

LUMBERTON MUNICIPAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Hardin §

I, Nicholas N. Carter, President of the Lumberton Municipal Utility District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 18th day of September, 2024 its annual report for the fiscal year or period ended June 30, 2024 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: 10-2, 2024

By: [Signature]
(Signature of District Representative)

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

Sworn to and subscribed to before me this 2nd day of October, 2024



[Signature]
(Signature of Notary)

My commission expires on December 1, 2025, Notary Public in and for the State of Texas.

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



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

September 16, 2024

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Lumberton Municipal Utility District, as of and for the year ended June 30, 2024, 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.

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 the Lumberton Municipal Utility District, as of June 30, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lumberton Municipal Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lumberton Municipal Utility District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lumberton Municipal Utility District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 10; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 39 through 40; the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund on page 41; and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Texas Supplementary Information listed in the Table of Contents on page 43 through 58 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2024, on our consideration of the 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 the 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, 2024. 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, 2024, by \$29,491,625 (net position).
- The Lumberton Municipal Utility District's total net position increased by \$5,339,389. The District had expenses associated with all activities totaling \$10,426,472 and total revenues were \$15,765,861.
- As of June 30, 2024, the Lumberton Municipal Utility District's Water and Sewer Fund reported an ending net position of \$103,393,393.

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 11 and 12 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, 2024

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. 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 20 through 38.

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 39 through 42.

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 \$29,491,625 at June 30, 2024.

LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2024

STATEMENT OF NET POSITION

	Statement of Net Position June 30, 2024			
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 3,077,074	\$ 80,418,320	\$ -	\$ 83,495,394
Capital assets	-	30,044,894	-	30,044,894
Total Assets	3,077,074	110,463,214	-	113,540,288
Deferred Outflow of Resources	-	435,619	-	435,619
Current and other liabilities	2,472,904	2,952,543	-	5,425,447
Long-term liabilities	74,411,248	4,546,928	-	78,958,176
Total Liabilities	76,884,152	7,499,471	-	84,383,623
Deferred Inflow of Resources	94,690	5,969	-	100,659
Net Position:				
Invested in capital assets, net of related debt	-	24,819,786	(3,227,413)	21,592,373
Restricted	2,186,324	74,511,857	(72,860,679)	3,837,502
Unrestricted	(76,088,092)	4,061,750	76,088,092	4,061,750
Total Net Position	\$ (73,901,768)	\$ 103,393,393	\$ -	\$ 29,491,625

	Statement of Net Position June 30, 2023			
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 2,901,818	\$ 78,956,895	\$ -	\$ 81,858,713
Capital assets	-	28,666,417	-	28,666,417
Total Assets	2,901,818	107,623,312	-	110,525,130
Deferred Outflow of Resources	-	558,085	-	558,085
Current and other liabilities	2,545,527	3,109,149	-	5,654,676
Long-term liabilities	75,993,402	5,145,330	-	81,138,732
Total Liabilities	78,538,929	8,254,479	-	86,793,408
Deferred Inflow of Resources	118,363	19,208	-	137,571
Net Position:				
Invested in capital assets, net of related debt	-	22,848,749	(6,243,497)	16,605,252
Restricted	1,994,328	73,149,651	(71,506,305)	3,637,674
Unrestricted	(77,749,802)	3,909,310	77,749,802	3,909,310
Total Net Position	\$ (75,755,474)	\$ 99,907,710	\$ -	\$ 24,152,236

For the fiscal years ended June 30, 2024 and 2023, the District has a reclassification of \$ 76,088,092 and \$77,749,802, 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 and restricted net position. 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 \$29,491,625. 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 \$4,061,750 at June 30, 2024. 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, 2024

STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Fees for services	\$ -	\$ -	\$ 7,480,188	\$ 7,108,302	\$ 7,480,188	\$ 7,108,302
General revenues						
Property taxes	4,168,668	3,983,194	-	-	4,168,668	3,983,194
Investment income	10,812	11,421	3,157,207	1,379,192	3,168,019	1,390,613
Net grant activity	-	-	8,370	877	8,370	877
Other	17,375	10,451	923,241	169,413	940,616	179,864
Total Revenues	4,196,855	4,005,066	11,569,006	8,657,784	15,765,861	12,662,850
Expenses						
Administration	(121,104)	(111,091)	-	-	(121,104)	(111,091)
Interest on long-term debt	(2,312,020)	(1,975,200)	-	-	(2,312,020)	(1,975,200)
Bond issue costs	-	(1,819,398)	-	-	-	(1,819,398)
Water and sewer	-	-	(7,993,348)	(7,961,618)	(7,993,348)	(7,961,618)
Total Expenses	(2,433,124)	(3,905,689)	(7,993,348)	(7,961,618)	(10,426,472)	(11,867,307)
Increase (decrease) in net position before transfers	1,763,731	99,377	3,575,658	696,166	5,339,389	795,543
Transfers	89,975	(73,191,668)	(89,975)	73,191,668	-	-
Net position - beginning	(75,755,474)	(2,663,183)	99,907,710	26,019,876	24,152,236	23,356,693
Net position - ending	<u>\$ (73,901,768)</u>	<u>\$ (75,755,474)</u>	<u>\$ 103,393,393</u>	<u>\$ 99,907,710</u>	<u>\$ 29,491,625</u>	<u>\$ 24,152,236</u>

The District’s total net position increased by \$5,339,389 during the current fiscal year. Governmental activities increased by \$1,853,706 and business-type activities increased by \$3,485,683.

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, 2024 the Lumberton Municipal Utility District’s governmental fund reported an ending balance of \$2,918,400.

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, 2024

Unrestricted net position at the end of the year totaled \$4,061,750 for the Water and Sewer Fund. Net position in the Water and Sewer Fund increased by \$3,485,683.

General Fund Budgetary Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2024. There were no additional appropriations. Tax revenues were above budget by \$129,742 or 3.3%. Debt service expenditures were above budget by \$5,654.

Proprietary Fund Budget Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2024. Operating revenues were below budget by \$581,812 or 7.22%. Operating expenses were below budget by \$1,037,992 or 11.62%.

Capital Assets

The Lumberton Municipal Utility District’s investment in capital assets for its business-type activities at June 30, 2024, was \$30,044,894 net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery and equipment, and construction-in-progress and represents a net increase of \$1,378,477 after considering accumulated depreciation of \$38,614,076.

CAPITAL ASSETS

	Business-Type Activities		Change
	2024	2023	
Land	\$ 438,597	\$ 438,597	\$ -
Buildings and improvements	5,650,690	5,650,690	-
Water system	12,905,255	12,506,593	398,662
Sewer system	41,833,036	41,212,496	620,540
Machinery and equipment	955,062	1,008,621	(53,559)
Automobiles and trucks	1,255,751	1,202,981	52,770
Furniture and fixtures	462,650	491,013	(28,363)
Engineering fees	354,038	354,039	(1)
Construction-in-progress	4,803,891	3,191,203	1,612,688
Total at historical cost	68,658,970	66,056,233	2,602,737
Total accumulated depreciation	(38,614,076)	(37,389,816)	(1,224,260)
Net capital assets	\$ 30,044,894	\$ 28,666,417	\$ 1,378,477

LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2024

Long-Term Debt

At June 30, 2024, the Lumberton Municipal Utility District had \$81.1 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		
	2024	2023	Change	2024	2023	Change
Bonds Payable	<u>\$5,145,330</u>	<u>\$5,729,224</u>	<u>\$ (583,894)</u>	<u>\$75,993,402</u>	<u>\$77,631,439</u>	<u>\$ (1,638,037)</u>

For the fiscal year ended June 30, 2024, interest expense in the Governmental activities was \$2,312,020, interest expense in the Business-type activities was \$101,540, and interest expense in the Governmental funds was \$2,395,469.

Economic Factors and Next Year's Budgets

Service fees and other operating revenues are budgeted at \$8,939,931 for the fiscal year ending June 30, 2025 as compared to actual operating revenue of \$7,480,188 for the fiscal year just ended.

Operating expenses, prior to capital outlay and debt principal are budgeted at \$9,451,290 for the fiscal year ending June 30, 2025 as compared to actual operating expenses of \$7,891,808 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, 2024

	Governmental Activities	Business-type Activities	Reclassifications	Total
ASSETS				
Cash	\$ 2,856,124	\$ 3,283,819	\$ -	\$ 6,139,943
Accounts receivable, net of allowance for doubtful accounts:				
Taxes	190,132	-	-	190,132
Service accounts	-	803,931	-	803,931
Other	-	160,830	-	160,830
Due from operating fund	7,593	-	-	7,593
Inventory	-	720,164	-	720,164
Prepaid appraisal district fees	23,225	-	-	23,225
Restricted assets:				
Cash	-	75,449,576	-	75,449,576
Capital assets:				
Land	-	438,597	-	438,597
Construction-in-progress	-	4,803,891	-	4,803,891
Other capital assets, net of accumulated depreciation	-	24,802,406	-	24,802,406
Total assets	3,077,074	110,463,214	-	113,540,288
DEFERRED OUTFLOW OF RESOURCES	-	435,619	-	435,619
LIABILITIES				
Accounts payable	-	332,615	-	332,615
Due to debt service fund	-	7,593	-	7,593
Accrued liabilities	-	93,197	-	93,197
Interest payable	890,750	79,778	-	970,528
Compensated absences	-	97,070	-	97,070
Customer deposits	-	928,795	-	928,795
Deferred revenue	-	206,130	-	206,130
Accrued pension liability	-	608,963	-	608,963
Debt payable - current	1,582,154	598,402	-	2,180,556
Debt payable - noncurrent	74,411,248	4,546,928	-	78,958,176
Total liabilities	76,884,152	7,499,471	-	84,383,623
DEFERRED INFLOW OF RESOURCES				
Deferred gain on refunded debt	94,690	-	-	94,690
Deferred inflows related to pension	-	5,969	-	5,969
Total deferred inflow of resources	94,690	5,969	-	100,659
NET POSITION				
Invested in capital assets, net of related debt	-	24,819,786	(3,227,413)	21,592,373
Restricted for:				
Debt service	2,186,324	1,651,178	-	3,837,502
Capital projects	-	72,860,679	(72,860,679)	-
Unrestricted	(76,088,092)	4,061,750	76,088,092	4,061,750
Total net position	\$ (73,901,768)	\$ 103,393,393	\$ -	\$ 29,491,625

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, 2024

		Program Revenues		
	Expenses	Charges for Services	Operating Grant Contributions	Capital Grant Contributions
Primary Government				
Government activities				
Administration and general	\$ 121,104	\$ -	\$ -	\$ -
Interest on long-term debt	2,312,020	-	-	-
Total government activities	2,433,124	-	-	-
Business-type activities				
Water and Sewer	7,993,348	7,480,188	-	8,370
Total business-type activities	7,993,348	7,480,188	-	8,370
Total primary government	\$ 10,426,472	\$ 7,480,188	\$ -	\$ 8,370
General revenues				
Property taxes				
Investment earnings				
Miscellaneous				
Gain (loss) on sale of assets				
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
\$ (121,104)	\$ -	\$ (121,104)
<u>(2,312,020)</u>	<u>-</u>	<u>(2,312,020)</u>
<u>(2,433,124)</u>	<u>-</u>	<u>(2,433,124)</u>
<u>-</u>	<u>(504,790)</u>	<u>(504,790)</u>
<u>-</u>	<u>(504,790)</u>	<u>(504,790)</u>
<u>(2,433,124)</u>	<u>(504,790)</u>	<u>(2,937,914)</u>
4,168,668	-	4,168,668
10,812	3,157,207	3,168,019
17,375	-	17,375
-	53,282	53,282
-	857,621	857,621
-	12,338	12,338
89,975	(89,975)	-
<u>4,286,830</u>	<u>3,990,473</u>	<u>8,277,303</u>
1,853,706	3,485,683	5,339,389
<u>(75,755,474)</u>	<u>99,907,710</u>	<u>24,152,236</u>
<u>\$ (73,901,768)</u>	<u>\$ 103,393,393</u>	<u>\$ 29,491,625</u>

FUND FINANCIAL STATEMENTS

LUMBERTON MUNICIPAL UTILITY DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2024

	<u>Debt Service Fund</u>
ASSETS	
Cash	\$ 2,856,124
Receivables, net of allowance for doubtful accounts:	
Taxes	190,132
Due from operating fund	7,593
Prepaid appraisal district fees	<u>23,225</u>
Total assets	<u><u>\$ 3,077,074</u></u>
DEFERRED INFLOW OF RESOURCES	
Deferred property tax revenue	\$ 158,674
FUND BALANCES	
Restricted	
Debt service	<u>2,918,400</u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 3,077,074</u></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, 2024

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 2,918,400
The governmental funds report bond issuance costs as expenditures when they are first incurred. However, these costs should be deferred and amortized over the life of the bond. Therefore, the unamortized balance should be included in the Statement of Net Activities.	(678,402)
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	(307,747)
Accumulated amortization	213,057
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	(75,315,000)
Accrued interest expense	(890,750)
Deferred property tax revenue is recorded as a deferred inflow of resources in the governmental funds. Property taxes receivable, net of an allowance for uncollectable balances are recognized as income in the Statement of Net Position for Governmental Activities.	
Deferred property tax revenue	<u>158,674</u>
Total net position as reported on the Statement of Net Position for governmental activities.	<u>\$ (73,901,768)</u>

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, 2024

	Debt Service Fund
REVENUES	
General property taxes	\$ 4,120,212
Penalties and interest	18,023
Interest	10,812
Miscellaneous	17,375
	<hr/>
Total revenues	4,166,422
	<hr/>
EXPENDITURES	
Debt service	
Principal	1,595,000
Interest and fiscal charges	2,395,469
Collection costs	39,455
Appraisal district	81,611
Miscellaneous expense	39
	<hr/>
Total expenditures	4,111,574
	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54,848
OTHER FINANCING SOURCES	
Transfer out	89,975
	<hr/>
Total other financing sources (uses)	89,975
NET CHANGE IN FUND BALANCE	144,823
FUND BALANCES, beginning of period	2,773,577
	<hr/>
FUND BALANCES, end of period	\$ 2,918,400
	<hr/> <hr/>

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, 2024**

Net change in fund balances for total governmental funds. \$ 144,823

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

Principal paid	1,595,000
Current year premium amortization	23,673

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	907,489
Accrued interest on bonds payable - current year	(890,750)

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	(81,293)
Collections due from current year tax levy	<u>154,764</u>

Change in net position of governmental activities \$ 1,853,706

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2024

	Water and Sewer Fund
CURRENT ASSETS	
Cash	\$ 3,283,819
Accounts receivable, net of allowance for doubtful accounts:	
Service accounts	803,931
Other	160,830
Inventory	720,164
Total current assets	4,968,744
NONCURRENT ASSETS	
Restricted	
Cash	75,449,576
Capital assets	
Land	438,597
Construction-in-progress	4,803,891
Other capital assets, net of accumulated depreciation	24,802,406
Total noncurrent assets	105,494,470
Total assets	110,463,214
DEFERRED OUTFLOW OF RESOURCES	
	435,619
CURRENT LIABILITIES	
Accounts payable	332,615
Due to debt service fund	7,593
Accrued liabilities	93,197
Interest payable	79,778
Current portion, bonds payable	598,402
Compensated absences	97,070
Customer deposits	928,795
Deferred revenue	206,130
Total current liabilities	2,343,580
NONCURRENT LIABILITIES	
Accrued pension liability	608,963
Bonds payable - noncurrent	4,546,928
Total noncurrent liabilities	5,155,891
Total liabilities	7,499,471
DEFERRED INFLOW OF RESOURCES	
	5,969
NET POSITION	
Invested in capital assets, net of related debt	24,819,786
Restricted for debt service	1,651,178
Restricted for capital projects	72,860,679
Unrestricted	4,061,750
TOTAL NET POSITION	\$ 103,393,393

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, 2024

	Water and Sewer Fund
OPERATING REVENUES	
Service fees	\$ 6,776,637
Tap connection fees	155,258
Miscellaneous	548,293
Total operating revenues	7,480,188
OPERATING EXPENSES	
Personnel	3,499,896
Professional services	60,017
Purchased and contract services	135,562
Consumable supplies and materials	463,140
Recurring expenses and repairs	2,185,657
Depreciation and amortization	1,547,536
Total operating expenses	7,891,808
OPERATING INCOME (LOSS)	(411,620)
NON-OPERATING REVENUES (EXPENSES)	
Gain (loss) on sale of assets	53,282
Interest revenue	3,157,207
Interest expense	(101,540)
Rental income	12,338
Developer contributions	857,621
FEMA grant revenue	8,370
Total non-operating revenues (expenses)	3,987,278
NET INCOME (LOSS) BEFORE TRANSFERS	3,575,658
Transfer in	(89,975)
CHANGE IN NET POSITION	3,485,683
NET POSITION, beginning of period	99,907,710
NET POSITION, end of period	\$ 103,393,393

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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 7,352,842
Payments to suppliers and service providers	(2,754,894)
Payments to employees	(3,571,253)
Net cash provided by operating activities	1,026,695

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Due to / (from) debt service fund	7,593
Transfer in / (out)	(89,975)
Net cash provided (used) by noncapital financing activities	(82,382)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments for capital assets	(447,334)
Construction-in-progress	(1,612,688)
Proceeds from disposition of assets	53,282
Interest payments	(110,206)
Retirement of long-term debt	(583,894)
Customer security deposits	44,200
Net cash provided (used) by capital and related financing activities	(2,656,640)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	3,157,207
Rental income	12,338
Net cash provided (used) by investing activities	3,169,545

INCREASE (DECREASE) IN CASH

1,457,218

CASH, beginning of period

77,276,177

CASH, end of period

\$ 78,733,395

Cash is presented in the Statement of Net Position as follows:

Current Assets - Cash	\$ 3,283,819
Noncurrent Assets - Restricted Cash	75,449,576
	\$ 78,733,395

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$ (411,620)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	1,547,536
(Increase) decrease in assets	
Receivables	(125,125)
Inventory	120,918
Increase (decrease) in liabilities	
Accounts payable	(20,758)
Accrued liabilities	(10,678)
Accrued pension liability	(205,235)
Compensated absences	24,651
Deferred revenue	(2,221)
(Increase) decrease in outflow/inflow of resources	109,227
Net cash provided by operating activities	\$ 1,026,695

During the fiscal year ended June 30, 2024, water and sewer system additions included \$857,621 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, 2024

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, 2024

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, 2024

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, 2024 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, 2024

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.

The District issued bonded debt to finance expansion of the wastewater treatment plant. The construction costs and related assets will be managed by the Proprietary Fund. Repayment of the bonds is accomplished by collection of tax revenue in the Governmental Fund. Bond proceeds were transferred from the Governmental Fund to the Proprietary Fund to fund construction costs. The unspent bond proceeds in the Proprietary Fund at year end are restricted for capital projects. See Note 12 for additional information.

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.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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

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.

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 16, 2024, 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 was \$81,589,519 and the bank balance was \$81,707,838. 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.

There were no investments at June 30, 2024.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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

Cash is reported in the financial statements as follows:

	Cash	Investments	Total
Governmental Activities	\$ 2,856,124	\$ -	\$ 2,856,124
Business-Type Activities - unrestricted	3,283,819	-	3,283,819
Business-Type Activities - restricted			
Interest and Sinking Fund	554,302	-	554,302
Bond Reserve Fund	1,096,876	-	1,096,876
Capital Improvements	72,860,679	-	72,860,679
Customer Meter Deposits	937,719	-	937,719
	\$ 81,589,519	\$ -	\$ 81,589,519

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 \$1,897,564,361 and levied property taxes in the amount of \$4,199,442 from a tax rate of \$0.222701/\$100 valuation.

Property taxes receivables as of June 30, 2024, were comprised of the following:

Year of Levy	Debt Service Fund
2023	\$ 148,062
2022	55,963
2021	11,183
2020	8,836
2019	8,078
Before 2019	69,726
	\$ 301,848

In the Statement of Net Position, Property Taxes Receivable are reported net of an allowance for uncollectibles of \$111,716.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

4) **CAPITAL ASSETS**

A summary of changes in the capital assets for the primary government for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Business Type Activities				
Capital assets, not being depreciated				
Land	\$ 438,597	\$ -	\$ -	\$ 438,597
Construction-in-progress	3,191,203	1,627,472	14,784	4,803,891
Total capital assets, not being depreciated	3,629,800	1,627,472	14,784	5,242,488
Capital assets, being depreciated				
Buildings	5,650,690	-	-	5,650,690
Improvements other than buildings	54,073,128	1,025,101	5,900	55,092,329
Machinery and equipment	2,702,615	288,224	317,376	2,673,463
Total capital assets, being depreciated	62,426,433	1,313,325	323,276	63,416,482
Less accumulated depreciation				
Buildings	1,454,169	162,103	-	1,616,272
Improvements other than buildings	34,083,650	1,241,671	5,900	35,319,421
Machinery and equipment	1,841,881	153,878	317,376	1,678,383
Total accumulated depreciation	37,389,816	1,557,652	323,276	38,614,076
Total capital assets, being depreciation, net	25,036,617	(244,327)	-	24,802,406
Business-type activities capital assets, net	<u>\$28,666,417</u>	<u>\$ 1,383,145</u>	<u>\$ 14,784</u>	<u>\$ 30,044,894</u>

Construction-in-progress for the enterprise fund as of June 30, 2024, includes the following:

	Estimated Project Costs	Construction- In-Progress	Remaining Projected Costs
2021 Wastewater System Expansion and Improvement Project (see Note 12)	\$ 74,000,000	\$ 4,691,694	\$ 69,308,306
FEMA	1,019,335	112,197	907,138
Total for all projects	<u>\$ 75,019,335</u>	<u>\$ 4,803,891</u>	<u>\$ 70,215,444</u>

* The District has additional capital projects not yet begun that will be funded with bonded debt.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

4) **CAPITAL ASSETS (CONTINUED)**

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

Business-type Activities	
Water and Sewer	<u>\$ 1,557,652</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,557,652</u></u>

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

Intangible assets and related amortization as of June 30, 2024, included the following:

	Historical Cost	Accumulated Amortization	Net
Governmental Activities			
Deferred gain on defeased bonds (residual deferred charge)	<u>\$ 307,747</u>	<u>\$ 213,057</u>	<u>\$ 94,690</u>

Amortization of the deferred gain in the Governmental Activities was \$23,673 for the year ended June 30, 2024 and is recorded as a reduction of interest expense.

6) **LONG-TERM DEBT**

General Obligation and Revenue Bonds

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

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

Purpose	Amount
Governmental activities	\$75,315,000
Business-type activities	<u>4,605,000</u>
	<u><u>\$79,920,000</u></u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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

General Obligation and Revenue Bonds (Continued)

General Obligation Bonds payable at June 30, 2024 are comprised of the following individual issues:

\$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%	\$ 2,130,000
\$30,275,000 Series 2022A Unlimited Tax Bonds due in annual principal installments of \$450,000 to \$1,750,000 through August 15, 2052; with interest at 3.00% to 6.00%	29,825,000
\$44,000,000 Series 2022B Unlimited Tax Bonds due in annual principal installments of \$640,000 to \$2,165,000 through August 15, 2052; with interest at 1.07% to 2.69%	<u>43,360,000</u>
	<u>\$ 75,315,000</u>

Total Revenue Bonds payable at June 30, 2024 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%	\$ 1,500,000
\$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>3,105,000</u>
	<u>\$ 4,605,000</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
2025	\$ 1,540,000	\$ 2,345,831	\$ 495,000	\$ 199,975
2026	1,595,000	2,294,456	530,000	174,350
2027	1,655,000	2,241,752	565,000	146,975
2028	1,720,000	2,187,285	595,000	117,975
2029	1,885,000	2,132,177	630,000	87,350
2030-2034	10,195,000	9,768,650	1,790,000	186,800
2035-2039	11,815,000	8,031,332	-	-
2040-2044	13,830,000	5,921,603	-	-
2045-2049	16,160,000	3,538,299	-	-
2050-2053	14,920,000	867,968	-	-
Total	<u>\$ 75,315,000</u>	<u>\$ 39,329,353</u>	<u>\$ 4,605,000</u>	<u>\$ 913,425</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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

General Obligation and Revenue Bonds (Continued)

For the fiscal year ended June 30, 2024, interest expense in the Governmental activities was \$2,312,020; interest expense in the Business-type activities was \$101,540; interest expense in the Governmental Funds was \$2,395,469.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation					
Bonds					
2015	\$ 2,635,000	\$ -	\$ 505,000	\$ 2,130,000	\$ 515,000
2022A	30,275,000	-	450,000	29,825,000	475,000
2022B	44,000,000	-	640,000	43,360,000	550,000
2022A Bond Prem	721,439	-	43,037	678,402	42,154
	<u>\$ 77,631,439</u>	<u>\$ -</u>	<u>\$ 1,638,037</u>	<u>\$ 75,993,402</u>	<u>\$ 1,582,154</u>
Revenue Bonds					
2018	\$ 1,755,000	\$ -	\$ 255,000	\$ 1,500,000	\$ 270,000
2020	3,320,000	-	215,000	3,105,000	225,000
2018 Bond Premium	121,990	-	33,301	88,689	28,394
2020 Bond Premium	532,234	-	80,593	451,641	75,008
	<u>\$ 5,729,224</u>	<u>\$ -</u>	<u>\$ 583,894</u>	<u>\$ 5,145,330</u>	<u>\$ 598,402</u>
Total Bonded Debt	<u>\$ 83,360,663</u>	<u>\$ -</u>	<u>\$ 2,221,931</u>	<u>\$ 81,138,732</u>	<u>\$ 2,180,556</u>

Refunding and Defeased Debt

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

On April 17, 2018, the District refunded \$2,885,000 of the Utility System Revenue Bonds, Series 2007. The Series 2007 refunded bonds bore interest at 4.97% to 5.57% and were called on May 24, 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.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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, purchased and contracted services exceeded budget by \$13,062 and personnel expenses exceeded budget by \$183,896.
- C) In the Debt Service Fund, collection costs exceeded by \$19,455.
- 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 was required to make a transfer for the fiscal year ended June 30, 2024 in the amount of \$89,975.

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 848 nontraditional defined benefit pension plans. TCERS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR 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, 2024

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, 2024, 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	34
Active employees	<u>36</u>
	<u>78</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 11.03% for the months of the accounting year in 2023 and 10.29% for the months of the accounting year in 2024. The contribution rate payable by the employee members for calendar years 2023 and 2024 is the rate of 7.00%, 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, 2024, the annual pension cost for the TCDRS plan for its employees was \$275,382 and the actual contribution was \$275,261. The required contribution was determined as part of the December 31, 2023 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2023 included (a) 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.7 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, 2024

8) **PENSION COSTS (CONTINUED)**

Net Pension Liability / (Asset)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Total Pension Liability		
Service cost	\$ 271,551	\$ 197,003
Interest on total pension liability	564,735	489,814
Effect of plan changes	-	277,746
Effect of assumption changes or inputs	-	-
Effect of economic/demographic (gains) or losses	131,500	72,506
Benefit payments/refunds of contributions	(111,048)	(140,060)
Net change in total pension liability	856,738	897,009
Total pension liability, beginning	7,213,680	6,316,671
Total pension liability, ending (a)	8,070,418	7,213,680
Fiduciary Net Position		
Employer contributions	275,706	209,983
Member contributions	174,971	130,424
Investment income net of investment expenses	706,671	(402,317)
Benefit payments/refunds of contributions	(111,048)	(140,060)
Administrative expenses	(3,896)	(3,750)
Other	19,569	33,698
Net change in fiduciary net position	1,061,973	(172,022)
Fiduciary net position, beginning	6,399,482	6,571,504
Fiduciary net position, ending (b)	7,461,455	6,399,482
Net pension liability / (asset), ending = (a) - (b)	\$ 608,963	\$ 814,198
Fiduciary net position as a % of total pension liability	92.45%	88.71%
Pensionable covered payroll ⁽¹⁾	\$ 2,499,591	\$ 2,173,730
Net pension liability as a % of covered payroll	24.36%	37.46%

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

8) **PENSION COSTS (CONTINUED)**

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

Discount Rate

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
Discount rate ⁽²⁾	7.60%	7.60%	7.60%
Long-term expected rate of return, net of investment expenses ⁽²⁾	7.60%	7.60%	7.60%
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

The demographic assumptions were developed from the actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by the actuary and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by the actuary and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2023. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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 2024 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%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	7.25%
Distressed Debt	Morningstar LSTA US Leveraged Loan TR USD Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

⁽¹⁾ Target asset allocation adopted at the March 2024 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.2%, per Cliffwater's 2024 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, 2024

8) **PENSION COSTS (CONTINUED)**

Changes in Net Pension Liability / (Asset)

	Total Pension Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balances as of December 31, 2022	\$ 7,213,681	\$ 6,399,483	\$ 814,198
Changes for the year:			
Service Cost	271,551	-	271,551
Interest on total pension liability ⁽¹⁾	564,735	-	564,735
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	131,500	-	131,500
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(1,506)	(1,506)	-
Benefit payments	(109,542)	(109,542)	-
Administrative expenses	-	(3,896)	3,896
Member contributions	-	174,971	(174,971)
Net Investment income	-	706,671	(706,671)
Employer contributions	-	275,706	(275,706)
Other ⁽³⁾	-	19,569	(19,569)
	<u>\$ 8,070,419</u>	<u>\$ 7,461,456</u>	<u>\$ 608,963</u>
Balances as of December 31, 2023	<u>\$ 8,070,419</u>	<u>\$ 7,461,456</u>	<u>\$ 608,963</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 <u>6.60%</u>	Current Discount Rate <u>7.60%</u>	1% Increase <u>8.60%</u>
Total pension liability	\$ 9,366,264	\$ 8,070,419	\$ 6,992,643
Fiduciary net position	<u>7,461,456</u>	<u>7,461,456</u>	<u>7,461,456</u>
Net pension liability / (asset)	<u>\$ 1,904,808</u>	<u>\$ 608,963</u>	<u>\$ (468,813)</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

8) **PENSION COSTS (CONTINUED)**

	January 1, 2023 to December 31, 2023
Pension Expense / (Income)	
Service cost	\$ 271,551
Interest on total pension liability ⁽¹⁾	564,735
Effect on plan changes	-
Administrative expenses	3,896
Member contributions	(174,971)
Expected investment return net of investment expenses	(499,615)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	34,685
Recognition of assumption changes or inputs	94,819
Recognition of investment gains or losses	(96,437)
Other ⁽²⁾	(19,569)
Pension expense / (income)	\$ 179,094

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

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

As of December 31, 2023, 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	\$ 5,969	\$ 155,827
Changes of assumptions	-	92,417
Net difference between projected and actual earnings	-	52,804
Contributions made subsequent to measurement date	N/A	134,571
	\$ 5,969	\$ 435,619

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:	
2024	\$ 101,066
2025	27,664
2026	181,461
2027	(15,112)
2028	-
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, 2024

8) **PENSION COSTS (CONTINUED)**

Payable to the Pension Plan

At June 30, 2024, the District reported a payable of \$8,665 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

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 \$73,901,768.

12) **WASTEWATER TREATMENT PLANT EXPANSION AND FINANCING**

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 was a required step prior to the calling of a bond election. On November 2, 2021, the taxpayers approved issuance of bonds not to exceed \$74,275,000 for the purpose of paying for and financing the construction and equipping of public works, including the wastewater collection, transportation and treatment facilities of the District and for renovating, improving, expanding, upgrading, making additions to, rehabilitating and equipping existing public works in the District. The District issued \$30,275,000 of bonds dated August 1, 2022. The bonds mature from 2024 through 2053 with an interest rate of 3% to 6%. An additional \$44,000,000 of bonds were issued in September 2022 to the Texas Water Development Board from the Clean Water State Revolving Fund. The Construction-In-Progress referenced in Note 4 represents engineering fees incurred through June 30, 2024.

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, 2024

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Total Pension Liability				
Service cost	\$ 271,551	\$ 197,003	\$ 211,335	\$ 183,388
Interest on total pension liability	564,735	489,814	446,991	405,258
Effect of plan changes	-	277,746	-	-
Effect of assumption changes or inputs	-	-	42,623	408,818
Effect of economic/demographic (gains) or losses	131,500	72,506	28,492	(4,651)
Benefit payments/refunds of contributions	<u>(111,048)</u>	<u>(140,060)</u>	<u>(162,801)</u>	<u>(122,775)</u>
Net change in total pension liability	856,738	897,009	566,640	870,038
Total pension liability, beginning	<u>7,213,680</u>	<u>6,316,671</u>	<u>5,750,031</u>	<u>4,879,993</u>
Total pension liability, ending (a)	<u>8,070,418</u>	<u>7,213,680</u>	<u>6,316,671</u>	<u>5,750,031</u>
Fiduciary Net Position				
Employer contributions	275,706	209,983	144,197	131,274
Member contributions	174,971	130,424	110,637	101,888
Investment income net of investment expenses	706,671	(402,317)	1,175,490	486,466
Benefit payments/refunds of contributions	(111,048)	(140,060)	(162,801)	(122,775)
Administrative expenses	(3,896)	(3,750)	(3,555)	(3,881)
Other	<u>19,569</u>	<u>33,698</u>	<u>4,068</u>	<u>3,733</u>
Net change in fiduciary net position	1,061,973	(172,022)	1,268,036	596,705
Fiduciary net position, beginning	<u>6,399,482</u>	<u>6,571,504</u>	<u>5,303,468</u>	<u>4,706,763</u>
Fiduciary net position, ending (b)	<u>7,461,455</u>	<u>6,399,482</u>	<u>6,571,504</u>	<u>5,303,468</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 608,963</u>	<u>\$ 814,198</u>	<u>\$ (254,833)</u>	<u>\$ 446,563</u>
Fiduciary net position as a % of total pension liability	92.45%	88.71%	104.03%	92.23%
Pensionable covered payroll ⁽¹⁾	\$ 2,499,591	\$ 2,173,730	\$ 1,843,958	\$ 1,698,128
Net pension liability as a % of covered payroll	24.36%	37.46%	-13.82%	26.30%

See Independent Auditor's Report on Supplementary Information.

Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
\$ 195,567	\$ 197,978	\$ 178,925	\$ 176,703	\$ 165,510	\$ 149,047
369,799	334,061	298,707	259,476	231,404	204,111
-	-	-	-	(56,788)	-
-	-	16,811	-	26,619	-
(30,238)	(37,235)	(7,442)	6,258	(21,248)	7,732
(49,026)	(53,279)	(85,244)	(16,890)	(21,432)	(13,164)
486,102	441,525	401,757	425,547	324,065	347,726
4,393,891	3,952,366	3,550,610	3,125,063	2,800,998	2,453,272
4,879,993	4,393,891	3,952,367	3,550,610	3,125,063	2,800,998
127,692	133,763	126,288	118,763	121,840	115,664
103,395	104,235	102,775	100,931	98,126	87,958
637,612	(68,066)	463,256	203,556	(55,681)	151,881
(49,026)	(53,279)	(85,244)	(16,890)	(21,432)	(13,164)
(3,587)	(3,119)	(2,503)	(2,213)	(1,927)	(1,875)
6,889	5,880	1,904	17,728	35	(1,302)
822,975	119,414	606,476	421,875	140,961	339,162
3,883,788	3,764,374	3,157,898	2,736,023	2,595,062	2,255,900
4,706,763	3,883,788	3,764,374	3,157,898	2,736,023	2,595,062
\$ 173,230	\$ 510,103	\$ 187,993	\$ 392,712	\$ 389,040	\$ 205,936
96.45%	88.39%	95.24%	88.94%	87.55%	92.65%
\$1,723,254	\$1,737,255	\$1,712,913	\$1,682,183	\$1,635,434	\$1,465,975
10.05%	29.36%	10.98%	23.35%	23.79%	14.05%

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2024

Year Ending December 31,	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
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%
2021	144,197	144,197	-	1,843,958	7.8%
2022	209,983	209,983	-	2,173,730	9.7%
2023	275,706	275,706	-	2,499,591	11.0%

⁽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, 2024

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
Service fees	\$ 7,020,000	\$ 7,020,000	\$ 6,776,637	\$ (243,363)
Tap connection fees	200,000	200,000	155,258	(44,742)
Miscellaneous	842,000	842,000	548,293	(293,707)
Total operating revenues	<u>8,062,000</u>	<u>8,062,000</u>	<u>7,480,188</u>	<u>(581,812)</u>
EXPENSES				
Personnel	3,316,000	3,316,000	3,499,896	(183,896)
Professional services	106,000	106,000	60,017	45,983
Purchased and contract services	122,500	122,500	135,562	(13,062)
Consumable supplies and materials	1,140,000	1,140,000	463,140	676,860
Recurring expenses and repairs	2,638,200	2,638,200	2,185,657	452,543
Depreciation and amortization	1,607,100	1,607,100	1,547,536	59,564
Total operating expenses	<u>8,929,800</u>	<u>8,929,800</u>	<u>7,891,808</u>	<u>1,037,992</u>
OPERATING INCOME (LOSS) - BUDGET BASIS	<u>(867,800)</u>	<u>(867,800)</u>	<u>(411,620)</u>	<u>456,180</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest on investments	123,000	123,000	3,157,207	3,034,207
Interest expense	(224,000)	(224,000)	(101,540)	122,460
Nonbudgeted revenues (expenses)	34,050	34,050	931,611	897,561
Total non-operating revenues (expenses)	<u>(66,950)</u>	<u>(66,950)</u>	<u>3,987,278</u>	<u>4,054,228</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(934,750)</u>	<u>(934,750)</u>	<u>3,575,658</u>	<u>4,510,408</u>
Transfer in (out)	<u>(95,000)</u>	<u>(95,000)</u>	<u>(89,975)</u>	<u>5,025</u>
CHANGE IN NET POSITION - GAAP BASIS	<u>\$ (934,750)</u>	<u>\$ (934,750)</u>	<u>\$ 3,485,683</u>	<u>\$ 4,515,433</u>
NON GAAP BUDGET ITEMS				
Third party fee collections	\$ 591,500	\$ 591,500	\$ 578,278	\$ (13,222)
Third party fee disbursements	(591,500)	(591,500)	(575,985)	15,515
Debt service transfer	(200,000)	(200,000)	(200,000)	-
Debt service I&S reserves	(470,000)	(470,000)	(470,000)	-
Capital funds transfers	743,000	743,000	391,150	(351,850)
Capital expenditures	(743,000)	(743,000)	(391,150)	351,850
Total non-gaap budget items	<u>\$ (670,000)</u>	<u>\$ (670,000)</u>	<u>\$ (667,707)</u>	<u>\$ 2,293</u>

In accordance with the terms of the District's 2018 and 2020 Bond Orders, operating income before depreciation and amortization $(\$411,620) + \$1,547,536 = \$1,135,916$ exceeded 125% of debt service requirement $(\$551,843 \times 1.25 = \$689,804)$ by \$446,112.

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, 2024

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 3,990,470	\$ 3,990,470	\$ 4,120,212	\$ 129,742
Penalties and interest	9,000	9,000	18,023	9,023
Interest	9,000	9,000	10,812	1,812
Miscellaneous	6,000	6,000	17,375	11,375
Total revenues	4,014,470	4,014,470	4,166,422	151,952
EXPENDITURES				
Debt service				
Principal	1,595,000	1,595,000	1,595,000	-
Interest and fiscal charges	2,395,470	2,395,470	2,395,469	1
Collection costs	20,000	20,000	39,455	(19,455)
Appraisal District fees	95,000	95,000	81,611	13,389
Miscellaneous	450	450	39	411
Total expenditures	4,105,920	4,105,920	4,111,574	(5,654)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91,450)	(91,450)	54,848	146,298
OTHER FINANCING SOURCES (USES):				
Transfer in (out)	95,000	95,000	89,975	(5,025)
Total other financing sources (uses)	95,000	95,000	89,975	(5,025)
NET CHANGE IN FUND BALANCE	3,550	3,550	144,823	141,273
FUND BALANCE, beginning of period	2,773,577	2,773,577	2,773,577	-
FUND BALANCE, end of period	\$ 2,777,127	\$ 2,777,127	\$ 2,918,400	\$ 141,273

See Independent Auditor's Report on Supplementary Information.

TEXAS SUPPLEMENTARY INFORMATION

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2024

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 January 1, 2024:

	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
				3.05	1,501	to 7,000
				3.50	7,001	to 20,000
				3.75	20,001	to up
Wastewater	17.00	1,500	Y		1,501	to 7,000
				3.75	7,001	to 20,000
				4.05	20,001	to up
Surcharge	<u>N/A</u>					

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

Total water and wastewater charges per 10,000 gallons usage (including surcharges) \$ 88.40

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	8,201	8,201	Unknown	8,201
Multifamily	85	210	Unknown	210
Commercial	598	1,601	-	1,601
Other - recreational centers, government and VFD	-	-	-	-
	<u>8,884</u>	<u>10,012</u>	<u>-</u>	<u>10,012</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, 2024
(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 McGallion 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, 2024

OPERATING EXPENSES	
Personnel (including benefits)	<u>\$ 3,499,896</u>
Professional fees	
Auditing	23,250
Legal	35,290
Engineering	<u>1,477</u>
Total professional fees	<u>60,017</u>
Purchased and contracted services	
Contracted material and repairs	847
Other contracted services	<u>134,715</u>
Total contracted services	<u>135,562</u>
Consumable supplies and materials	
Fuel, chemicals and other	433,713
Repair and maintenance	<u>29,427</u>
Total consumable supplies and materials	<u>463,140</u>
Recurring expenses and repairs	
Utilities	417,617
Insurance	109,311
Other administrative expenses	<u>1,658,729</u>
Total administrative expenses	<u>2,185,657</u>
Depreciation and amortization	<u>1,547,536</u>
TOTAL OPERATING EXPENSES	<u>7,891,808</u>
NON-OPERATING EXPENSES	
Interest	<u>101,540</u>
Total non-operating expenses	<u>101,540</u>
TOTAL EXPENSES	<u><u>\$ 7,993,348</u></u>

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

JUNE 30, 2024

	Debt Service Fund
Taxes receivable, beginning of year	\$ 258,335
2023 original tax levy	4,199,442
Total to be accounted for	4,457,777
Taxes collections	
Current year	3,991,635
Prior year	84,759
Total collections	4,076,394
Adjustments	79,535
	4,155,929
Taxes receivable, end of year	\$ 301,848
Taxes receivable by year	
2023	\$ 148,062
2022	55,963
2021	11,183
2020	8,836
2019	8,078
Before 2019	69,726
Taxes receivable, end of year	\$ 301,848

	2023	2022	2021	2020
Property valuations				
Land and improvements	\$ 1,897,564,361	\$ 1,756,152,800	\$ 1,468,328,599	\$ 1,315,739,898
Tax rates per \$100 valuation				
Debt Service Fund	\$ 0.222701	\$ 0.245500	\$ 0.076000	\$ 0.086749
Original levy	\$ 4,199,442	\$ 4,000,027	\$ 1,179,942	\$ 1,144,951
Percent of taxes collected to taxes levied	95%	95%	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, 2024**

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	
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
	\$ 116,250	\$ 1,500,000	\$ 78,750	\$ 1,695,000

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	
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
	\$ 393,550	\$ 3,105,000	\$ 324,875	\$ 3,823,425

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, 2024

Due During Fiscal Years Ending June 30,	Annual Requirements for All Revenue Bond Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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
	\$ 4,605,000	\$ 913,425	\$ 5,518,425

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, 2024

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
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
	\$ 74,987	\$ 2,130,000	\$ 44,738	\$ 2,249,725
Unlimited Tax Bonds Series 2022A Issued \$30,275,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2025	\$ 669,809	\$ 475,000	\$ 655,559	\$ 1,800,368
2026	655,559	500,000	640,559	1,796,118
2027	640,559	525,000	624,809	1,790,368
2028	624,809	550,000	608,309	1,783,118
2029	608,309	605,000	590,159	1,803,468
2030	590,159	635,000	571,109	1,796,268
2031	571,109	670,000	551,009	1,792,118
2032	551,009	700,000	530,010	1,781,019
2033	530,010	735,000	507,959	1,772,969
2034	507,959	775,000	484,710	1,767,669
2035	484,710	815,000	464,334	1,764,044
2036	464,334	855,000	442,960	1,762,294
2037	442,960	900,000	420,459	1,763,419
2038	420,459	945,000	396,835	1,762,294
2039	396,835	995,000	371,959	1,763,794
2040	371,959	1,040,000	345,960	1,757,919
2041	345,960	1,085,000	318,834	1,749,794
2042	318,834	1,130,000	296,235	1,745,069
2043	296,235	1,175,000	272,734	1,743,969
2044	272,734	1,220,000	248,335	1,741,069
2045	248,335	1,270,000	222,934	1,741,269
2046	222,934	1,325,000	196,435	1,744,369
2047	196,435	1,375,000	168,075	1,739,510
2048	168,075	1,435,000	138,479	1,741,554
2049	138,479	1,490,000	107,747	1,736,226
2050	107,747	1,555,000	75,675	1,738,422
2051	75,675	1,615,000	51,450	1,742,125
2052	51,450	1,680,000	26,250	1,757,700
2053	26,250	1,750,000	-	1,776,250
	\$ 10,999,691	\$ 29,825,000	\$ 10,329,882	\$ 51,154,573

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, 2024

Due During Fiscal Years Ending June 30,	Series 2022B Issued \$44,000,000				
	August 15,		February 15,		Total Principal and Interest
	Interest	Principal	Interest		
2025	\$ 485,425	\$ 550,000	\$ 482,263	\$ 1,517,688	
2026	482,263	570,000	478,900	1,531,163	
2027	478,900	590,000	475,271	1,544,171	
2028	475,271	620,000	471,334	1,566,605	
2029	471,334	1,280,000	462,375	2,213,709	
2030	462,375	1,295,000	452,986	2,210,361	
2031	452,986	1,315,000	443,123	2,211,109	
2032	443,123	1,335,000	432,777	2,210,900	
2033	432,777	1,355,000	421,937	2,209,714	
2034	421,937	1,380,000	409,586	2,211,523	
2035	409,586	1,400,000	396,006	2,205,592	
2036	396,006	1,430,000	381,349	2,207,355	
2037	381,349	1,460,000	365,654	2,207,003	
2038	365,654	1,490,000	349,115	2,204,769	
2039	349,115	1,525,000	331,653	2,205,768	
2040	331,653	1,560,000	313,401	2,205,054	
2041	313,401	1,595,000	294,341	2,202,742	
2042	294,341	1,635,000	274,231	2,203,572	
2043	274,231	1,675,000	253,293	2,202,524	
2044	253,293	1,715,000	231,598	2,199,891	
2045	231,598	1,760,000	209,158	2,200,756	
2046	209,158	1,805,000	185,874	2,200,032	
2047	185,874	1,850,000	161,824	2,197,698	
2048	161,823	1,900,000	136,934	2,198,757	
2049	136,934	1,950,000	111,194	2,198,128	
2050	111,193	2,000,000	84,694	2,195,887	
2051	84,694	2,050,000	57,326	2,192,020	
2052	57,326	2,105,000	29,119	2,191,445	
2053	29,119	2,165,000	-	2,194,119	
	\$ 9,182,739	\$ 43,360,000	\$ 8,697,316	\$ 61,240,055	

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, 2024

<u>Due During Fiscal Years Ending June 30,</u>	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest</u>
2025	\$ 1,540,000	\$ 2,345,831	\$ 3,885,831
2026	1,595,000	2,294,456	3,889,456
2027	1,655,000	2,241,752	3,896,752
2028	1,720,000	2,187,285	3,907,285
2029	1,885,000	2,132,177	4,017,177
2030	1,930,000	2,076,629	4,006,629
2031	1,985,000	2,018,227	4,003,227
2032	2,035,000	1,956,919	3,991,919
2033	2,090,000	1,892,683	3,982,683
2034	2,155,000	1,824,192	3,979,192
2035	2,215,000	1,754,636	3,969,636
2036	2,285,000	1,684,649	3,969,649
2037	2,360,000	1,610,422	3,970,422
2038	2,435,000	1,532,063	3,967,063
2039	2,520,000	1,449,562	3,969,562
2040	2,600,000	1,362,973	3,962,973
2041	2,680,000	1,272,536	3,952,536
2042	2,765,000	1,183,641	3,948,641
2043	2,850,000	1,096,493	3,946,493
2044	2,935,000	1,005,960	3,940,960
2045	3,030,000	912,025	3,942,025
2046	3,130,000	814,401	3,944,401
2047	3,225,000	712,208	3,937,208
2048	3,335,000	605,311	3,940,311
2049	3,440,000	494,354	3,934,354
2050	3,555,000	379,309	3,934,309
2051	3,665,000	269,145	3,934,145
2052	3,785,000	164,145	3,949,145
2053	3,915,000	55,369	3,970,369
	<u>\$ 75,315,000</u>	<u>\$ 39,329,353</u>	<u>\$ 114,644,353</u>

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN WATERWORKS AND SEWER REVENUE BONDS FOR THE YEAR ENDED JUNE 30, 2024

	Series 2018	Series 2020	Total
Interest rates	5.00%	4.0%-5.0%	
Dates interest payable	8/15 - 2/15	8/15 - 2/15	
Maturity dates	08/28	08/33	
Bonds outstanding, beginning of current period	\$ 1,755,000	\$ 3,320,000	\$ 5,075,000
New bond proceeds	-	-	-
Retirements, principal	255,000	215,000	470,000
Bonds outstanding, end of current period	\$ 1,500,000	\$ 3,105,000	\$ 4,605,000
Interest paid during current period	\$ 81,375	\$ 142,725	\$ 224,100

Paying agent's name and address:

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, 2024

	Bond Issues			Total
	Series 2015	Series 2022A	Series 2022B	
Interest rates	2.0% - 4.0%	3.0% - 6.0%	1.07% - 2.69%	
Dates interest payable	8/15 - 2/15	8/15 - 2/15	8/15 - 2/15	
Maturity dates	08/27	08/52	08/52	
Bonds outstanding, beginning of current period	\$ 2,635,000	\$30,275,000	\$44,000,000	\$76,910,000
New bond proceeds	-	-	-	-
Retirements, principal	505,000	450,000	640,000	1,595,000
Bonds outstanding, end of current period	\$ 2,130,000	\$29,825,000	\$43,360,000	\$75,315,000
Interest paid during current period	\$ 85,450	\$ 1,353,118	\$ 974,275	\$ 2,412,843

Paying agent's name and address:

Series 2015 - BOKF NA, 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225
 Series 2022A - BOKF NA, 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225
 Series 2022B - BOKF NA, 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225

Bond authority	Tax Bonds	Revenue Bonds	Refund Bonds
Amount authorized by voters	\$74,275,000	\$ 6,385,000	\$ 5,770,000
Amount issued	74,275,000	6,385,000	5,770,000
Debt service fund cash and temporary investment balances as of June 30, 2024			\$ 2,856,124
Average annual debt service payment (principal and interest) for remaining term of all debt			\$ 3,821,478

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, 2024

	Amounts				
	2024	2023	2022	2021	2020
Operating revenues					
Charges for service	\$ 6,776,637	\$ 6,177,368	\$ 5,569,170	\$ 5,322,258	\$ 5,037,645
Tap fees	155,258	153,956	312,029	161,364	155,017
Inspection and miscellaneous fees	548,293	776,978	804,313	606,191	666,284
Total revenues	7,480,188	7,108,302	6,685,512	6,089,813	5,858,946
Expenses					
Personnel	3,499,896	3,442,775	2,623,400	2,559,290	2,385,877
Professional fees	60,017	52,358	90,471	80,508	82,959
Purchased and contracted services	135,562	112,898	109,795	97,208	134,501
Consumable supplies and materials	463,140	455,045	302,000	258,847	275,625
Recurring operating expenses	2,185,657	2,242,521	1,926,157	1,643,009	1,492,187
Depreciation and amortization	1,547,536	1,540,629	1,512,235	1,530,344	1,563,212
Total expenses	7,891,808	7,846,226	6,564,058	6,169,206	5,934,361
Excess (expenses)	(411,620)	(737,924)	121,454	(79,393)	(75,415)
Nonoperating Revenues					
Gain/(loss) on disposition of assets	53,282	-	-	-	-
Interest income	3,157,207	1,379,192	8,860	11,884	13,755
Rental income	12,338	13,613	7,314	2,637	5,823
Developer contributions	857,621	155,800	207,350	733,689	661,817
Interest expense on revenue bonds	(101,540)	(115,392)	(128,714)	(201,412)	(166,492)
State grant revenue	-	-	216	-	39,949
Grant revenue	8,370	877	5,306	16,807	82,658
Bond issue cost	-	-	-	-	(190,996)
Total nonoperating revenues	3,987,278	1,434,090	100,332	563,605	446,514
Net income (loss) before transfers	3,575,658	696,166	221,786	484,212	371,099
Transfer in (out)	(89,975)	73,191,668	(25,000)	(15,000)	(32,000)
Net income (loss)	\$ 3,485,683	\$73,887,834	\$ 196,786	\$ 469,212	\$ 339,099
Total active retail water and/or wastewater connections	8,884	9,173	9,027	8,732	8,436

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
90.6%	86.9%	83.3%	87.4%	86.0%
2.1%	2.2%	4.7%	2.6%	2.6%
7.3%	10.9%	12.0%	10.0%	11.4%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
46.8%	48.4%	39.2%	42.0%	40.7%
0.8%	0.7%	1.4%	1.3%	1.4%
1.8%	1.6%	1.6%	1.6%	2.3%
6.2%	6.4%	4.5%	4.3%	4.7%
29.2%	31.5%	28.8%	27.0%	25.5%
20.7%	21.7%	22.6%	25.1%	26.7%
<u>105.5%</u>	<u>110.3%</u>	<u>98.1%</u>	<u>101.3%</u>	<u>101.3%</u>
<u>-5.5%</u>	<u>-10.3%</u>	<u>1.9%</u>	<u>-1.3%</u>	<u>-1.3%</u>
0.7%	0.0%	0.0%	0.0%	0.0%
42.2%	19.4%	0.1%	0.2%	0.2%
0.2%	0.2%	0.1%	0.0%	0.1%
11.5%	2.2%	3.1%	12.0%	11.3%
-1.4%	-1.6%	-1.9%	-3.3%	-2.8%
0.0%	0.0%	0.0%	0.0%	0.7%
0.1%	0.0%	0.1%	0.3%	1.4%
<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>-3.3%</u>
<u>53.3%</u>	<u>20.2%</u>	<u>1.5%</u>	<u>9.2%</u>	<u>7.6%</u>
47.8%	9.9%	3.4%	7.9%	6.3%
<u>-1.2%</u>	<u>1029.7%</u>	<u>-0.4%</u>	<u>-0.2%</u>	<u>-0.5%</u>
<u>46.6%</u>	<u>1039.6%</u>	<u>3.0%</u>	<u>7.7%</u>	<u>5.8%</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES DEBT SERVICE FUND FOR THE FIVE YEARS ENDED JUNE 30, 2024

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes, including penalty and interest	\$ 4,138,235	\$ 3,916,071	\$1,185,037	\$1,163,602	\$1,163,407
Interest from investments	10,812	11,421	999	913	988
Miscellaneous	17,375	10,451	5,464	5,847	4,986
Total revenues	4,166,422	3,937,943	1,191,500	1,170,362	1,169,381
Expenditures					
Tax collection and assessing expenses and miscellaneous	121,105	111,091	44,964	47,470	40,548
Bond issue costs	-	1,819,398	-	-	-
Debt services, principal and interest	3,990,469	2,161,366	1,125,450	1,125,825	1,131,563
Total expenditures	4,111,574	4,091,855	1,170,414	1,173,295	1,172,111
Excess (deficit) of revenue over expenditures	54,848	(153,912)	21,086	(2,933)	(2,730)
Other financing sources					
Bond proceeds	-	74,275,000	-	-	-
Premium on bond issuance	-	742,810	-	-	-
Transfer in (out)	89,975	(73,191,668)	25,000	15,000	32,000
Net change in fund balance	\$ 144,823	\$ 1,672,230	\$ 46,086	\$ 12,067	\$ 29,270

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
99.3%	99.4%	99.5%	99.4%	99.5%
0.3%	0.3%	0.1%	0.1%	0.1%
0.4%	0.4%	0.4%	0.5%	0.4%
<u>100.0%</u>	<u>100.1%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
2.9%	2.8%	3.8%	4.1%	3.5%
0.0%	46.2%	0.0%	0.0%	0.0%
<u>95.8%</u>	<u>54.9%</u>	<u>94.5%</u>	<u>96.8%</u>	<u>125.6%</u>
<u>98.7%</u>	<u>103.9%</u>	<u>98.3%</u>	<u>100.9%</u>	<u>129.1%</u>
1.3%	-3.8%	1.7%	-0.9%	-29.1%
0.0%	1886.1%	0.0%	0.0%	0.0%
0.0%	18.9%	0.0%	0.0%	0.0%
2.2%	-1858.6%	2.1%	1.3%	2.7%
<u>3.5%</u>	<u>42.6%</u>	<u>3.8%</u>	<u>0.4%</u>	<u>-26.4%</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2024

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

District Business Telephone Number: (409) 755-1559

Name and Address	Term of Office Date Elected or Date Hired	Salary	Expense Reimbursements	Title at Year-End	Resident of District
Board Members					
Nicholas N. Carter 7760 Rosewood Drive Lumberton, Texas 77657	05/2022 - 05/2026	\$ -	\$ -	President	Yes
Roger Smith 136 Greenleaf Lumberton, Texas 77657	05/2024 - 05/2028	-	-	Vice- President	Yes
David C. Pitchford 5695 Lexington Lumberton, Texas 77657	05/2022 - 05/2026	-	-	Secretary	Yes
James B. (Jimmy) Burk 121 Rolling Hills Lumberton, Texas 77657	05/2022 - 05/2026	-	-	Asst. Secretary	Yes
David L. Desormeaux 280 Creekwood Lumberton, Texas 77657	05/2024 - 05/2028	-	-	Board Member	Yes

Key Administrative Personnel

Robert Starr 119 Remington Circle Lumberton, Texas 77657	12/01/2019- Present	155,052	10,469	Manager	Yes
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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, 2024
(CONTINUED)**

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Fees and Expense Reimbursements June 30, 2024</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	\$ 33,633	Attorney	N/A
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Avenue, Suite 101 Beaumont, Texas 77706	06/29/2006	23,250	Auditor	N/A
LJA Engineering, Inc. 905 Orleans Street Beaumont, Texas 77701	04/06/2016	1,625,667	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
Allen W. Fehnel, CPA



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

September 16, 2024

**INDEPENDENT AUDITOR'S 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***

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, 2024, and the related notes to the financial statements, which collectively comprise Lumberton Municipal Utility District's basic financial statements, and have issued our report thereon dated September 16, 2024.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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