



Control Number: 52132



Item Number: 3

Addendum StartPage: 0



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52132

June 2, 2021

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

Re: Lumberton Municipal Utility District (the "District") – CCN Amendment

To Whom It May Concern:

Please see enclosed Amended Application for an Amendment to Certificate of Convenience and Necessity for Service Area Boundary Changes for the District. If additional information is required, please contact me.

Sincerely,

GERMER PLLC

By: 

Kate Leverett

KL/kg
Enclosure

cc: Mr. Robb Starr
Lumberton MUD
P.O. Box 8065
Lumberton, Texas 77657

Mr. Toby Davis
LJA Engineering, Inc.

GERMER PLLC

550 FANNIN SUITE 400 BEAUMONT, TX 77701

PHONE: 409.654.6700 • FAX: 409.835.2115

Mr. Jeff Scoggin
LJA Engineering, Inc.

Guy N. Goodson, *firm*



Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

*Pursuant to 16 Texas Administrative Code (TAC) Chapter 24, Substantive Rules Applicable to Water and Sewer
Service Providers, Subchapter G: Certificates of Convenience and Necessity*

CCN Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, you should adhere to the following:
- Answer every question and submit all required attachments.
 - Use attachments or additional pages if needed to answer any question. If you use attachments or additional pages, reference their inclusion in the form.
 - Provide all mapping information as detailed in Part F: Mapping & Affidavits.
 - Provide any other necessary approvals from the Texas Commission on Environmental Quality (TCEQ), or evidence that a request for approval is being sought at the time of filing with the Commission.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
- SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (NOTE: Electronic documents may be sent in advance of the paper copy; however, they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records.)
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
- DEFICIENT (Administratively Incomplete):** Applicant will be ordered to provide information to cure the deficiencies by a certain date (usually 30 days from ALJ's order). **Application is not accepted for filing.**
 - SUFFICIENT (Administratively Complete):** Applicant will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. **Application is accepted for filing.**
- IV. Once the Applicant issues notice, a copy of the actual notice sent (including any map) and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may choose to take one of the following actions:
- HEARING ON THE MERITS:** an affected party may request a hearing on the application. The request must be made within 30 days of notice. If this occurs, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
 - LANDOWNER OPT-OUT:** A landowner owning a qualifying tract of land (25+ acres) may request to have their land removed from the requested area. The Applicant will be requested to amend its application and file new mapping information to remove the landowner's tract of land, in conformity with this request
- V. **PROCEDURAL SCHEDULE:** Following the issuance of notice and the filing of proof of notice in step 4, the application will be granted a procedural schedule for final processing. During this time the Applicant must respond to hearing requests, landowner opt-out requests, and requests for information (RFI). The Applicant will be requested to provide written consent to the proposed maps, certificates, and tariff (if applicable) once all other requests have been resolved.
- VI. **FINAL RECOMMENDATION:** After receiving all required documents from the Applicant, Staff will file a recommendation on the CCN request. The ALJ will issue a final order after Staff's recommendation is filed.

FAQ:

Who can use this form?

Any retail public utility that provides or intends to provide retail water or wastewater utility service in Texas.

Who is required to use this form?

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) must use this form to obtain or amend a CCN prior to providing retail water or sewer utility service in the requested area.

What is the purpose of the application?

A CCN Applicant is required to demonstrate financial, managerial, and technical (FMT) capability to provide continuous and adequate service to any requested area. The questions in the application are structured to support an Applicant's FMT capabilities, consistent with the regulatory requirements.

Application Summary

Applicant: Lumberton Municipal Utility District

CCN No. to be amended: 10929

or ☐ Obtain NEW CCN ☒ Water ☐ Sewer

County(ies) affected by this application: Hardin

Dual CCN requested with: _____

CCN No.: _____ (name of retail public utility) ☐ Portion or ☐ All of requested area

Decertification of CCN for: _____

CCN No.: _____ (name of retail public utility) ☐ Portion or ☐ All of requested area

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Please mark the items included in this filing

<input type="checkbox"/> Partnership Agreement	Part A: Question 4
<input type="checkbox"/> Articles of Incorporation and By-Laws (WSC)	Part A: Question 4
<input type="checkbox"/> Certificate of Account Status	Part A: Question 4
<input type="checkbox"/> Franchise, Permit, or Consent letter	Part B: Question 7
<input type="checkbox"/> Existing Infrastructure Map	Part B: Question 8
<input checked="" type="checkbox"/> Customer Requests For Service in requested area	Part B: Question 9
<input type="checkbox"/> Population Growth Report or Market Study	Part B: Question 10
<input type="checkbox"/> TCEQ Engineering Approvals	Part B: Question 11
<input type="checkbox"/> Requests & Responses For Service to ½ mile utility providers	Part B: Question 12.B
<input type="checkbox"/> Economic Feasibility (alternative provider) Statement	Part B: Question 12.C
<input type="checkbox"/> Alternative Provider Analysis	Part B: Question 12.D
<input type="checkbox"/> Enforcement Action Correspondence	Part C: Question 16
<input type="checkbox"/> TCEQ Compliance Correspondence	Part D: Question 20
<input type="checkbox"/> Purchased Water Supply or Treatment Agreement	Part D: Question 23
<input type="checkbox"/> Rate Study (new market entrant)	Part E: Question 28
<input type="checkbox"/> Tariff/Rate Schedule	Part E: Question 29
<input type="checkbox"/> Financial Audit	Part E: Question 30
<input type="checkbox"/> Application Attachment A & B	Part E: Question 30
<input type="checkbox"/> Capital Improvement Plan	Part E: Question 30
<input type="checkbox"/> Disclosure of Affiliated Interests	Part E: Question 31
<input type="checkbox"/> Detailed (large scale) Map	Part F: Question 32
<input type="checkbox"/> General Location (small scale) Map	Part F: Question 32
<input checked="" type="checkbox"/> Digital Mapping Data	Part F: Question 32
<input checked="" type="checkbox"/> Signed & Notarized Affidavit	Page 12

Part A: Applicant Information

1. A. Name: Lumberton Municipal Utility District
(individual, corporation, or other legal entity)
☐ Individual ☐ Corporation ☐ WSC ☒ Other: MUD
- B. Mailing Address: PO Box 8065
Lumberton Texas 77657
- Phone No.: (409) 755-1559 Email: robbs@lumbertonmud.com
- C. Contact Person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.
- Name: Robert Starr Title: District Manager
- Mailing Address: PO Box 8065 Lumberton Texas 77657
- Phone No.: (409) 755-1559 Email: robbs@lumbertonmud.com

2. If the Applicant is someone other than a municipality, is the Applicant currently paid in full on the Regulatory Assessment Fees (RAF) remitted to the TCEQ?

☐ Yes ☐ No ☒ N/A

3. If the Applicant is an Investor Owned Utility (IOU), is the Applicant current on Annual Report filings with the Commission?

☐ Yes ☐ No If no, please state the last date an Annual Report was filed: _____

4. The legal status of the Applicant is:

- ☐ Individual or sole proprietorship
- ☐ Partnership or limited partnership (*attach* Partnership agreement)
- ☐ Corporation: Charter number (recorded with the Texas Secretary of State): _____
- ☐ Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]
Charter number (as recorded with the Texas Secretary of State): _____
- ☐ Articles of Incorporation and By-Laws established (*attach*)
- ☐ Municipally-owned utility
- ☒ District (MUD, SUD, WCID, FWSD, PUD, etc.)
- ☐ County
- ☐ Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
- ☐ Other (please explain): _____

5. If the Applicant operates under an assumed name (i.e., any d/b/a), provide the name below:

Name: Lumberton Municipal Utility District

Part B: Requested Area Information

6. Provide details on the existing or expected land use in the requested area, including details on requested actions such as dual certification or decertification of service area.

We are simply trying to protect a customers investment in running water and sewer to their property

7. The requested area (check all applicable):

- ☒ Currently receives service from the Applicant ☒ Is being developed with no current customers
☐ Overlaps or is within municipal boundaries ☐ Overlaps or is within district boundaries

Municipality: _____ District: _____

Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain:

This area is not currently covered by an existing CCN

8. Describe the circumstances (economic, environmental, etc.) driving the need for service in the requested area:

We have a customer that has requested service for this area and is not within our CCN we want to bring him into it, to protect the investment in tap fees. Also there are a few other existing customers that are being served that are in our district but out of the ccn. So we are cleaning that up.

9. Has the Applicant received any requests for service within the requested area?

☒ Yes* ☐ No *Attach copies of all applicable requests for service and show locations on a map

10. Is there existing or anticipated growth in the requested area?

☐ Yes* ☒ No *Attach copies of any reports and market studies supporting growth

11. A. Will construction of any facilities be necessary to provide service to the requested area?

☐ Yes* ☒ No *Attach copies of TCEQ approval letters

B. Date Plans & Specifications or Discharge Permit App. submitted to TCEQ: _____

C. Summarize an estimated timeline for construction for any required facilities to serve the requested area:

We have a short line extension and taps to be made. Once paid for the work should take a week.

D. Describe the source and availability of funds for any required facilities to serve the requested area:

Customer requesting service will pay for taps before construction.

Note: Failure to provide applicable TCEQ construction or permit approvals, or evidence showing that the construction or permit approval has been filed with the TCEQ may result in the delay or possible dismissal of the application.

12. A. If construction of a physically separate water or sewer system is necessary, provide a list of all retail public water and/or sewer utilities within one half mile from the outer boundary of the requested area below:

B. Did the Applicant request service from each of the above water or sewer utilities?

☐ Yes*

☒ No

*Attach copies of written requests and copies of the written response

C. Attach a statement or provide documentation explaining why it is not economically feasible to obtain retail service from the water or sewer retail public utilities listed above.

D. If a neighboring retail public utility agreed to provide service to the requested area, attach documentation addressing the following information:

- (A) A description of the type of service that the neighboring retail public utility is willing to provide and comparison with service the applicant is proposing;
- (B) An analysis of all necessary costs for constructing, operating, and maintaining the new facilities for at least the first five years of operations, including such items as taxes and insurance; and
- (C) An analysis of all necessary costs for acquiring and continuing to receive service from the neighboring retail public utility for at least the first five years of operations.

13. Explain the effect of granting the CCN request on the Applicant, any retail public utility of the same kind serving in the proximate area, and any landowners in the requested area. The statement should address, but is not limited to, regionalization, compliance, and economic effects.

Currently there are no water and sewer utilities in the area, the customer has reached out to the district to request service. we (the district) want him to be added to our ccn before we provide service. If the customer pays for taps and someone else applies for this area as another ccn we do not want him to lose the investment in tap fees and line extension.

Part C: CCN Obtain or Amend Criteria Considerations

14. Describe the anticipated impact and changes in the quality of retail utility service for the requested area:

Currently there are no utilities in the area and there are several commercial customers that we are currently servicing that are inside our district but out of our ccn

15. Describe the experience and qualifications of the Applicant in providing continuous and adequate retail service:

The district has been serving our existing customer base since 1976. We currently serve over 9,000 connections

16. Has the Applicant been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes?

☒ Yes* ☐ No

*Attach copies of any correspondence with the applicable regulatory agency concerning any enforcement actions, and attach a description of any actions or efforts the Applicant has taken to comply with these requirements.

17. Explain how the environmental integrity of the land will or will not be impacted or disrupted as a result of granting the CCN as requested:

little to no impact, all work will be completed in the state right of way

18. Has the Applicant made efforts to extend retail water or sewer utility service to any economically distressed area located within the requested area?

no

19. List all neighboring water or sewer retail public utilities, cities, districts (including ground water conservation districts), counties, or other political subdivisions (including river authorities) providing the same service located within two (2) miles from the outer boundary of the requested area:

Water Necessities CCN # 12243

Part D: TCEQ Public Water System or Sewer (Wastewater) Information

20. A. Complete the following for all Public Water Systems (PWS) associated with the Applicant's CCN:

TCEQ PWS ID:	Name of PWS:	Date of TCEQ inspection*:	Subdivisions served:
TX1000035	Lumberton Municipal Utility District	8/26/2020	

*Attach evidence of compliance with TCEQ for each PWS

- B. Complete the following for all TCEQ Water Quality (WQ) discharge permits associated with the Applicant's CCN:

TCEQ Discharge Permit No:	Date Permit expires:	Date of TCEQ inspection*:	Subdivisions served:
WQ- 0011709002	4/1/2026	7/27/2020	
WQ-			
WQ-			
WQ-			

*Attach evidence of compliance with TCEQ for each Discharge Permit

- C. The requested CCN service area will be served via:

PWS ID: 1000035

WQ - 0011709002

21. List the number of existing connections for the PWS & Discharge Permit indicated above (Question 20. C.):

Water				Sewer	
	Non-metered		2"		Residential
	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:				Total Sewer Connections:	

22. List the number of additional connections projected for the requested CCN area:

Water				Sewer	
	Non-metered	1	2"		Residential
	5/8" or 3/4"		3"	1	Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:				Total Sewer Connections:	

23. A. Will the system serving the requested area purchase water or sewer treatment capacity from another source?

☐ Yes* ☒ No

*Attach a copy of purchase agreement or contract.

Capacity is purchased from:

Water: _____

Sewer: _____

- B. Are any of the Applicants PWS's required to purchase water to meet the TCEQ's minimum capacity requirements or TCEQ's drinking water standards?

☐ Yes ☒ No

- C. What is the amount of supply or treatment purchased, per the agreement or contract? What is the percent of overall demand supplied by purchased water or sewer treatment (if any)?

	Amount in Gallons	Percent of demand
Water:		0%
Sewer:		0%

24. Does the PWS or sewer treatment plant have adequate capacity to meet the current and projected demands in the requested area?

☒ Yes ☐ No

25. List the name, class, and TCEQ license number of the operators that will be responsible for the operations of the water or sewer utility service provided to the requested area:

Name (as it appears on license)	Class	License No.	Water/Sewer
Christopher W Parks	C-GW	WG0008950	Water
Benny J Lewis	A-WW	WW0050711	Sewer

26. A. Are any improvements required for the existing PWS or sewer treatment plant to meet TCEQ or Commission standards?

☒ Yes ☐ No

- B. Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters):

Description of the Capital Improvement:	Estimated Completion Date:	Estimated Cost:
Major Expansion to meet Ammonia requirements	6/1/2026	\$ 68,000,000.00

27. Provide a map (or maps) showing all facilities for production, transmission, and distribution, and the location of existing or proposed customer connections, in the requested area. Facilities should be identified on subdivision plats, engineering planning maps, or other large scale maps. Color coding can be used, and is encouraged, to distinguish types of facilities.

Part E: Financial Information

28. If the Applicant seeking to obtain a CCN for the first time is an Investor Owned Utility (IOU) and under the original rate jurisdiction of the Commission, a proposed tariff must be attached to the application. The proposed rates must be supported by a rate study, which provides all calculations and assumptions made. Once a CCN is granted, the Applicant must submit a rate filing package with the Commission within 18 months from the date service begins. The purpose of this rate filing package is to revise a utility's tariff to adjust the rates to a historic test year and to true up the new tariff rates to the historic test year. It is the Applicant's responsibility in any future rate proceeding to provide written evidence and support for the original cost and installation date of all facilities used and useful for providing utility service. Any dollar amount collected under the rates charged during the test year in excess of the revenue requirement established by the Commission during the rate change proceeding shall be reflected as customer contributed capital going forward as an offset to rate base for ratemaking purposes.

29. If the Applicant is an existing IOU, please attach a copy of the current tariff and indicate:

A. Effective date for most recent rates: _____

B. Was notice of this increase provided to the Commission or a predecessor regulatory authority?

☐

No

☐

Yes

Application or Docket Number: _____

C. If notice was not provided to the Commission, please explain why (ex: rates are under the jurisdiction of a municipality)

If the Applicant is a Water Supply or Sewer Service Corporation (WSC/SSC) and seeking to obtain a CCN, attach a copy of the current tariff.

30. **Financial Information**

Applicants must provide accounting information typically included within a balance sheet, income statement, and statement of cash flows. If the Applicant is an existing retail public utility, this must include historical financial information and projected financial information. However, projected financial information is only required if the Applicant proposes new service connections and new investment in plant, or if requested by Commission Staff. If the Applicant is a new market entrant and does not have its own historical balance sheet, income statement, and statement of cash flows information, then the Applicant should establish a five-year projection.

Historical Financial Information may be shown by providing any combination of the following that includes necessary information found in a balance sheet, income statement, and statement of cash flows:

1. Completed Appendix A;
2. Documentation that includes all of the information required in Appendix A in a concise format; or
3. Audited financial statements issued within 18 months of the application filing date. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

Projected Financial Information may be shown by providing any of the following:

1. Completed Appendix B;
2. Documentation that includes all of the information required in Appendix B in a concise format;
3. A detailed budget or capital improvement plan, which indicates sources and uses of funds required, including improvements to the system being transferred; or
4. A recent budget and capital improvements plan that includes information needed for analysis of the operations test for the system being transferred and any operations combined with the system. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

- 31.** Attach a disclosure of any affiliated interest or affiliate. Include a description of the business relationship between all affiliated interests and the Applicant.

DO NOT INCLUDE ATTACHMENTS A OR B IF LEFT BLANK

Part F: Mapping & Affidavits

- 32.** Provide the following mapping information with each of the seven (7) copies of the application:

- 1.** A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The Applicant should adhere to the following guidance:
 - i.** If the application includes an amendment for both water and sewer certificated service areas, separate maps must be provided for each.
 - ii.** A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.
 - iii.** To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
- 2.** A detailed (large scale) map identifying the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
 - i.** The map should be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made and/or natural landmarks must be labeled and marked on the map as well.
 - ii.** If the application includes an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
 - iii.** To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
- 3.** One of the following identifying the requested area:
 - i.** A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part 2 (above);

- ii. A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part 2 (above); or
- iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:
 - a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.
 - b. A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).
 - c. The digital mapping data shall be filed on a data disk (CD or USB drives), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.

Part G: Notice Information

The following information will be used to generate the proposed notice for the application.
DO NOT provide notice until the application is deemed sufficient for filing and the Applicant is ordered to provide notice.

33. Complete the following using verifiable man-made and/or natural landmarks such as roads, rivers, or railroads to describe the requested area (to be stated in the notice documents). Measurements should be approximated from the outermost boundary of the requested area:

The total acreage of the requested area is approximately: _____

Number of customer connections in the requested area: _____

The closest city or town: _____

Approximate mileage to closest city or town center: _____

Direction to closest city or town: _____

The requested area is generally bounded on the North by: _____

on the East by: _____

on the South by: _____

on the West by: _____

34. A copy of the proposed map will be available at _____

Applicant's Oath

STATE OF _____

COUNTY OF _____

I, _____ being duly sworn, file this application to
obtain or amend a water or sewer CCN, as _____

(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further represent that the application form has not been changed, altered, or amended from its original form.

I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants within its certificated service area should its request to obtain or amend its CCN be granted.

AFFIANT

(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas

this day the _____ of _____, 20 _____

SEAL

**NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS**

PRINT OR TYPE NAME OF NOTARY

My commission expires: _____

Appendix A: Historical Financial Information (Balance Sheet and Income Schedule)

(Audited financial statements may be substituted for this schedule – see item 29 of the instructions)

HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Other						
A. Total Current Assets						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
B. Total Fixed Assets						
C. TOTAL Assets (A + B)						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
D. Total Current Liabilities						
LONG TERM LIABILITIES						
Notes Payable, Long-term						
Other						
E. Total Long Term Liabilities						
F. TOTAL LIABILITIES (D + E)						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
G. TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES+EQUITY (F + G) = C						
WORKING CAPITAL (A – D)						
CURRENT RATIO (A / D)						
DEBT TO EQUITY RATIO (E / G)						

DO NOT INCLUDE ATTACHMENTS A OR B IF LEFT BLANK

HISTORICAL NET INCOME INFORMATION

(ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Revenue per Meter (use for projections)						
Expense per Meter (use for projections)						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Revenues- Base Rate & Gallonage Fees						
Other (Tap, reconnect, transfer fees, etc.)						
Gross Income						
EXPENSES						
General & Administrative (see schedule)						
Operating (see schedule)						
Interest						
Other (list)						
NET INCOME						

HISTORICAL EXPENSE INFORMATION (ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries & Benefits–Office/Management						
Office (services, rentals, supplies, electricity)						
Contract Labor						
Transportation						
Insurance						
Telephone						
Utilities						
Property Taxes						
Professional Services/Fees (recurring)						
Regulatory- other						
Other (describe)						
Interest						
Other						
Total General Admin. Expenses (G&A)						
% Increase Per Year	0%	0%	0%	0%	0%	0%
OPERATIONS & MAINTENANCE EXPENSES						
Salaries & Benefits (Employee, Management)						
Materials & Supplies						
Utilities Expense-office						
Contract Labor						
Transportation Expense						
Depreciation Expense						
Other(describe)						
Total Operational Expenses (O&M)						
Total Expense (Total G&A + O&M)						
Historical % Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ASSUMPTIONS						
Interest Rate/Terms						
Depreciation Schedule (attach)						
Other assumptions/information (List all)						

Appendix B: Projected Information

HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
A. Total Current Assets						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
B. Total Fixed Assets						
C. TOTAL Assets (A + B)						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
D. Total Current Liabilities						
LONG TERM LIABILITIES						
Notes Payable, Long-term						
Other						
E. Total Long Term Liabilities						
F. TOTAL LIABILITIES (D + E)						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
G. TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES+EQUITY (F + G) = C						
WORKING CAPITAL (A - D)						
CURRENT RATIO (A / D)						
DEBT TO EQUITY RATIO (F / G)						

PROJECTED NET INCOME INFORMATION						
(ENTER DATE OF YEAR END)	CURRENT(A) (- -)	A-1 YEAR (- -)	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
METER NUMBER						
Existing Number of Taps						
New Taps Per Year						
Total Meters at Year End						
METER REVENUE						
Revenue per Meter (use for projections)						
Expense per Meter (use for projections)						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Revenues- Base Rate & Gallonage Fees						
Other (Tap, reconnect, transfer fees, etc.)						
Gross Income						
EXPENSES						
General & Administrative (see schedule)						
Operating (see schedule)						
Interest						
Other (list)						
NET INCOME						

PROJECTED EXPENSE DETAIL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office						
Computer						
Auto						
Insurance						
Telephone						
Utilities						
Depreciation						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per projected Year	0%	0%	0%	0%	0%	0%
OPERATIONAL EXPENSES						
Salaries						
Auto						
Utilities						
Depreciation						
Repair & Maintenance						
Supplies						
Other						
Total						

PROJECTED SOURCES AND USES OF CASH STATEMENTS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income						
Depreciation (If funded by revenues of system)						
Loan Proceeds						
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
Total Uses						
NET CASH FLOW						
DEBT SERVICE COVERAGE						
Cash Available for Debt (CADS)						
A: Net Income (Loss)						
B: Depreciation, or Reserve Interest						
C: Total CADS (A + B = C)						
D: DEBT SERVICE						
Annual Principle Plus Interest						
E: DEBT SERVICE COVERAGE RATIO						
CADS Divided by DS (E = C / D)						

LUMBERTON MUNICIPAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Hardin §

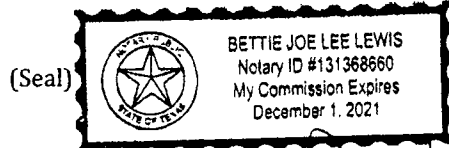
I, Nicholas N. Carter, President of the Lumberton Municipal Utility District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 30th day of September, 2020 its annual report for the fiscal year or period ended June 30, 2020 and that copies of the annual audit have been filed in the District office, located at 625 FM 421, Lumberton, Texas 77657. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: 9-30, 2020

By: N Carter
(Signature of District Representative)

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

Sworn to and subscribed to before me this 30th day of September, 2020



Bettie Joe Lee Lewis
(Signature of Notary)

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

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

**Wathen,
DeShong
& Juncker,**
L.L.P.
CPAs & BUSINESS ADVISORS

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

September 21, 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Lumberton Municipal Utility District as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Lumberton Municipal Utility District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Lumberton Municipal Utility District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 9; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information on pages 4 through 9 and pages 39 through 40 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on pages 41 and 42 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lumberton Municipal Utility District's basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 43 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information listed in the Table of Contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The current year financial information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedules of Services and Rates and Board Members, Key Personnel and Consultants have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of Lumberton Municipal Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Lumberton Municipal Utility District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lumberton Municipal Utility District's internal control over financial reporting and compliance.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lumberton Municipal Utility District, we offer readers of the Lumberton Municipal Utility District financial statements this narrative overview and analysis of the financial activities of the Lumberton Municipal Utility District for the fiscal year ended June 30, 2020. 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, 2020, by \$20,553,782 (net position).
- The Lumberton Municipal Utility District's total net position increased by \$1,365,083. The District had expenses associated with all activities totaling \$6,467,283 and total revenues were \$7,832,366.
- As of June 30, 2020, the Lumberton Municipal Utility District's Water and Sewer Fund reported an ending net position of \$25,353,878.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For The Year Ended June 30, 2020

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found on pages 19 through 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 \$20,553,782 at June 30, 2020.

LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis
For The Year Ended June 30, 2020

STATEMENT OF NET POSITION

	Statement of Net Position June 30, 2020			
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 1,107,439	\$ 6,717,229	\$ -	\$ 7,824,668
Capital assets	-	27,729,099	-	27,729,099
Total Assets	1,107,439	34,446,328	-	35,553,767
Deferred Outflow of Resources	-	140,684	-	140,684
Current and other liabilities	1,024,527	2,225,633	-	3,250,160
Long-term liabilities	4,625,000	6,850,047	-	11,475,047
Total Liabilities	5,649,527	9,075,680	-	14,725,207
Deferred Inflow of Resources	258,008	157,454	-	415,462
Net Position:				
Invested in capital assets, net of related debt	-	20,230,931	(5,838,008)	14,392,923
Restricted	1,037,912	819,463	-	1,857,375
Unrestricted	(5,838,008)	4,303,484	5,838,008	4,303,484
Total Net Position	\$ (4,800,096)	\$ 25,353,878	\$ -	\$ 20,553,782

	Statement of Net Position June 30, 2019			
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 1,078,132	\$ 5,950,183	\$ -	\$ 7,028,315
Capital assets	-	28,132,311	-	28,132,311
Total Assets	1,078,132	34,082,494	-	35,160,626
Deferred Outflow of Resources	-	337,762	-	337,762
Current and other liabilities	1,010,839	2,158,164	-	3,169,003
Long-term liabilities	5,580,000	7,203,885	-	12,783,885
Total Liabilities	6,590,839	9,362,049	-	15,952,888
Deferred Inflow of Resources	313,373	43,428	-	356,801
Net Position:				
Invested in capital assets, net of related debt	-	20,338,904	(6,823,373)	13,515,531
Restricted	997,293	785,860	-	1,783,153
Unrestricted	(6,823,373)	3,890,015	6,823,373	3,890,015
Total Net Position	\$ (5,826,080)	\$ 25,014,779	\$ -	\$ 19,188,699

For the fiscal years ended June 30, 2020 and 2019, the District has a reclassification of \$5,838,008 and \$6,823,373, respectively, to move the debt associated with the construction of Waterworks and Sanitary Sewer Facilities from Unrestricted net position to Invested in capital assets, net of related debt. The capital assets are reported in the business-type activities and the debt is reported in the governmental activities.

Total net position of the District's activities was \$20,553,782. 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 \$4,303,484 at June 30, 2020. 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, 2020

STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Fees for services	\$ -	\$ -	\$ 5,858,946	\$ 5,525,995	\$ 5,858,946	\$ 5,525,995
General revenues						
Property taxes	1,163,444	1,148,321	-	-	1,163,444	1,148,321
Investment income	988	958	13,755	12,401	14,743	13,359
Gain (loss) on sale of assets	-	-	-	35,150	-	35,150
Net grant activity	-	-	122,607	301,060	122,607	301,060
Other	4,986	6,501	667,640	251,268	672,626	257,769
Total Revenues	<u>1,169,418</u>	<u>1,155,780</u>	<u>6,662,948</u>	<u>6,125,874</u>	<u>7,832,366</u>	<u>7,281,654</u>
Expenses						
Administration	(40,548)	(53,334)	-	-	(40,548)	(53,334)
Interest on long-term debt	(134,886)	(166,044)	-	-	(134,886)	(166,044)
Water and sewer	-	-	(6,291,849)	(6,035,165)	(6,291,849)	(6,035,165)
Total Expenses	<u>(175,434)</u>	<u>(219,378)</u>	<u>(6,291,849)</u>	<u>(6,035,165)</u>	<u>(6,467,283)</u>	<u>(6,254,543)</u>
Increase (decrease) in net position before transfers	993,984	936,402	371,099	90,709	1,365,083	1,027,111
Transfers	32,000	-	(32,000)	-	-	-
Net position - beginning	<u>(5,826,080)</u>	<u>(6,762,482)</u>	<u>25,014,779</u>	<u>24,924,070</u>	<u>19,188,699</u>	<u>18,161,588</u>
Net position - ending	<u>\$ (4,800,096)</u>	<u>\$ (5,826,080)</u>	<u>\$ 25,353,878</u>	<u>\$ 25,014,779</u>	<u>\$ 20,553,782</u>	<u>\$ 19,188,699</u>

The District's total net position increased by \$1,365,083 during the current fiscal year. Governmental activities increased by \$1,025,984 and business-type activities increased by \$339,099.

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, 2020, the Lumberton Municipal Utility District's governmental fund reported an ending balance of \$1,043,194.

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, 2020

Unrestricted net position at the end of the year totaled \$4,303,484 for the Water and Sewer Fund. Net position in the Water and Sewer Fund increased by \$339,099 as the result of current operations.

General Fund Budgetary Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2020. There were no additional appropriations. Tax revenues were above budget by \$23,507 or 2%. Debt service expenditures were below budget by \$17,752 or 1.5%.

Proprietary Fund Budget Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2020. Operating revenues exceeded budget by \$148,946 or 2.6%. Operating expenses were below budget by \$272,189 or 4.4%. Actual depreciation and amortization expense were below budgeted depreciation and amortization expenses by \$83,888.

Capital Assets

The Lumberton Municipal Utility District's investment in capital assets for its business-type activities at June 30, 2020, was \$27,729,099 net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery and equipment, and construction-in-progress and represents a net decrease of \$403,212 after considering accumulated depreciation of \$32,806,610.

CAPITAL ASSETS

	Business-Type Activities		Change
	2020	2019	
Land	\$ 438,597	\$ 438,597	\$ -
Buildings and improvements	5,650,690	5,650,690	-
Water System	11,787,640	11,518,835	268,805
Sewer System	40,298,336	39,464,001	834,335
Machinery and equipment	584,201	571,301	12,900
Automobiles and trucks	858,657	838,141	20,516
Furniture and fixtures	472,321	472,321	-
Engineering fees	354,039	354,039	-
Construction-in-progress	91,228	67,784	23,444
Total at historical cost	60,535,709	59,375,709	1,160,000
Total accumulated depreciation	<u>(32,806,610)</u>	<u>(31,243,398)</u>	<u>(1,563,212)</u>
Net capital assets	<u>\$ 27,729,099</u>	<u>\$ 28,132,311</u>	<u>\$ (403,212)</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis For The Year Ended June 30, 2020

Long-Term Debt

At June 30, 2020, the Lumberton Municipal Utility District had \$13 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		
	2020	2019	Change	2020	2019	Change
Bonds Payable	<u>\$7,441,838</u>	<u>\$7,689,713</u>	<u>\$ (247,875)</u>	<u>\$ 5,580,000</u>	<u>\$ 6,510,000</u>	<u>\$ (930,000)</u>

For the fiscal year ended June 30, 2020, interest expense in the Governmental activities was \$134,886, interest expense in the Business-type activities was \$166,492, and interest expense in the Governmental funds was \$201,563.

Economic Factors and Next Year's Budgets

Service fees and other operating revenues are budgeted at \$6,003,200 for the fiscal year ending June 30, 2021 as compared to actual operating revenue of \$5,858,946 for the fiscal year just ended.

Operating expenses, prior to capital outlay and debt principal are budgeted at \$7,012,483 for the fiscal year ending June 30, 2021 as compared to actual operating expenses of \$5,934,361 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, 2020

	Governmental Activities	Business-type Activities	Reclassifications	Total
ASSETS				
Cash	\$ 1,024,368	\$ 3,282,031	\$ -	\$ 4,306,399
Investments	-	226,735	-	226,735
Accounts receivable, net of allowance for doubtful accounts:				
Taxes	75,906	-	-	75,906
Service accounts	-	599,541	-	599,541
Other	-	49,970	-	49,970
Inventory	-	399,966	-	399,966
Prepaid appraisal district fees	7,165	-	-	7,165
Restricted assets:				
Cash	-	1,720,405	-	1,720,405
Investments	-	438,581	-	438,581
Capital assets:				
Land	-	438,597	-	438,597
Construction-in-progress	-	91,228	-	91,228
Other capital assets, net of accumulated depreciation	-	27,199,274	-	27,199,274
Total assets	1,107,439	34,446,328	-	35,553,767
DEFERRED OUTFLOW OF RESOURCES	-	140,684	-	140,684
LIABILITIES				
Accounts payable	-	300,627	-	300,627
Accrued liabilities	-	58,656	-	58,656
Interest payable	69,527	56,330	-	125,857
Compensated absences	-	78,725	-	78,725
Customer deposits	-	751,820	-	751,820
Deferred revenue	-	214,454	-	214,454
Accrued pension liability	-	173,230	-	173,230
Debt payable - current	955,000	591,791	-	1,546,791
Debt payable - noncurrent	4,625,000	6,850,047	-	11,475,047
Total liabilities	5,649,527	9,075,680	-	14,725,207
DEFERRED INFLOW OF RESOURCES				
Deferred gain on refunded debt	258,008	-	-	258,008
Deferred inflows related to pension	-	157,454	-	157,454
Total deferred inflow of resources	258,008	157,454	-	415,462
NET POSITION				
Invested in capital assets, net of related debt	-	20,230,931	(5,838,008)	14,392,923
Restricted for:				
Debt service	1,037,912	819,463	-	1,857,375
Unrestricted	(5,838,008)	4,303,484	5,838,008	4,303,484
Total net position	\$(4,800,096)	\$25,353,878	\$ -	\$ 20,553,782

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, 2020

		Program Revenues		
	Expenses	Charges for Services	Operating Grant Contributions	Capital Grant Contributions
Primary Government				
Government activities				
Administration and general	\$ 40,548	\$ -	\$ -	\$ -
Interest on long-term debt	134,886	-	-	-
Total government activities	175,434	-	-	-
Business-type activities				
Water and Sewer	6,291,849	5,858,946	-	122,607
Total business-type activities	6,291,849	5,858,946	-	122,607
Total primary government	\$ 6,467,283	\$ 5,858,946	\$ -	\$ 122,607
General revenues				
Property taxes				
Investment earnings				
Miscellaneous				
Developer contributions				
Rental income				
Transfers In (Out)				
Total general revenues				
Change in net position				
Net position, beginning of period				
Net position, end of period				

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (40,548)	\$ -	\$ (40,548)
(134,886)	-	(134,886)
(175,434)	-	(175,434)
-	(310,296)	(310,296)
-	(310,296)	(310,296)
(175,434)	(310,296)	(485,730)
1,163,444	-	1,163,444
988	13,755	14,743
4,986	-	4,986
-	661,817	661,817
-	5,823	5,823
32,000	(32,000)	-
1,201,418	649,395	1,850,813
1,025,984	339,099	1,365,083
(5,826,080)	25,014,779	19,188,699
<u>\$ (4,800,096)</u>	<u>\$ 25,353,878</u>	<u>\$ 20,553,782</u>

FUND FINANCIAL STATEMENTS

LUMBERTON MUNICIPAL UTILITY DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2020

	Debt Service Fund
ASSETS	
Cash	\$ 1,024,368
Receivables, net of allowance for doubtful accounts:	
Taxes	75,906
Prepaid appraisal district fees	<u>7,165</u>
Total assets	<u><u>\$ 1,107,439</u></u>
 DEFERRED INFLOW OF RESOURCES	
Deferred property tax revenue	\$ 64,245
 FUND BALANCES	
Restricted	
Debt service	<u>1,043,194</u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 1,107,439</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, 2020

Governmental fund balance as reported on the balance sheet for governmental funds. \$ 1,043,194

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

Deferred gain on early retirement of debt (651,037)
Accumulated amortization 393,029

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 (5,580,000)
Accrued interest expense (69,527)

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 64,245

Total net position as reported on the Statement of Net Position for governmental activities. \$ (4,800,096)

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, 2020

	Debt Service Fund
REVENUES	
General property taxes	\$ 1,155,070
Penalties and interest	8,337
Interest	988
Miscellaneous	<u>4,986</u>
Total revenues	<u>1,169,381</u>
EXPENDITURES	
Debt service	
Principal	930,000
Interest and fiscal charges	201,563
Collection costs	14,130
Appraisal District	25,418
Miscellaneous	<u>1,000</u>
Total expenditures	<u>1,172,111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,730)
OTHER FINANCING SOURCES	
Transfer in	<u>32,000</u>
NET CHANGE IN FUND BALANCE	29,270
FUND BALANCES, beginning of period	<u>1,013,924</u>
FUND BALANCES, end of period	<u><u>\$ 1,043,194</u></u>

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances for total governmental funds.	\$ 29,270
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	930,000
Interest associated with bonded indebtedness is recorded when paid in the governmental funds. Accrued interest expense is reported in the Statement of Activities.	
Accrued interest on bonds payable - prior year	80,839
Accrued interest on bonds payable - current year	(69,527)
Amortization of gain on refunded bonds	55,365
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Collections and adjustments on prior year tax levies	(34,530)
Collections due from current year tax levy	<u>34,567</u>
Change in net position of governmental activities	<u>\$ 1,025,984</u>

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2020

	<u>Water and Sewer Fund</u>
CURRENT ASSETS	
Cash	\$ 3,282,031
Investments	226,735
Accounts receivable, net of allowance for doubtful accounts:	
Service accounts	599,541
Other	49,970
Inventory	<u>399,966</u>
Total current assets	<u>4,558,243</u>
NONCURRENT ASSETS	
Restricted	
Cash	1,720,405
Investments	438,581
Capital assets	
Land	438,597
Construction-in-progress	91,228
Other capital assets, net of accumulated depreciation	<u>27,199,274</u>
Total noncurrent assets	<u>29,888,085</u>
Total assets	<u>34,446,328</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow related to pension	75,610
Deferred charge for refunding	<u>65,074</u>
Total deferred outflow of resources	<u>140,684</u>
CURRENT LIABILITIES	
Accounts payable	300,627
Accrued liabilities	58,656
Interest payable	56,330
Current portion, bonds payable	591,791
Compensated absences	78,725
Customer deposits	751,820
Deferred revenue	<u>214,454</u>
Total current liabilities	<u>2,052,403</u>
NONCURRENT LIABILITIES	
Accrued pension liability	173,230
Bonds payable - noncurrent	<u>6,850,047</u>
Total noncurrent liabilities	<u>7,023,277</u>
Total liabilities	<u>9,075,680</u>
DEFERRED INFLOW OF RESOURCES	<u>157,454</u>
NET POSITION	
Invested in capital assets, net of related debt	20,230,931
Restricted for Debt Service	819,463
Unrestricted	<u>4,303,484</u>
TOTAL NET POSITION	<u>\$ 25,353,878</u>

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, 2020

	Water and Sewer Fund
OPERATING REVENUES	
Service fees	\$ 5,037,645
Tap connection fees	155,017
Miscellaneous	666,284
Total operating revenues	5,858,946
OPERATING EXPENSES	
Personnel	2,385,877
Professional services	82,959
Purchased and contract services	134,501
Consumable supplies and materials	275,625
Recurring expenses and repairs	1,492,187
Depreciation and amortization	1,563,212
Total operating expenses	5,934,361
OPERATING INCOME (LOSS)	(75,415)
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	13,755
Interest expense	(166,492)
Rental income	5,823
Developer contributions	661,817
State grant revenue	39,949
FEMA grant revenue	82,658
Bond issue cost	(190,996)
Total non-operating revenues (expenses)	446,514
NET INCOME (LOSS) BEFORE TRANSFERS	371,099
Transfer out	(32,000)
CHANGE IN NET POSITION	339,099
NET POSITION, beginning of period	25,014,779
NET POSITION, end of period	\$ 25,353,878

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 5,868,161
Payments to suppliers and service providers	(2,686,093)
Payments to employees	(1,666,280)
Net cash provided by operating activities	<u>1,515,788</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

FEMA and state grant reimbursements	266,208
FEMA and state grant reimbursed expenses	(85,649)
Transfer out	(32,000)
Net cash provided by noncapital financing activities	<u>148,559</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments for capital assets	(76,851)
Construction-in-progress	(331,545)
Interest payments	(269,413)
Bond issuance expense	(190,996)
Retirement of long-term debt	(191,899)
Customer security deposits	23,200
Net cash provided (used) by capital and related financing activities	<u>(1,037,504)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	13,755
Rental income	5,823
Deposits to investments	(6,001)
Net cash provided (used) by investing activities	<u>13,577</u>

INCREASE (DECREASE) IN CASH

640,420

CASH, beginning of period

4,362,016

CASH, end of period

\$ 5,002,436

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$ (75,415)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	1,563,212
(Increase) decrease in assets	
Receivables	9,216
Inventory	(116,158)
Prepaid expenses	35,403
Increase (decrease) in liabilities	
Accounts payable	114,664
Accrued liabilities	(14,101)
Accrued pension liability	(336,873)
Compensated absences	24,736
(Increase) decrease in outflow/inflow of resources	<u>311,104</u>
Net cash provided by operating activities	<u>\$ 1,515,788</u>

During the fiscal year ended June 30, 2020, water and sewer system additions included \$661,817 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, 2020

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, 2020

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, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Using Estimates

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

Budgetary Control

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

Organizational Costs

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

Inventory

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

Short-Term Interfund Receivables/Payables

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

Capital Assets

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

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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

Capital Assets (Continued)

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

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

Compensated Absences

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

Accrued vacation is recorded in the Enterprise Fund.

Nature of Purpose of Reservations and Designations of Fund Equity

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

Amortization

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

Restricted Assets

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

Cash and Cash Equivalents

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

Long-term Obligations

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

In the governmental fund financial statements, debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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

Risk Management and Participation in Risk Pools

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

Pensions

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

Subsequent Events

In accordance with ASC 855, the Management of Lumberton Municipal Utility District has evaluated subsequent events through September 21, 2020, the date on which the financial statements were available for issue.

2) **CASH AND INVESTMENTS**

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

At the year-end, the carrying amount of the District's deposits (including Certificates of Deposit reported below) was \$6,691,670 and the bank balance was \$6,663,754. All deposits as of the financial statement date were insured by FDIC coverage or collateralized by a letter of credit and pledged securities held by the depository's agent in the District's name.

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

Investments made by the District are summarized below:

<u>Investment</u>	<u>Amount</u>
Certificate of deposit - Local Financial Institution	\$ 438,581
Certificate of deposit - Local Financial Institution	<u>226,735</u>
	<u>\$ 665,316</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

2) CASH AND INVESTMENTS (CONTINUED)

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

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Governmental Activities	\$ 1,024,368	\$ -	\$ 1,024,368
Business-Type Activities - unrestricted	3,282,031	226,735	3,508,766
Business-Type Activities - restricted			
Interest and Sinking Fund	576,799	-	576,799
Bond Reserve Fund	380,882	438,581	819,463
Customer Meter Deposits	<u>762,724</u>	<u>-</u>	<u>762,724</u>
	<u>\$ 6,026,804</u>	<u>\$ 665,316</u>	<u>\$ 6,692,120</u>

The Board of Directors of Lumberton Municipal Utility District has elected to use Certificates of Deposit as a component of the Reserve Fund required by the Bond Orders associated with the issuance of revenue bonds in 2012, 2018, and 2020.

3) PROPERTY TAXES

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

The District levies taxes in unlimited amounts for the payment of principal and interest of general long-term debt. The District, for the current year, had assessed valuations of \$1,251,730,807 and levied property taxes in the amount of \$1,154,094 from a tax rate of \$0.0912/\$100 valuation.

Property taxes receivables as of June 30, 2020, were comprised of the following:

<u>Year of Levy</u>	<u>Debt Service Fund</u>
2019	\$ 40,706
2018	16,511
2017	15,287
2016	11,596
2015	8,737
Before 2015	<u>61,929</u>
	<u>\$ 154,766</u>

In the Statement of Net Position, Property Taxes Receivable are reported net of an allowance for uncollectibles of \$78,860.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

4) CAPITAL ASSETS

A summary of changes in the capital assets for the primary government for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Business Type Activities				
Capital assets, not being depreciated				
Land	\$ 438,597	\$ -	\$ -	\$ 438,597
Construction-in-progress	67,784	87,627	64,183	91,228
Total capital assets, not being depreciated	506,381	87,627	64,183	529,825
Capital assets, being depreciated				
Buildings	5,650,690	-	-	5,650,690
Improvements other than buildings	51,336,875	1,103,140	-	52,440,015
Machinery and equipment	1,881,763	33,416	-	1,915,179
Total capital assets, being depreciated	58,869,328	1,136,556	-	60,005,884
Less accumulated depreciation				
Buildings	805,758	162,103	-	967,861
Improvements other than buildings	29,174,761	1,269,365	-	30,444,126
Machinery and equipment	1,262,879	131,744	-	1,394,623
Total accumulated depreciation	31,243,398	1,563,212	-	32,806,610
Total capital assets, being depreciation, net	27,625,930	(426,656)	-	27,199,274
Business-type activities capital assets, net	<u>\$ 28,132,311</u>	<u>\$ (339,029)</u>	<u>\$ 64,183</u>	<u>\$ 27,729,099</u>

Construction-in-progress for the enterprise fund as of June 30, 2020, includes the following:

	Estimated Project Costs	Construction- In-Progress	Remaining Projected Costs
Software	\$ 25,133	\$ 15,833	\$ 9,300
FEMA	1,095,115	75,395	1,019,720
Total for all projects	<u>\$ 1,120,248</u>	<u>\$ 91,228</u>	<u>\$ 1,029,020</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

4) **CAPITAL ASSETS (CONTINUED)**

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

Business-type Activities	
Water and Sewer	<u>\$ 1,563,212</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,563,212</u></u>

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

Intangible assets and related amortization as of June 30, 2020, included the following:

	<u>Historical Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Business-Type Activities			
Organization costs, being amortized over 35 years	<u>\$ 379,157</u>	<u>\$ 379,157</u>	<u>\$ -</u>
Governmental Activities			
Deferred gain on defeased bonds (residual deferred charge)	<u>\$ 651,037</u>	<u>\$ 393,029</u>	<u>\$ 258,008</u>

Amortization expense for the year ended June 30, 2020 was \$0 in the Business-type Activities. Amortization of the deferred gain in the Governmental Activities was \$55,365 for the year ended June 30, 2020 and is recorded as a reduction of interest expense.

6) **LONG-TERM DEBT**

General Obligation and Revenue Bonds

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

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

Governmental activities	\$ 1,530,000
Governmental activities - refunding	4,050,000
Business-type activities	<u>6,395,000</u>
	<u><u>\$ 11,975,000</u></u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

6) LONG-TERM DEBT (CONTINUED)

General Obligation and Revenue Bonds (Continued)

General Obligation Bonds payable at June 30, 2020 are comprised of the following individual issues:

\$7,190,000 Series 2011 General Obligation Refunding Bonds due in annual principal installments of \$500,000 to \$520,000 through August 15, 2022; with interest at 3.50% to 4.00% \$ 1,530,000

\$5,770,000 Series 2015 Tax Refunding Bonds due in annual principal installments of \$455,000 to \$550,000 through August 15, 2027; with interest at 2.00% to 4.00% 4,050,000

\$ 5,580,000

Total Revenue Bonds payable at June 30, 2020 are as follows:

\$5,710,000 Series 2012 Utility System Revenue Bonds due in one annual principal installment of \$235,000 due August 15, 2020; with interest at 3.0% \$ 235,000

\$2,680,000 Series 2018 Utility System Revenue Refunding Bonds due in annual principal installments of \$220,000 to \$330,000 through August 15, 2028; with interest at 5.0% 2,455,000

\$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% 3,705,000

\$ 6,395,000

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 955,000	\$ 170,825	\$ 455,000	\$ 225,369
2022	990,000	135,450	420,000	268,600
2023	1,000,000	95,650	445,000	246,975
2024	505,000	68,075	470,000	224,100
2025	515,000	52,775	495,000	199,975
2026-2030	1,615,000	66,950	2,640,000	591,850
2031-2034	-	-	1,470,000	121,600
Total	<u>\$ 5,580,000</u>	<u>\$ 589,725</u>	<u>\$ 6,395,000</u>	<u>\$ 1,878,469</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

6) LONG-TERM DEBT (CONTINUED)

General Obligation and Revenue Bonds (Continued)

For the fiscal year ended June 30, 2020, interest expense in the Governmental activities was \$134,886; interest expense in the Business-type activities was \$166,492; interest expense in the Governmental Funds was \$201,563.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds					
2011	\$ 2,015,000	\$ -	\$ 485,000	\$ 1,530,000	\$ 500,000
2015	4,495,000	-	445,000	4,050,000	455,000
	<u>\$ 6,510,000</u>	<u>\$ -</u>	<u>\$ 930,000</u>	<u>\$ 5,580,000</u>	<u>\$ 955,000</u>
Revenue Bonds					
2012	\$ 4,725,000	\$ -	\$ 4,490,000	\$ 235,000	\$ 235,000
2018	2,665,000	-	210,000	2,455,000	220,000
2020	-	3,705,000	-	3,705,000	-
2018 Bond Premium	299,713	-	50,828	248,885	46,622
2020 Bond Premium	-	803,101	5,148	797,953	90,169
	<u>\$ 7,689,713</u>	<u>\$ 4,508,101</u>	<u>\$ 4,755,976</u>	<u>\$ 7,441,838</u>	<u>\$ 591,791</u>
Total Bonded Debt	<u>\$ 14,199,713</u>	<u>\$ 4,508,101</u>	<u>\$ 5,685,976</u>	<u>\$ 13,021,838</u>	<u>\$ 1,546,791</u>

Refunding and Defeased Debt

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

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

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

6) LONG-TERM DEBT (CONTINUED)

Refunding and Defeased Debt (Continued)

On April 17, 2018, the District refunded \$2,885,000 of the Utility System Revenue Bonds, Series 2007. The Series 2007 refunded bonds bore interest at 4.97% to 5.57% and were called on May 24, 2019 being funded with the proceeds of the Utility System Revenue Refunding Bonds, Series 2018 in the amount of \$2,680,000 bearing interest at 5%. This refunding resulted in a net present value savings of \$344,857.

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

7) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A) Segment information for certain enterprise funds. This requirement is effectively met in this report because the District maintains only one enterprise fund.
- B) In the Water and Sewer Fund, professional services exceeded budget by \$32,959. Recurring expenses and repairs exceeded budget by \$391,237.
- C) In the Debt Service Fund, collection cost exceeded budget by \$6,130 but was offset by appraisal district fees which were budgeted to include collection costs. Debt service fees exceeded budget by \$700.
- D) The annual property tax levy is restricted to the balance necessary to meet the debt service requirement of principal and interest on certain impacted general obligation bonds. Therefore, General Debt Service Fund administrative costs including appraisal and collection fees must be funded from another source. The Water and Sewer Proprietary Fund provided this source of funding through an interfund transfer in the amount of \$32,000 for the fiscal year ended June 30, 2020.

8) PENSION COSTS

Plan Description

Lumberton Municipal Utility District provides retirement, disability and death benefits for all of its full-time and part-time non-temporary employees through participation in the statewide Texas County and District Retirement System (TCDRS), a nontraditional defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 798 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>34</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 7.41% for the months of the accounting year in 2019 and 7.73% for the months of the accounting year in 2020. The contribution rate payable by the employee members for calendar years 2019 and 2020 is the rate of 6.00%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ended June 30, 2020, the annual pension cost for the TCDRS plan for its employees was \$164,021 and the actual contribution was \$124,716. The required contribution was determined as part of the December 31, 2019 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2019 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized on a level percentage of covered payroll basis over a closed period with a layered approach.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

8) PENSION COSTS (CONTINUED)

Net Pension Liability / (Asset)

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

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

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

8) PENSION COSTS (CONTINUED)

Discount Rate

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Discount rate ⁽²⁾	8.10%	8.10%	8.10%
Long-term expected rate of return, net of investment expenses ⁽²⁾	8.10%	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply	Does not apply

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

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

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

8) PENSION COSTS (CONTINUED)

Actuarial Methods and Assumptions Used for GASB Calculations

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10.4 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the schedule. 2019: No changes in plan provisions were reflected in the schedule.

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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 April 2020 information for a 10 year time horizon.

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

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.70%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

⁽¹⁾ Target asset allocation adopted at the June 2020 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market

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

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

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

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

8) PENSION COSTS (CONTINUED)

Changes in Net Pension Liability / (Asset)

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2018	\$ 4,393,891	\$ 3,883,788	\$ 510,103
Changes for the year:			
Service Cost	195,567	-	195,567
Interest on total pension liability ⁽¹⁾	369,799	-	369,799
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(30,238)	-	(30,238)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(49,026)	(49,026)	-
Administrative expenses	-	(3,587)	3,587
Member contributions	-	103,395	(103,395)
Net Investment income	-	637,612	(637,612)
Employer contributions	-	127,692	(127,692)
Other ⁽³⁾	-	6,889	(6,889)
Balances as of December 31, 2019	<u>\$ 4,879,993</u>	<u>\$ 4,706,763</u>	<u>\$ 173,230</u>

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

⁽²⁾ No plan changes valued.

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

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 5,690,063	\$ 4,879,993	\$ 4,211,610
Fiduciary net position	<u>4,706,763</u>	<u>4,706,763</u>	<u>4,706,763</u>
Net pension liability / (asset)	<u>\$ 983,300</u>	<u>\$ 173,230</u>	<u>\$ (495,153)</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

8) **PENSION COSTS (CONTINUED)**

Pension Expense / (Income)	January 1, 2019 to December 31, 2019
Service cost	\$ 195,566
Interest on total pension liability ⁽¹⁾	369,799
Effect on plan changes	-
Administrative expenses	3,587
Member contributions	(103,395)
Expected investment return net of investment expenses	(321,948)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(13,519)
Recognition of assumption changes or inputs	6,839
Recognition of investment gains or losses	33,066
Other ⁽²⁾	(6,889)
Pension expense / (income)	<u>\$ 163,106</u>

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

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

As of December 31, 2019, 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	\$ 57,816	\$ 2,086
Changes of assumptions	-	14,041
Net difference between projected and actual earnings	99,638	-
Contributions made subsequent to measurement date	n/a	59,483
	<u>\$ 157,454</u>	<u>\$ 75,610</u>

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

Year ended December 31:	
2020	\$ (30,027)
2021	(36,267)
2022	3,046
2023	(73,041)
2024	(5,038)
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, 2020

8) **PENSION COSTS (CONTINUED)**

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$1,625 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

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 \$4,800,096.

12) **CONTINGENCY**

On August 28-29, 2017, the Lumberton Municipal Utility District physical plant, its supporting infrastructure and its customer/taxpayer base were negatively impacted by the record rainfalls of Tropical Storm Harvey. The District remained fully operational and had the liquid assets to address ongoing required system repairs and replacements on a timely basis. District damage was not covered by commercial insurance but management anticipates reimbursement of a significant portion of the cost of repairs from the Federal Emergency Management Agency (FEMA). Through June 30, 2020, the District had incurred \$526,994 in costs eligible for reimbursement (primarily at 90% of actual costs). Of this total, \$85,649 was incurred during the fiscal year ended June 30, 2020 with \$75,395 shown as construction in progress at year end. As of June 30, 2020, FEMA has reimbursed the District \$691,986 for expenses incurred or to be incurred. Of the reimbursed amount, \$197,958 is reported as deferred revenue at June 30, 2020.

LUMBERTON MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

13) **COVID-19**

The coronavirus pandemic (COVID-19) has impacted numerous sectors of the economy, and many businesses are suffering downturns and the long-term economic consequences remain unknown. The spread of COVID-19 has severely impacted many local economies and some businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Stock markets have also experienced great volatility and a significant weakening. Government and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Lumberton Municipal Utility District has determined that these events are non-adjusting subsequent events. Accordingly, the statement of net position and statement of activities as of and for the year ended June 30, 2020 have not been adjusted to reflect the impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Lumberton Municipal Utility District for future periods.

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, 2020

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total Pension Liability			
Service cost	\$ 195,567	\$ 197,978	\$ 178,925
Interest on total pension liability	369,799	334,061	298,707
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	-	16,811
Effect of economic/demographic (gains) or losses	(30,238)	(37,235)	(7,442)
Benefit payments/refunds of contributions	(49,026)	(53,279)	(85,244)
Net change in total pension liability	486,102	441,525	401,757
Total pension liability, beginning	4,393,891	3,952,366	3,550,610
Total pension liability, ending (a)	4,879,993	4,393,891	3,952,367
Fiduciary Net Position			
Employer contributions	127,692	133,763	126,288
Member contributions	103,395	104,235	102,775
Investment income net of investment expenses	637,612	(68,066)	463,256
Benefit payments/refunds of contributions	(49,026)	(53,279)	(85,244)
Administrative expenses	(3,587)	(3,119)	(2,503)
Other	6,889	5,880	1,904
Net change in fiduciary net position	822,975	119,414	606,476
Fiduciary net position, beginning	3,883,788	3,764,374	3,157,898
Fiduciary net position, ending (b)	4,706,763	3,883,788	3,764,374
Net pension liability / (asset), ending = (a) - (b)	\$ 173,230	\$ 510,103	\$ 187,993
Fiduciary net position as a % of total pension liability	96.45%	88.39%	95.24%
Pensionable covered payroll ⁽¹⁾	\$1,723,254	\$1,737,255	\$1,712,913
Net pension liability as a % of covered payroll	10.05%	29.36%	10.98%

See Independent Auditor's Report on Supplementary Information.

Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
\$ 176,703	\$ 165,510	\$ 149,047
259,476	231,404	204,111
-	(56,788)	-
-	26,619	-
6,258	(21,248)	7,732
<u>(16,890)</u>	<u>(21,432)</u>	<u>(13,164)</u>
425,547	324,065	347,726
<u>3,125,063</u>	<u>2,800,998</u>	<u>2,453,272</u>
<u>3,550,610</u>	<u>3,125,063</u>	<u>2,800,998</u>
118,763	121,840	115,664
100,931	98,126	87,958
203,556	(55,681)	151,881
(16,890)	(21,432)	(13,164)
(2,213)	(1,927)	(1,875)
<u>17,728</u>	<u>35</u>	<u>(1,302)</u>
421,875	140,961	339,162
<u>2,736,023</u>	<u>2,595,062</u>	<u>2,255,900</u>
<u>3,157,898</u>	<u>2,736,023</u>	<u>2,595,062</u>
<u>\$ 392,712</u>	<u>\$ 389,040</u>	<u>\$ 205,936</u>
88.94%	87.55%	92.65%
\$1,682,183	\$1,635,434	\$1,465,975
23.35%	23.79%	14.05%

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2020

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
2010	\$ 83,436	\$ 83,436	\$ -	\$ 1,326,482	6.3%
2011	93,024	93,211	(187)	1,398,861	6.7%
2012	94,730	94,730	-	1,439,654	6.6%
2013	96,562	96,562	-	1,434,837	6.7%
2014	115,664	115,664	-	1,465,975	7.9%
2015	121,840	121,840	-	1,635,434	7.5%
2016	118,763	118,763	-	1,682,183	7.1%
2017	126,242	126,288	(46)	1,712,913	7.4%
2018	133,763	133,763	-	1,737,255	7.7%
2019	127,692	127,692	-	1,723,254	7.4%

⁽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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
Service fees	\$ 5,005,000	\$ 5,005,000	\$ 5,037,645	\$ 32,645
Tap connection fees	110,000	110,000	155,017	45,017
Miscellaneous	595,000	595,000	666,284	71,284
Total operating revenues	5,710,000	5,710,000	5,858,946	148,946
EXPENSES				
Personnel	2,486,500	2,486,500	2,385,877	100,623
Professional services	50,000	50,000	82,959	(32,959)
Purchased and contract services	210,000	210,000	134,501	75,499
Consumable supplies and materials	712,000	712,000	275,625	436,375
Recurring expenses and repairs	1,100,950	1,100,950	1,492,187	(391,237)
Depreciation and amortization	1,647,100	1,647,100	1,563,212	83,888
Total operating expenses	6,206,550	6,206,550	5,934,361	272,189
OPERATING INCOME (LOSS) - BUDGET BASIS	(496,550)	(496,550)	(75,415)	421,135
NON-OPERATING REVENUES (EXPENSES)				
Interest on investments	5,000	5,000	13,755	8,755
Interest expense	(260,788)	(260,788)	(166,492)	94,296
Nonbudgeted revenues (expenses)	-	-	599,251	599,251
Total non-operating revenues (expenses)	(255,788)	(255,788)	446,514	702,302
NET INCOME (LOSS) BEFORE TRANSFERS	(752,338)	(752,338)	371,099	1,123,437
Transfer out	-	-	(32,000)	(32,000)
CHANGE IN NET POSITION - GAAP BASIS	\$ (752,338)	\$ (752,338)	\$ 339,099	\$1,091,437
NON GAAP BUDGET ITEMS				
Third party fee collections	\$ 525,000	\$ 525,000	\$ 538,652	\$ 13,652
Third party fee disbursements	(525,000)	(525,000)	(538,652)	(13,652)
Debt service transfer	(200,000)	(200,000)	(200,000)	-
Debt service I&S reserves	(455,000)	(455,000)	(443,312)	11,688
Capital funds transfers	407,895	407,895	175,288	(232,607)
Capital expenditures	(407,895)	(407,895)	(175,288)	232,607
Total non-gaap budget items	\$ (655,000)	\$ (655,000)	\$ (643,312)	\$ 11,688

In accordance with the terms of the District's 2012, 2018 and 2020 Bond Orders, operating income before depreciation and amortization $(\$75,415) + \$1,563,212 = \$1,487,797$ exceeded 125% of debt service requirement $(\$590,962 \times 1.25 = \$738,703)$ by \$749,094.

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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 1,131,563	\$ 1,131,563	\$ 1,155,070	\$ 23,507
Penalties and interest	35,000	35,000	8,337	(26,663)
Interest	500	500	988	488
Miscellaneous	25,000	25,000	4,986	(20,014)
Total revenues	1,192,063	1,192,063	1,169,381	(22,682)
EXPENDITURES				
Debt service				
Principal	930,000	930,000	930,000	-
Interest and fiscal charges	201,563	201,563	201,563	-
Collection costs	8,000	8,000	14,130	(6,130)
Appraisal District fees	50,000	50,000	25,418	24,582
Miscellaneous	300	300	1,000	(700)
Total expenditures	1,189,863	1,189,863	1,172,111	17,752
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,200	2,200	(2,730)	(4,930)
OTHER FINANCING SOURCES:				
Transfer in	-	-	32,000	32,000
NET CHANGE IN FUND BALANCE	2,200	2,200	29,270	27,070
FUND BALANCE, beginning of period	1,013,924	1,013,924	1,013,924	-
FUND BALANCE, end of period	<u>\$ 1,016,124</u>	<u>\$ 1,016,124</u>	<u>\$ 1,043,194</u>	<u>\$ 27,070</u>

See Independent Auditor's Report on Supplementary Information.

TEXAS SUPPLEMENTARY INFORMATION

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2020

1. Services provided by the District:

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

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

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

Based on Rate Order dated February 7, 2019:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels	
Water	\$ 14.00	1,500	Y		0	to 1,500
				2.30	1,501	to 7,000
				2.90	7,001	to plus
Wastewater	13.5	1,500		2.35		to
Surcharge	N/A					

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

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

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

	Active Connections	Active ESFC	Inactive Connections (ESFC) ⁽²⁾	Total
Single family	7,810	7,810	Unknown	7,810
Multifamily	98	222	Unknown	222
Commercial	528	1,448	-	1,448
Other - recreational centers, government and VFD	-	-	-	-
	<u>8,436</u>	<u>9,480</u>	<u>-</u>	<u>9,480</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, 2020

(CONTINUED)

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

Gallons pumped into system: 748,257,000

Gallons billed to customers: 619,649,599

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

For the fiscal year ended June 30, 2020:

Debt service:	Total levy	N/A
	Total collected	
	Percentage collected	

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

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

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

	<u>Amount</u>
Debt service tax receipts	\$ -
Surplus construction funds	-
Water and/or wastewater revenue	680,369
Standby fees	-
Debt service fund balance to be used	-
Interest revenues	-
Other funds in excess of required payments	-
Total Anticipated Funds to be used	<u>\$ 680,369</u>

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2020

(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 ☒

Is the District located within a city? Entirely ☐ Partly ☒ 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 ☒ Not at all ☐

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

Outside the District? Yes ☐ No ☒

If yes, by whom? N/A

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

Title Accountant

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF WATER AND SEWER FUND EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

OPERATING EXPENSES

Personnel (including benefits)	<u>\$ 2,385,877</u>
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Professional fees

Auditing	20,250
Legal	31,452
Engineering	<u>31,257</u>

Total professional fees	<u>82,959</u>
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Purchased and contracted services

Contracted material and repairs	27,534
Other contracted services	<u>106,967</u>

Total contracted services	<u>134,501</u>
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Consumable supplies and materials

Fuel, chemicals and other	246,960
Repair and maintenance	<u>28,665</u>

Total consumable supplies and materials	<u>275,625</u>
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Recurring expenses and repairs

Utilities	361,558
Insurance	65,605
Other administrative expenses	<u>1,065,024</u>

Total administrative expenses	<u>1,492,187</u>
-------------------------------	------------------

Depreciation and amortization

<u>1,563,212</u>

TOTAL OPERATING EXPENSES

<u>5,934,361</u>

NON-OPERATING EXPENSES

Interest	166,492
Bond issue costs	<u>190,996</u>

Total non-operating expenses	<u>357,488</u>
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TOTAL EXPENSES

6,291,849

Transfer out

<u>32,000</u>

TOTAL EXPENSES AND TRANSFER OUT

<u>\$ 6,323,849</u>

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS

JUNE 30, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balances at End of Year	
				Unrestricted	Restricted
Water and Sewer Operating Fund					
Certificate of deposit	6700804869	0.70%	07/20/2020	\$ -	\$438,581
Certificate of deposit	0209735352	1.70%	02/06/2021	226,735	-
				<u>\$ 226,735</u>	<u>\$438,581</u>

The Board of Directors of Lumberton Municipal Utility District has elected to use Certificates of Deposit as a component of the Reserve Fund required by the Bond Orders associated with the issuance of revenue bonds in 2012, 2018 and 2020. Through board action on November 21, 2016, certificate #6700804869 was denominated as a component of the District's debt service reserve.

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

JUNE 30, 2020

	Debt Service Fund			
Taxes receivable, beginning of year	\$	154,568		
2019 original tax levy		<u>1,154,094</u>		
Total to be accounted for		<u>1,308,662</u>		
Taxes collections				
Current year		1,111,759		
Prior year		<u>34,530</u>		
Total collections		1,146,289		
Adjustments		<u>7,607</u>		
		<u>1,153,896</u>		
Taxes receivable, end of year	\$	<u>154,766</u>		
Taxes receivable by year				
2019	\$	40,706		
2018		16,511		
2017		15,287		
2016		11,596		
2015		8,737		
Before 2015		<u>61,929</u>		
Taxes receivable, end of year	\$	<u>154,766</u>		
		<u>2019</u>	<u>2018</u>	<u>2017</u>
Property valuations				<u>2016</u>
Land and improvements	\$	1,251,730,807	\$ 1,168,489,900	\$ 1,138,141,267
				\$ 1,080,057,590
Tax rates per \$100 valuation				
Debt Service Fund	\$	0.091200	\$ 0.098137	\$ 0.131232
				\$ 0.137400
Original levy	\$	1,154,094	\$ 1,145,118	\$ 1,493,367
				\$ 1,495,613
Percent of taxes collected to taxes levied		<u>96%</u>	<u>96%</u>	<u>96%</u>
				<u>97%</u>

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

WATER AND SEWER OPERATING FUND WATERWORKS AND SEWER REVENUE BONDS DEBT SERVICE REQUIREMENTS BY YEARS JUNE 30, 2020

Utility System Revenue Bonds Series 2012 Issued \$5,710,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2021	\$ 3,525	\$ 235,000	\$ -	\$ 238,525
	<u>\$ 3,525</u>	<u>\$ 235,000</u>	<u>\$ -</u>	<u>\$ 238,525</u>
Utility System Revenue Refunding Bonds Series 2018 Issued \$2,680,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2021	\$ 61,375	\$ 220,000	\$ 55,875	\$ 337,250
2022	55,875	235,000	50,000	340,875
2023	50,000	245,000	43,875	338,875
2024	43,875	255,000	37,500	336,375
2025	37,500	270,000	30,750	338,250
2026	30,750	285,000	23,625	339,375
2027	23,625	300,000	16,125	339,750
2028	16,125	315,000	8,250	339,375
2029	8,250	330,000	-	338,250
	<u>\$ 327,375</u>	<u>\$ 2,455,000</u>	<u>\$ 266,000</u>	<u>\$ 3,048,375</u>
Utility System Revenue Refunding Bonds Series 2020 Issued \$3,705,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2021	\$ 20,919	\$ -	\$ 83,675	\$ 104,594
2022	83,675	185,000	79,050	347,725
2023	79,050	200,000	74,050	353,100
2024	74,050	215,000	68,675	357,725
2025	68,675	225,000	63,050	356,725
2026	63,050	245,000	56,925	364,975
2027	56,925	265,000	50,300	372,225
2028	50,300	280,000	43,300	373,600
2029	43,300	300,000	35,800	379,100
2030	35,800	320,000	29,400	385,200
2031	29,400	340,000	22,600	392,000
2032	22,600	355,000	15,500	393,100
2033	15,500	375,000	8,000	398,500
2034	8,000	400,000	-	408,000
	<u>\$ 651,244</u>	<u>\$ 3,705,000</u>	<u>\$ 630,325</u>	<u>\$ 4,986,569</u>

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

WATER AND SEWER OPERATING FUND WATERWORKS AND SEWER REVENUE BONDS DEBT SERVICE REQUIREMENTS BY YEARS JUNE 30, 2020

<u>Due During Fiscal Years Ending June 30,</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest Due</u>
2021	\$ 455,000	\$ 225,369	\$ 680,369
2022	420,000	268,600	688,600
2023	445,000	246,975	691,975
2024	470,000	224,100	694,100
2025	495,000	199,975	694,975
2026	530,000	174,350	704,350
2027	565,000	146,975	711,975
2028	595,000	117,975	712,975
2029	630,000	87,350	717,350
2030	320,000	65,200	385,200
2031	340,000	52,000	392,000
2032	355,000	38,100	393,100
2033	375,000	23,500	398,500
2034	400,000	8,000	408,000
	<u>\$ 6,395,000</u>	<u>\$ 1,878,469</u>	<u>\$ 8,273,469</u>

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

GENERAL LONG-TERM DEBT ACCOUNT GROUP DEBT SERVICE REQUIREMENTS BY YEARS JUNE 30, 2020

General Obligation Refunding Bonds Series 2011 Issued \$7,190,000				
Due During Fiscal Years Ending June 30,	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2021	\$ 29,350	\$ 500,000	\$ 20,600	\$ 549,950
2022	20,600	520,000	10,200	550,800
2023	10,200	510,000	-	520,200
	<u>\$ 60,150</u>	<u>\$ 1,530,000</u>	<u>\$ 30,800</u>	<u>\$ 1,620,950</u>

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
2021	\$ 63,850	\$ 455,000	\$ 57,025	\$ 575,875
2022	57,025	470,000	47,625	574,650
2023	47,625	490,000	37,825	575,450
2024	37,825	505,000	30,250	573,075
2025	30,250	515,000	22,525	567,775
2026	22,525	525,000	14,650	562,175
2027	14,650	540,000	7,563	562,213
2028	7,562	550,000	-	557,562
	<u>\$ 281,312</u>	<u>\$ 4,050,000</u>	<u>\$ 217,463</u>	<u>\$ 4,548,775</u>

Annual Requirements for All Series			
Due During Fiscal Years Ending June 30,	Total Principal Due	Total Interest Due	Total Principal and Interest
2021	\$ 955,000	\$ 170,825	\$ 1,125,825
2022	990,000	135,450	1,125,450
2023	1,000,000	95,650	1,095,650
2024	505,000	68,075	573,075
2025	515,000	52,775	567,775
2026	525,000	37,175	562,175
2027	540,000	22,213	562,213
2028	550,000	7,562	557,562
	<u>\$ 5,580,000</u>	<u>\$ 589,725</u>	<u>\$ 6,169,725</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, 2020

	Bond Issues			Total
	Series 2012	Series 2018	Series 2020	
Interest rates	3.0%-3.25%	5.00%	4.0%-5.0%	
Dates interest payable	8/15 - 2/15	8/15 - 2/15	8/15 - 2/15	
Maturity dates	08/20	08/28	08/33	
Bonds outstanding, beginning of current period	\$ 4,725,000	\$ 2,665,000	\$ -	\$ 7,390,000
New bond proceeds	-	-	3,705,000	3,705,000
Retirements, principal	<u>4,490,000</u>	<u>210,000</u>	<u>-</u>	<u>4,700,000</u>
Bonds outstanding, end of current period	<u>\$ 235,000</u>	<u>\$ 2,455,000</u>	<u>\$ 3,705,000</u>	<u>\$ 6,395,000</u>
Interest paid during current period	<u>\$ 141,413</u>	<u>\$ 128,000</u>	<u>\$ -</u>	<u>\$ 269,413</u>

Paying agent's name and address:

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

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

Series 2020 - BOKF NA, 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT

FOR THE YEAR ENDED JUNE 30, 2020

	Bond Issues		
	Series 2011	Series 2015	Total
Interest rates	3.5% - 4.0%	2.0% - 4.0%	
Dates interest payable	8/15 - 2/15	8/15 - 2/15	
Maturity dates	08/22	08/27	
Bonds outstanding, beginning of current period	\$ 2,015,000	\$ 4,495,000	\$ 6,510,000
New bond proceeds	-	-	-
Retirements, principal	<u>485,000</u>	<u>445,000</u>	<u>930,000</u>
Bonds outstanding, end of current period	<u>\$ 1,530,000</u>	<u>\$ 4,050,000</u>	<u>\$ 5,580,000</u>
Interest paid during current period	<u>\$ 67,188</u>	<u>\$ 134,375</u>	<u>\$ 201,563</u>

Paying agent's name and address:

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

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

Bond authority	Tax Bonds	Revenue Bonds	Refund Bonds
Amount authorized by voters	\$ -	\$ -	\$12,960,000
Amount issued	-	-	12,960,000
Remaining to be issued	-	-	-
Debt service fund cash and temporary investment balances as of June 30, 2020			\$ 1,024,368
Average annual debt service payment (principal and interest) for remaining term of all debt			\$ 771,216

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, 2020

	Amounts				
	2020	2019	2018	2017	2016
Operating revenues					
Charges for service	\$ 5,037,645	\$ 4,772,218	\$ 4,789,340	\$ 4,404,897	\$ 4,259,379
Tap fees	155,017	118,070	99,621	112,087	98,669
Inspection and miscellaneous fees	666,284	635,707	570,360	571,590	521,889
Total revenues	5,858,946	5,525,995	5,459,321	5,088,574	4,879,937
Expenses					
Personnel	2,385,877	2,405,725	2,348,369	2,335,438	2,310,721
Professional fees	82,959	61,859	37,503	64,973	41,905
Purchased and contracted services	134,501	128,112	117,470	172,844	177,574
Consumable supplies and materials	275,625	221,153	215,147	261,861	267,692
Recurring operating expenses	1,492,187	1,460,482	1,601,330	1,318,022	1,594,023
Depreciation and amortization	1,563,212	1,537,743	1,535,635	1,549,251	1,569,960
Total expenses	5,934,361	5,815,074	5,855,454	5,702,389	5,961,875
Excess (expenses)	(75,415)	(289,079)	(396,133)	(613,815)	(1,081,938)
Nonoperating Revenues					
Gain/(Loss) on disposition of assets	-	35,150	184,111	15,422	8,691
Interest income	13,755	12,401	6,204	5,466	3,543
Rental income	5,823	8,235	2,125	-	-
Developer contributions	661,817	243,033	288,518	794,917	-
Interest expense on revenue bonds	(166,492)	(220,091)	(325,106)	(333,504)	(313,568)
State grant revenue	39,949	-	-	-	-
FEMA grant revenue	82,658	414,270	-	-	-
FEMA related repair expenses	-	(113,210)	-	-	-
Bond issue cost	(190,996)	-	(130,886)	-	-
Total nonoperating revenues	446,514	379,788	24,966	482,301	(301,334)
Net income (loss) before transfers	371,099	90,709	(371,167)	(131,514)	(1,383,272)
Transfer out	(32,000)	-	-	-	-
Net income (loss)	\$ 339,099	\$ 90,709	\$ (371,167)	\$ (131,514)	\$ (1,383,272)
Total active retail water and/or wastewater connections	8,436	8,311	8,176	8,140	7,958

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
86.0%	86.4%	87.8%	86.6%	87.3%
2.6%	2.1%	1.8%	2.2%	2.0%
<u>11.4%</u>	<u>11.5%</u>	<u>10.4%</u>	<u>11.2%</u>	<u>10.7%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
40.7%	43.5%	43.0%	45.9%	47.4%
1.4%	1.1%	0.7%	1.3%	0.9%
2.3%	2.3%	2.2%	3.4%	3.6%
4.7%	4.0%	3.9%	5.1%	5.5%
25.5%	26.4%	29.3%	25.9%	32.7%
<u>26.7%</u>	<u>27.8%</u>	<u>28.1%</u>	<u>30.4%</u>	<u>32.2%</u>
<u>101.3%</u>	<u>105.1%</u>	<u>107.2%</u>	<u>112.0%</u>	<u>122.3%</u>
<u>-1.3%</u>	<u>-5.1%</u>	<u>-7.2%</u>	<u>-12.0%</u>	<u>-22.3%</u>
0.0%	0.6%	3.4%	0.3%	0.2%
0.2%	0.2%	0.1%	0.1%	0.1%
0.1%	0.1%	0.0%	0.0%	0.0%
11.3%	4.4%	5.3%	15.6%	0.0%
-2.8%	-4.0%	-6.0%	-6.6%	-6.4%
0.7%	0.0%	0.0%	0.0%	0.0%
1.4%	7.5%	0.0%	0.0%	0.0%
0.0%	-2.0%	0.0%	0.0%	0.0%
<u>-3.3%</u>	<u>0.0%</u>	<u>-2.4%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>7.6%</u>	<u>6.8%</u>	<u>0.4%</u>	<u>9.4%</u>	<u>-6.1%</u>
6.3%	1.7%	-6.8%	-2.6%	-28.4%
<u>-0.5%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>5.8%</u>	<u>1.7%</u>	<u>-6.8%</u>	<u>-2.6%</u>	<u>-28.4%</u>

LUMBERTON MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES DEBT SERVICE FUND FOR THE FIVE YEARS ENDED JUNE 30, 2020

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes, including penalty and interest	\$1,163,407	\$1,166,443	\$1,498,711	\$1,524,338	\$1,494,624
Interest from investments	988	958	338	553	583
Miscellaneous	4,986	6,501	5,225	8,037	7,339
Total revenues	<u>1,169,381</u>	<u>1,173,902</u>	<u>1,504,274</u>	<u>1,532,928</u>	<u>1,502,546</u>
Expenditures					
Tax collection and assessing expenses and miscellaneous	40,548	53,334	55,489	57,539	52,627
Debt services, principal and interest	1,131,563	1,475,162	1,466,325	1,461,150	1,495,717
Bond issue expenses	-	-	-	-	196,268
Total expenditures	<u>1,172,111</u>	<u>1,528,496</u>	<u>1,521,814</u>	<u>1,518,689</u>	<u>1,744,612</u>
Excess (deficit) of revenue over expenditures	(2,730)	(354,594)	(17,540)	14,239	(242,066)
Other financing sources					
Transfer in	32,000	-	-	-	-
Net change in fund balance	<u>\$ 29,270</u>	<u>\$ (354,594)</u>	<u>\$ (17,540)</u>	<u>\$ 14,239</u>	<u>\$ (242,066)</u>

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
99.5%	99.4%	99.7%	99.5%	99.5%
0.1%	0.0%	0.0%	0.0%	0.0%
0.4%	0.6%	0.3%	0.5%	0.5%
100.0%	100.0%	100.0%	100.0%	100.0%
3.5%	4.5%	3.7%	3.8%	3.5%
96.8%	125.6%	97.4%	95.3%	99.5%
0.0%	0.0%	0.0%	0.0%	13.1%
100.3%	130.1%	101.1%	99.1%	116.1%
-0.3%	-30.1%	-1.1%	0.9%	-16.1%
2.7%	0.0%	0.0%	0.0%	0.0%
2.4%	-30.1%	-1.1%	0.9%	-16.1%

LUMBERTON MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2020

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

District Business Telephone Number: (409) 755-1559

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Salary</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
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Board Members

Nicholas N. Carter 7760 Rosewood Drive Lumberton, Texas 77657	05/2018 - 05/2022	\$ -	\$ -	President	Yes
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Roger Smith 136 Greenleaf Lumberton, Texas 77657	05/2020 - 05/2024	-	-	Vice- President	Yes
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David C. Pitchford 5695 Lexington Lumberton, Texas 77657	05/2018 - 05/2022	-	-	Secretary	Yes
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James B. (Jimmy) Burk 121 Rolling Hills Lumberton, Texas 77657	05/2018 - 05/2022	-	-	Asst. Secretary	Yes
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David L. Desormeaux 280 Creekwood Lumberton, Texas 77657	05/2020 - 05/2024	-	-	Board Member	Yes
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Key Administrative Personnel

Robert Starr 13662 FM 421 Kountze, TX 77625	12/01/2019- Present	115,003	9,000	Manager	No
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NOTE: No director is disqualified from serving on the board of the District under the Texas Water Code.

See Independent Auditor's Report on Supplementary Information.

LUMBERTON MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Fees and Expense Reimbursements June 30, 2020</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	\$ 76,052	Attorney	N/A
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Avenue, Suite 101 Beaumont, Texas 77706	06/29/2006	20,250	Auditor	N/A
LJA Engineering, Inc. 905 Orleans Street Beaumont, Texas 77701	04/06/2016	98,903	Engineer	N/A
U.S. Capital Advisors 444 Westheimer, Suite G500 Houston, Texas 77027	07/01/2015	65,563	Financial Advisor	N/A

See Independent Auditor's Report on Supplementary Information.

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

**Wathen,
DeShong
& Juncker,**
L.L.P.
CPAs & BUSINESS ADVISORS

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

September 21, 2020

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Lumberton Municipal Utility District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of Lumberton Municipal Utility District and have issued our report thereon dated September 21, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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