,838</u>	<u>\$ -</u>	<u>\$ 1,546,791</u>	<u>\$ 11,475,047</u>	<u>\$ 1,542,584</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.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

6) LONG-TERM DEBT (CONTINUED)

Refunding and Defeased Debt (Continued)

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, 2019 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.

On June 2, 2020, the District refunded \$4,265,000 of the Utility System Revenue Bonds, Series 2012. The Series 2012 refunded bonds bore interest at 3.0% to 3.25% and were called on August 15, 2020 being funded with the proceeds of the Utility System Revenue Refunding Bonds, Series 2020 in the amount of \$3,705,000 bearing interest at 4% to 5%. This refunding resulted in a net present value savings of \$308,465. A deposit of \$4,330,494 was placed in escrow to defease the \$4,265,000 of Series 2012 bonds on August 15, 2020.

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, recurring expenses and repairs exceeded budget by \$485,489.
- C) In the Debt Service Fund, collection cost exceeded budget by \$3,634 but was offset by appraisal district fees which were budgeted to include collection costs. Debt service fees exceeded budget by \$700.
- D) The annual property tax levy is restricted to the balance necessary to meet the debt service requirement of principal and interest on certain impacted general obligation bonds. Therefore, General Debt Service Fund administrative costs including appraisal and collection fees must be funded from another source. The Water and Sewer Proprietary Fund provided this source of funding through an interfund transfer in the amount of \$15,000 for the fiscal year ended June 30, 2021.

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 TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 817 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

8) PENSION COSTS (CONTINUED)

Plan Description (continued)

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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>33</u>
	<u>77</u>

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 7.73% for the months of the accounting year in 2020 and 7.82% for the months of the accounting year in 2021. The contribution rate payable by the employee members for calendar years 2020 and 2021 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, 2021, the annual pension cost for the TCDRS plan for its employees was \$135,277 and the actual contribution was \$143,094. The required contribution was determined as part of the December 31, 2020 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2020 included (a) 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.6 percent. Both (a) and (b) included an inflation component of 2.5 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, 2021

8) **PENSION COSTS (CONTINUED)**

Net Pension Liability / (Asset)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Total Pension Liability		
Service cost	\$ 183,388	\$ 195,567
Interest on total pension liability	405,258	369,799
Effect of plan changes	-	-
Effect of assumption changes or inputs	408,818	-
Effect of economic/demographic (gains) or losses	(4,651)	(30,238)
Benefit payments/refunds of contributions	(122,775)	(49,026)
Net change in total pension liability	870,038	486,102
Total pension liability, beginning	4,879,993	4,393,891
Total pension liability, ending (a)	5,750,031	4,879,993
Fiduciary Net Position		
Employer contributions	131,274	127,692
Member contributions	101,888	103,395
Investment income net of investment expenses	486,466	637,612
Benefit payments/refunds of contributions	(122,775)	(49,026)
Administrative expenses	(3,881)	(3,587)
Other	3,733	6,889
Net change in fiduciary net position	596,705	822,975
Fiduciary net position, beginning	4,706,763	3,883,788
Fiduciary net position, ending (b)	5,303,468	4,706,763
Net pension liability / (asset), ending = (a) - (b)	\$ 446,563	\$ 173,230
Fiduciary net position as a % of total pension liability	92.23%	96.45%
Pensionable covered payroll ⁽¹⁾	\$1,698,128	\$1,723,254
Net pension liability as a % of covered payroll	26.30%	10.05%

⁽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, 2021**

8) **PENSION COSTS (CONTINUED)**

Discount Rate

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Discount rate ⁽²⁾	7.60%	8.10%	8.10%
Long-term expected rate of return, net of investment expenses ⁽²⁾	7.60%	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 7.50%, 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, 2020 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.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

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	Straight-Line amortization over Expected Working Life
Remaining Amortization Period	10.4 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, 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. 2019: New inflation, mortality and other 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. 2018: No changes in plan provisions were reflected in the schedule. 2019: No changes in plan provisions were reflected in the schedule. 2020: No changes in plan provisions were reflected in the schedule.

* 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, 2021

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 2021 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The actuary relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.25%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

⁽¹⁾ Target asset allocation adopted at the March 2021 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2021 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

8) **PENSION COSTS (CONTINUED)**

Changes in Net Pension Liability / (Asset)

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2019	\$ 4,879,993	\$ 4,706,763	\$ 173,230
Changes for the year:			
Service Cost	183,388	-	183,388
Interest on total pension liability ⁽¹⁾	405,258	-	405,258
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(4,651)	-	(4,651)
Effect of assumptions changes or inputs	408,818	-	408,818
Refund of contributions	(25,644)	(25,644)	-
Benefit payments	(97,131)	(97,131)	-
Administrative expenses	-	(3,881)	3,881
Member contributions	-	101,888	(101,888)
Net Investment income	-	486,466	(486,466)
Employer contributions	-	131,274	(131,274)
Other ⁽³⁾	-	3,733	(3,733)
Balances as of December 31, 2020	<u>\$ 5,750,031</u>	<u>\$ 5,303,468</u>	<u>\$ 446,563</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 7.60%, 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 6,704,691	\$ 5,750,031	\$ 4,962,547
Fiduciary net position	<u>5,303,468</u>	<u>5,303,468</u>	<u>5,303,468</u>
Net pension liability / (asset)	<u>\$ 1,401,223</u>	<u>\$ 446,563</u>	<u>\$ (340,921)</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

8) **PENSION COSTS (CONTINUED)**

	January 1, 2020 to December 31, 2020
Pension Expense / (Income)	
Service cost	\$ 183,388
Interest on total pension liability ⁽¹⁾	405,258
Effect on plan changes	-
Administrative expenses	3,881
Member contributions	(101,888)
Expected investment return net of investment expenses	(385,626)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(15,738)
Recognition of assumption changes or inputs	88,602
Recognition of investment gains or losses	(42,225)
Other ⁽²⁾	(3,732)
Pension expense / (income)	\$ 131,920

⁽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, 2020, the deferred inflow and outflows of resources are as follows:

Deferred inflows / outflows of resources

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 45,686	\$ 1,043
Changes of assumptions	-	334,257
Net difference between projected and actual earnings	158,253	-
Contributions made subsequent to measurement date	n/a	67,945
	\$ 203,939	\$ 403,245

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:	
2021	\$ 24,399
2022	63,712
2023	(12,375)
2024	55,625
2025	-
Thereafter ⁽³⁾	-

⁽³⁾ 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, 2021

8) **PENSION COSTS (CONTINUED)**

Payable to the Pension Plan

At June 30, 2021, the District reported a payable of \$4,273 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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 \$3,777,120.

12) **SUBSEQUENT EVENT**

During the year ended June 30, 2021, the District began a feasibility and engineering study related to a possible wastewater treatment plant expansion and sanitary collection system improvements program. The resultant engineering report is a required step prior to the calling of a bond election. The District anticipates a bond election in the fall of 2021 to request voter approval for issuance of \$74,275,000 worth of bonds to fund these projects. Said bonds would be sold in late 2021 or early 2022. The Construction-In-Progress referenced in Note 4 represents engineering fees incurred through June 30, 2021.

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, 2021

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Total Pension Liability			
Service cost	\$ 183,388	\$ 195,567	\$ 197,978
Interest on total pension liability	405,258	369,799	334,061
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	408,818	-	-
Effect of economic/demographic (gains) or losses	(4,651)	(30,238)	(37,235)
Benefit payments/refunds of contributions	<u>(122,775)</u>	<u>(49,026)</u>	<u>(53,279)</u>
Net change in total pension liability	870,038	486,102	441,525
Total pension liability, beginning	<u>4,879,993</u>	<u>4,393,891</u>	<u>3,952,366</u>
Total pension liability, ending (a)	<u>5,750,031</u>	<u>4,879,993</u>	<u>4,393,891</u>
Fiduciary Net Position			
Employer contributions	131,274	127,692	133,763
Member contributions	101,888	103,395	104,235
Investment income net of investment expenses	486,466	637,612	(68,066)
Benefit payments/refunds of contributions	(122,775)	(49,026)	(53,279)
Administrative expenses	(3,881)	(3,587)	(3,119)
Other	<u>3,733</u>	<u>6,889</u>	<u>5,880</u>
Net change in fiduciary net position	596,705	822,975	119,414
Fiduciary net position, beginning	<u>4,706,763</u>	<u>3,883,788</u>	<u>3,764,374</u>
Fiduciary net position, ending (b)	<u>5,303,468</u>	<u>4,706,763</u>	<u>3,883,788</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 446,563</u>	<u>\$ 173,230</u>	<u>\$ 510,103</u>
Fiduciary net position as a % of total pension liability	92.23%	96.45%	88.39%
Pensionable covered payroll ⁽¹⁾	\$ 1,698,128	\$ 1,723,254	\$ 1,737,255
Net pension liability as a % of covered payroll	26.30%	10.05%	29.36%

See Independent Auditor's Report on Supplementary Information.

Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
\$ 178,925	\$ 176,703	\$ 165,510	\$ 149,047
298,707	259,476	231,404	204,111
-	-	(56,788)	-
16,811	-	26,619	-
(7,442)	6,258	(21,248)	7,732
(85,244)	(16,890)	(21,432)	(13,164)
401,757	425,547	324,065	347,726
3,550,610	3,125,063	2,800,998	2,453,272
3,952,367	3,550,610	3,125,063	2,800,998
126,288	118,763	121,840	115,664
102,775	100,931	98,126	87,958
463,256	203,556	(55,681)	151,881
(85,244)	(16,890)	(21,432)	(13,164)
(2,503)	(2,213)	(1,927)	(1,875)
1,904	17,728	35	(1,302)
606,476	421,875	140,961	339,162
3,157,898	2,736,023	2,595,062	2,255,900
3,764,374	3,157,898	2,736,023	2,595,062
\$ 187,993	\$ 392,712	\$ 389,040	\$ 205,936
95.24%	88.94%	87.55%	92.65%
\$ 1,712,913	\$ 1,682,183	\$ 1,635,434	\$ 1,465,975
10.98%	23.35%	23.79%	14.05%

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2021

<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⁽²⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
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%
2018	133,763	133,763	-	1,737,255	7.7%
2019	127,692	127,692	-	1,723,254	7.4%
2020	131,265	131,274	(9)	1,698,128	7.7%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ 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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
Service fees	\$ 5,125,000	\$ 5,125,000	\$ 5,322,258	\$ 197,258
Tap connection fees	125,000	125,000	161,364	36,364
Miscellaneous	658,200	658,200	606,191	(52,009)
Total operating revenues	<u>5,908,200</u>	<u>5,908,200</u>	<u>6,089,813</u>	<u>181,613</u>
EXPENSES				
Personnel	2,583,000	2,583,000	2,559,290	23,710
Professional services	125,000	125,000	80,508	44,492
Purchased and contract services	219,000	219,000	97,208	121,792
Consumable supplies and materials	900,000	900,000	258,847	641,153
Recurring expenses and repairs	1,157,520	1,157,520	1,643,009	(485,489)
Depreciation and amortization	1,717,100	1,717,100	1,530,344	186,756
Total operating expenses	<u>6,701,620</u>	<u>6,701,620</u>	<u>6,169,206</u>	<u>532,414</u>
OPERATING INCOME (LOSS) - BUDGET BASIS	<u>(793,420)</u>	<u>(793,420)</u>	<u>(79,393)</u>	<u>714,027</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest on investments	6,300	6,300	11,884	5,584
Interest expense	(327,775)	(327,775)	(201,412)	126,363
Nonbudgeted revenues (expenses)	-	-	753,133	753,133
Total non-operating revenues (expenses)	<u>(321,475)</u>	<u>(321,475)</u>	<u>563,605</u>	<u>885,080</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(1,114,895)</u>	<u>(1,114,895)</u>	<u>484,212</u>	<u>1,599,107</u>
Transfer out	-	-	(15,000)	(15,000)
CHANGE IN NET POSITION - GAAP BASIS	<u><u>\$ (1,114,895)</u></u>	<u><u>\$ (1,114,895)</u></u>	<u><u>\$ 469,212</u></u>	<u><u>\$ 1,584,107</u></u>
NON GAAP BUDGET ITEMS				
Third party fee collections	\$ 551,000	\$ 551,000	\$ 550,735	\$ (265)
Third party fee disbursements	(551,000)	(551,000)	(550,735)	265
Debt service transfer	(200,000)	(200,000)	(200,000)	-
Debt service I&S reserves	(455,000)	(455,000)	(455,000)	-
Capital funds transfers	392,500	392,500	390,911	(1,589)
Capital expenditures	(392,500)	(392,500)	(390,911)	1,589
Total non-gaap budget items	<u><u>\$ (655,000)</u></u>	<u><u>\$ (655,000)</u></u>	<u><u>\$ (655,000)</u></u>	<u><u>\$ -</u></u>

In accordance with the terms of the District's 2018 and 2020 Bond Orders, operating income before depreciation and amortization $(\$79,393) + \$1,530,344 = \$1,450,951$ exceeded 125% of debt service requirement $(\$584,085 \times 1.25 = \$730,106)$ by $\$712,248$.

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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 1,125,825	\$ 1,125,825	\$ 1,155,280	\$ 29,455
Penalties and interest	9,000	9,000	8,322	(678)
Interest	500	500	913	413
Miscellaneous	7,500	7,500	5,847	(1,653)
Total revenues	<u>1,142,825</u>	<u>1,142,825</u>	<u>1,170,362</u>	<u>27,537</u>
EXPENDITURES				
Debt service				
Principal	955,000	955,000	955,000	-
Interest and fiscal charges	170,825	170,825	170,825	-
Collection costs	15,000	15,000	18,634	(3,634)
Appraisal District fees	35,000	35,000	27,836	7,164
Miscellaneous	300	300	1,000	(700)
Total expenditures	<u>1,176,125</u>	<u>1,176,125</u>	<u>1,173,295</u>	<u>2,830</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,300)	(33,300)	(2,933)	30,367
OTHER FINANCING SOURCES:				
Transfer in	<u>35,000</u>	<u>35,000</u>	<u>15,000</u>	<u>(20,000)</u>
NET CHANGE IN FUND BALANCE	1,700	1,700	12,067	10,367
FUND BALANCE, beginning of period	<u>1,043,194</u>	<u>1,043,194</u>	<u>1,043,194</u>	<u>-</u>
FUND BALANCE, end of period	<u>\$ 1,044,894</u>	<u>\$ 1,044,894</u>	<u>\$ 1,055,261</u>	<u>\$ 10,367</u>

See Independent Auditor's Report on Supplementary Information.

TEXAS SUPPLEMENTARY INFORMATION

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES JUNE 30, 2021

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, 2019:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water	\$ 14.00	1,500	Y		0 to 1,500
				2.30	1,501 to 7,000
				2.90	7,001 to plus
Wastewater	13.50	1,500		2.35	to
Surcharge	N/A				

Does the District employ winter averaging for wastewater usage? Yes No

Total water and wastewater charges per 10,000 gallons usage (including surcharges) \$ 69.17

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	8,572	8,572	Unknown	8,572
Multifamily	85	322	Unknown	322
Commercial	75	938	-	938
Other - recreational centers, government and VFD	-	-	-	-
	<u>8,732</u>	<u>9,832</u>	<u>-</u>	<u>9,832</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, 2021 (CONTINUED)

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

Gallons pumped into system:	769,271,100
Gallons billed to customers:	658,497,585

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

For the fiscal year ended June 30, 2021:

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	688,600
Standby fees	-
Debt service fund balance to be used	-
Interest revenues	-
Other funds in excess of required payments	-
Total Anticipated Funds to be used	\$ 688,600

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2021

(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, 2021

OPERATING EXPENSES	
Personnel (including benefits)	<u>\$ 2,559,290</u>
Professional fees	
Auditing	20,250
Legal	25,032
Management and consulting	399
Engineering	<u>34,827</u>
Total professional fees	<u>80,508</u>
Purchased and contracted services	
Contracted material and repairs	847
Other contracted services	<u>96,361</u>
Total contracted services	<u>97,208</u>
Consumable supplies and materials	
Fuel, chemicals and other	222,014
Repair and maintenance	<u>36,833</u>
Total consumable supplies and materials	<u>258,847</u>
Recurring expenses and repairs	
Utilities	371,045
Insurance	68,649
Other administrative expenses	<u>1,203,315</u>
Total administrative expenses	<u>1,643,009</u>
Depreciation and amortization	<u>1,530,344</u>
TOTAL OPERATING EXPENSES	<u>6,169,206</u>
NON-OPERATING EXPENSES	
Interest	<u>201,412</u>
Total non-operating expenses	<u>201,412</u>
TOTAL EXPENSES	6,370,618
Transfer out	<u>15,000</u>
TOTAL EXPENSES AND TRANSFER OUT	<u>\$ 6,385,618</u>

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

**SCHEDULE OF TEMPORARY INVESTMENTS
JUNE 30, 2021**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balances at End of Year</u>	
				<u>Unrestricted</u>	<u>Restricted</u>
Water and Sewer Operating Fund					
Certificate of deposit	6700804869	0.70%	07/20/2021	\$ -	\$441,661
Certificate of deposit	0209735352	1.70%	02/26/2022	<u>227,782</u>	<u>-</u>
				<u>\$ 227,782</u>	<u>\$441,661</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 2018 and 2020. 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, 2021

	Debt Service Fund
Taxes receivable, beginning of year	\$ 154,766
2020 original tax levy	1,144,951
Total to be accounted for	1,299,717
Taxes collections	
Current year	1,105,440
Prior year	35,361
Total collections	1,140,801
Adjustments	7,019
	1,147,820
Taxes receivable, end of year	\$ 151,897
Taxes receivable by year	
2020	\$ 36,081
2019	15,746
2018	12,112
2017	12,395
2016	10,060
Before 2016	65,503
Taxes receivable, end of year	\$ 151,897

	2020	2019	2018	2017
Property valuations				
Land and improvements	\$ 1,315,739,898	\$ 1,251,730,807	\$ 1,168,489,900	\$ 1,138,141,267
Tax rates per \$100 valuation				
Debt Service Fund	\$ 0.086749	\$ 0.091200	\$ 0.098137	\$ 0.131232
Original levy	\$ 1,144,951	\$ 1,154,094	\$ 1,145,118	\$ 1,493,367
Percent of taxes collected to taxes levied	97%	96%	96%	96%

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, 2021**

Utility System Revenue Refunding Bonds Series 2018 Issued \$2,680,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total Principal and Interest
	Interest	Principal	Interest	
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>\$ 266,000</u>	<u>\$ 2,235,000</u>	<u>\$ 210,125</u>	<u>\$ 2,711,125</u>

Utility System Revenue Refunding Bonds Series 2020 Issued \$3,705,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total Principal and Interest
	Interest	Principal	Interest	
2022	\$ 83,675	\$ 185,000	\$ 79,050	\$ 347,725
2023	79,050	200,000	74,050	353,100
2024	74,050	215,000	68,675	357,725
2025	68,675	225,000	63,050	356,725
2026	63,050	245,000	56,925	364,975
2027	56,925	265,000	50,300	372,225
2028	50,300	280,000	43,300	373,600
2029	43,300	300,000	35,800	379,100
2030	35,800	320,000	29,400	385,200
2031	29,400	340,000	22,600	392,000
2032	22,600	355,000	15,500	393,100
2033	15,500	375,000	8,000	398,500
2034	8,000	400,000	-	408,000
	<u>\$ 630,325</u>	<u>\$ 3,705,000</u>	<u>\$ 546,650</u>	<u>\$ 4,881,975</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, 2021**

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 420,000	\$ 268,600	\$ 688,600
2023	445,000	246,975	691,975
2024	470,000	224,100	694,100
2025	495,000	199,975	694,975
2026	530,000	174,350	704,350
2027	565,000	146,975	711,975
2028	595,000	117,975	712,975
2029	630,000	87,350	717,350
2030	320,000	65,200	385,200
2031	340,000	52,000	392,000
2032	355,000	38,100	393,100
2033	375,000	23,500	398,500
2034	400,000	8,000	408,000
	<u>\$ 5,940,000</u>	<u>\$ 1,653,100</u>	<u>\$ 7,593,100</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, 2021

General Obligation Refunding Bonds Series 2011 Issued \$7,190,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2022	\$ 20,600	\$ 520,000	\$ 10,200	\$ 550,800
2023	10,200	510,000	-	520,200
	\$ 30,800	\$ 1,030,000	\$ 10,200	\$ 1,071,000

Tax Refunding Bonds Series 2015 Issued \$5,770,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
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
	\$ 217,462	\$ 3,595,000	\$ 160,438	\$ 3,972,900

Annual Requirements for All Series			
Due During Fiscal Years Ending June 30,	Total Principal Due	Total Interest Due	Total Principal and Interest
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
	\$ 4,625,000	\$ 418,900	\$ 5,043,900

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, 2021

	Bond Issues			Total
	Series 2012	Series 2018	Series 2020	
Interest rates	3.0%-3.25%	5.00%	4.0%-5.0%	
Dates interest payable	8/15 - 2/15	8/15 - 2/15	8/15 - 2/15	
Maturity dates	08/20	08/28	08/33	
Bonds outstanding, beginning of current period	\$ 235,000	\$ 2,455,000	\$ 3,705,000	\$ 6,395,000
New bond proceeds	-	-	-	-
Retirements, principal	235,000	220,000	-	455,000
Bonds outstanding, end of current period	\$ -	\$ 2,235,000	\$ 3,705,000	\$ 5,940,000
Interest paid during current period	\$ 3,525	\$ 117,250	\$ 104,594	\$ 225,369

Paying agent's name and address:

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

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

Series 2020 - BOKF NA, 5956 Sherry Lane, 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, 2021

	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	\$ 1,530,000	\$ 4,050,000	\$ 5,580,000
New bond proceeds	-	-	-
Retirements, principal	500,000	455,000	955,000
Bonds outstanding, end of current period	<u>\$ 1,030,000</u>	<u>\$ 3,595,000</u>	<u>\$ 4,625,000</u>
Interest paid during current period	<u>\$ 49,950</u>	<u>\$ 120,875</u>	<u>\$ 170,825</u>

Paying agent's name and address:
Series 2011 - BOKF NA, 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225
Series 2015 - BOKF NA, 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225

Bond authority	Tax	Revenue	Refund
	Bonds	Bonds	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, 2021			\$ 1,036,482
Average annual debt service payment (principal and interest) for remaining term of all debt			\$ 720,557

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, 2021

	Amounts				
	2021	2020	2019	2018	2017
Operating revenues					
Charges for service	\$ 5,322,258	\$ 5,037,645	\$ 4,772,218	\$ 4,789,340	\$ 4,404,897
Tap fees	161,364	155,017	118,070	99,621	112,087
Inspection and miscellaneous fees	606,191	666,284	635,707	570,360	571,590
Total revenues	<u>6,089,813</u>	<u>5,858,946</u>	<u>5,525,995</u>	<u>5,459,321</u>	<u>5,088,574</u>
Expenses					
Personnel	2,559,290	2,385,877	2,405,725	2,348,369	2,335,438
Professional fees	80,508	82,959	61,859	37,503	64,973
Purchased and contracted services	97,208	134,501	128,112	117,470	172,844
Consumable supplies and materials	258,847	275,625	221,153	215,147	261,861
Recurring operating expenses	1,643,009	1,492,187	1,460,482	1,601,330	1,318,022
Depreciation and amortization	1,530,344	1,563,212	1,537,743	1,535,635	1,549,251
Total expenses	<u>6,169,206</u>	<u>5,934,361</u>	<u>5,815,074</u>	<u>5,855,454</u>	<u>5,702,389</u>
Excess (expenses)	<u>(79,393)</u>	<u>(75,415)</u>	<u>(289,079)</u>	<u>(396,133)</u>	<u>(613,815)</u>
Nonoperating Revenues					
Gain/(Loss) on disposition of assets	-	-	35,150	184,111	15,422
Interest income	11,884	13,755	12,401	6,204	5,466
Rental income	2,637	5,823	8,235	2,125	-
Developer contributions	733,689	661,817	243,033	288,518	794,917
Interest expense on revenue bonds	(201,412)	(166,492)	(220,091)	(325,106)	(333,504)
State grant revenue	-	39,949	-	-	-
FEMA grant revenue	16,807	82,658	414,270	-	-
FEMA related repair expenses	-	-	(113,210)	-	-
Bond issue cost	-	(190,996)	-	(130,886)	-
Total nonoperating revenues	<u>563,605</u>	<u>446,514</u>	<u>379,788</u>	<u>24,966</u>	<u>482,301</u>
Net income (loss) before transfers	484,212	371,099	90,709	(371,167)	(131,514)
Transfer out	<u>(15,000)</u>	<u>(32,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ 469,212</u>	<u>\$ 339,099</u>	<u>\$ 90,709</u>	<u>\$ (371,167)</u>	<u>\$ (131,514)</u>
Total active retail water and/or wastewater connections	<u>8,732</u>	<u>8,436</u>	<u>8,311</u>	<u>8,176</u>	<u>8,140</u>

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
87.4%	86.0%	86.4%	87.8%	86.6%
2.6%	2.6%	2.1%	1.8%	2.2%
10.0%	11.4%	11.5%	10.4%	11.2%
100.0%	100.0%	100.0%	100.0%	100.0%
42.0%	40.7%	43.5%	43.0%	45.9%
1.3%	1.4%	1.1%	0.7%	1.3%
1.6%	2.3%	2.3%	2.2%	3.4%
4.3%	4.7%	4.0%	3.9%	5.1%
27.0%	25.5%	26.4%	29.3%	25.9%
25.1%	26.7%	27.8%	28.1%	30.4%
101.3%	101.3%	105.1%	107.2%	112.0%
-1.3%	-1.3%	-5.1%	-7.2%	-12.0%
0.0%	0.0%	0.6%	3.4%	0.3%
0.2%	0.2%	0.2%	0.1%	0.1%
0.0%	0.1%	0.1%	0.0%	0.0%
12.0%	11.3%	4.4%	5.3%	15.6%
-3.3%	-2.8%	-4.0%	-6.0%	-6.6%
0.0%	0.7%	0.0%	0.0%	0.0%
0.3%	1.4%	7.5%	0.0%	0.0%
0.0%	0.0%	-2.0%	0.0%	0.0%
0.0%	-3.3%	0.0%	-2.4%	0.0%
9.2%	7.6%	6.8%	0.4%	9.4%
7.9%	6.3%	1.7%	-6.8%	-2.6%
-0.2%	-0.5%	0.0%	0.0%	0.0%
7.7%	5.8%	1.7%	-6.8%	-2.6%

LUMBERTON MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES DEBT SERVICE FUND FOR THE FIVE YEARS ENDED JUNE 30, 2021

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes, including penalty and interest	\$1,163,602	\$1,163,407	\$1,166,443	\$1,498,711	\$1,524,338
Interest from investments	913	988	958	338	553
Miscellaneous	5,847	4,986	6,501	5,225	8,037
Total revenues	1,170,362	1,169,381	1,173,902	1,504,274	1,532,928
Expenditures					
Tax collection and assessing expenses and miscellaneous	47,470	40,548	53,334	55,498	57,539
Debt services, principal and interest	1,125,825	1,131,563	1,475,162	1,466,325	1,461,150
Total expenditures	1,173,295	1,172,111	1,528,496	1,521,814	1,518,689
Excess (deficit) of revenue over expenditures	(2,933)	(2,730)	(354,594)	(17,540)	14,239
Other financing sources					
Transfer in	15,000	32,000	-	-	-
Net change in fund balance	\$ 12,067	\$ 29,270	\$ (354,594)	\$ (17,540)	\$ 14,239

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
99.4%	99.5%	99.4%	99.7%	99.5%
0.1%	0.1%	0.0%	0.0%	0.0%
0.5%	0.4%	0.6%	0.3%	0.5%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
4.1%	3.5%	4.5%	3.7%	3.8%
96.2%	96.8%	125.6%	97.4%	95.3%
<u>100.3%</u>	<u>100.3%</u>	<u>130.1%</u>	<u>101.1%</u>	<u>99.1%</u>
-0.3%	-0.3%	-30.1%	-1.1%	0.9%
1.3%	2.7%	0.0%	0.0%	0.0%
<u>1.0%</u>	<u>2.4%</u>	<u>-30.1%</u>	<u>-1.1%</u>	<u>0.9%</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE YEAR ENDED JUNE 30, 2021

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

District Business Telephone Number: (409) 755-1559

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Salary</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
Board Members					
Nicholas N. Carter 7760 Rosewood Drive Lumberton, Texas 77657	05/2018 - 05/2022	\$ -	\$ -	President	Yes
Roger Smith 136 Greenleaf Lumberton, Texas 77657	05/2020 - 05/2024	-	-	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	05/2020 - 05/2024	-	-	Board Member	Yes

Key Administrative Personnel

Robert Starr 13662 FM 421 Kountze, TX 77625	12/01/2019- Present	130,595	9,000	Manager	No
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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, 2021
(CONTINUED)**

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Fees and Expense Reimbursements June 30, 2021</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
Consultants				
Germer PLLC 550 Fannin, Suite 400 Beaumont, Texas 77701	10/12/1992	\$ 24,814	Attorney	N/A
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Avenue, Suite 101 Beaumont, Texas 77706	06/29/2006	20,250	Auditor	N/A
LJA Engineering, Inc. 905 Orleans Street Beaumont, Texas 77701	04/06/2016	95,426	Engineer	N/A

See Independent Auditor's Report on Supplementary Information.

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA



Stanley (Chip) Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA

September 3, 2021

**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, 2021, 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 3, 2021.

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) as a basis for designing 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 financial statements. 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