

**LUMBERTON MUNICIPAL UTILITY DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Hardin §

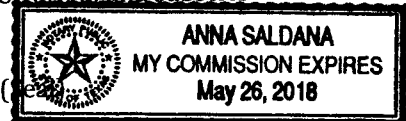
I, Nicholas N. Carter, President of the Lumberton Municipal Utility District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the \_\_\_\_ day of \_\_\_\_\_, 2015 its annual report for the fiscal year or period ended June 30, 2015 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.

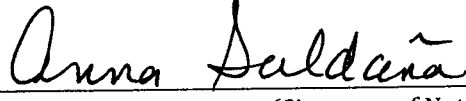
Date: 9/21, 2015

By:   
(Signature of District Representative)

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

Sworn to and subscribed to before me this 21<sup>st</sup> day of September, 2015.



  
(Signature of Notary)

My commission expires on May 26, 2018, Notary Public in and for the State of Texas.

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



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

September 16, 2015

## 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, 2015 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, 2015, 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 Liabilities and Related Ratios and Employer Contributions on pages 38 through 39; the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund on page 40; and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information on pages 4 through 9 and pages 38 through 39 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on pages 40 and 41 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lumberton Municipal Utility District's basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 42 through 60 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 16, 2015, 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 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 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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2015. 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, 2015, by \$16,590,380 (net position).
- The Lumberton Municipal Utility District's total net position decreased by \$56,599. The District had expenses associated with all activities totaling \$6,409,772 and total revenues were \$6,353,173.
- As of June 30, 2015, the Lumberton Municipal Utility District's Water and Sewer Fund reported an ending net position of \$26,810,023.

### 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, 2015

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

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

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

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

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the Water and Sewer Fund and the Debt Service Fund to demonstrate compliance with the budget. The required supplementary information can be found on pages 38 through 41.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Lumberton Municipal Utility District, assets exceeded liabilities by \$16,590,380 at June 30, 2015.

LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis  
For The Year Ended June 30, 2015

**STATEMENT OF NET POSITION**

Statement of Net Position June 30, 2015				
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 1,497,318	\$ 5,458,831	\$ -	\$ 6,956,149
Capital assets	-	31,872,242	-	31,872,242
Total Assets	1,497,318	37,331,073	-	38,828,391
Deferred Outflow of Resources	-	149,442	-	149,442
Current and other liabilities	1,284,875	1,624,558	-	2,909,433
Long-term liabilities	10,205,000	9,045,934	-	19,250,934
Total Liabilities	11,489,875	10,670,492	-	22,160,367
Deferred Inflow of Resources	227,086	-	-	227,086
Net Position:				
Invested in capital assets, net of related debt	-	22,434,479	(11,567,086)	10,867,393
Restricted	1,347,443	884,295	-	2,231,738
Unrestricted	(11,567,086)	3,491,249	11,567,086	3,491,249
Total Net Position	<u>\$(10,219,643)</u>	<u>\$ 26,810,023</u>	<u>\$ -</u>	<u>\$ 16,590,380</u>

Statement of Net Position June 30, 2014				
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	\$ 1,508,088	\$ 6,438,009	\$ -	\$ 7,946,097
Capital assets	-	32,333,681	-	32,333,681
Total Assets	1,508,088	38,771,690	-	40,279,778
Current and other liabilities	1,273,638	1,445,430	-	2,719,068
Long-term liabilities	11,340,000	9,215,000	-	20,555,000
Total Liabilities	12,613,638	10,660,430	-	23,274,068
Deferred Inflow of Resources	258,778	-	-	258,778
Net Position:				
Invested in capital assets, net of related debt	-	22,618,315	(12,609,259)	10,009,056
Restricted	1,244,931	1,547,681	-	2,792,612
Unrestricted	(12,609,259)	3,945,264	12,609,259	3,945,264
Total Net Position	<u>\$(11,364,328)</u>	<u>\$ 28,111,260</u>	<u>\$ -</u>	<u>\$ 16,746,932</u>

For the fiscal years ended June 30, 2015 and 2014, the District has a reclassification of \$11,567,086 and \$12,609,259, 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 \$16,590,380. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements was \$3,491,249 at June 30, 2015. The deficit in unrestricted governmental net position is addressed in Note Number 10 in the notes to the Financial Statements.



LUMBERTON MUNICIPAL UTILITY DISTRICT

Management's Discussion and Analysis  
For The Year Ended June 30, 2015

**STATEMENT OF CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Fees for services	\$ -	\$ -	\$ 4,755,936	\$ 4,717,017	\$ 4,755,936	\$ 4,717,017
General revenues						
Property taxes	1,565,624	1,583,065	-	-	1,565,624	1,583,065
Investment income	865	1,044	8,459	11,845	9,324	12,889
Gain (loss) on sale of assets	-	-	14,625	27,221	14,625	27,221
Other	7,664	9,111	-	-	7,664	9,111
						-
Total Revenues	1,574,153	1,593,220	4,779,020	4,756,083	6,353,173	6,349,303
Expenses						
Administration	(54,663)	(62,974)	-	-	(54,663)	(62,974)
Interest on long-term debt	(374,805)	(411,419)	-	-	(374,805)	(411,419)
Water and sewer	-	-	(5,980,304)	(5,573,722)	(5,980,304)	(5,573,722)
Total Expenses	(429,468)	(474,393)	(5,980,304)	(5,573,722)	(6,409,772)	(6,048,115)
Increase (decrease) in net position	1,144,685	1,118,827	(1,201,284)	(817,639)	(56,599)	301,188
Net position - beginning	(11,364,328)	(12,483,155)	28,111,260	28,928,899	16,746,932	16,445,744
Prior period adjustment net pension liability	-	-	(99,953)	-	(99,953)	-
Net position - ending	<u>\$(10,219,643)</u>	<u>\$(11,364,328)</u>	<u>\$26,810,023</u>	<u>\$28,111,260</u>	<u>\$16,590,380</u>	<u>\$16,746,932</u>

The District's total net position decreased by \$56,599 during the current fiscal year. Governmental activities increased by \$1,144,685 and business-type activities decreased by \$1,201,284.

**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, 2015, the Lumberton Municipal Utility District's governmental fund reported an ending balance of \$1,497,318.

**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, 2015

Unrestricted net position at the end of the year totaled \$3,491,249 for the Water and Sewer Fund. Net position in the Water and Sewer Fund decreased by \$(1,201,284) 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, 2015. There were no additional appropriations. Tax revenue exceeded budget by \$38,029 or 2.5%. Debt service expenditures exceeded budget by \$2,439 or 0.2%.

#### Proprietary Fund Budget Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2015. Operating revenues were over budget by \$44,936 or 1%. Operating expenses exceeded budget by \$215,415 or 4%. Actual depreciation and amortization expense exceeded budgeted depreciation and amortization expenses by \$127,131.

#### Capital Assets

The Lumberton Municipal Utility District's investment in capital assets for its business-type activities at June 30, 2015, was \$31,872,242 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 \$461,439 after considering accumulated depreciation of \$25,566,840.

#### CAPITAL ASSETS

	Business-Type Activities		Change
	2015	2014	
Land	\$ 438,597	\$ 404,097	\$ 34,500
Buildings and improvements	5,810,505	5,810,505	-
Water System	10,563,052	10,539,085	23,967
Sewer System	36,939,203	36,856,459	82,744
Machinery and equipment	632,754	617,873	14,881
Automobiles and trucks	804,154	800,537	3,617
Furniture and fixtures	276,793	274,525	2,268
Engineering fees	354,039	354,039	-
Construction-in-progress	1,619,985	574,121	1,045,864
Total at historical cost	57,439,082	56,231,241	1,207,841
Total accumulated depreciation	(25,566,840)	(23,897,560)	(1,669,280)
Net capital assets	<u>\$ 31,872,242</u>	<u>\$ 32,333,681</u>	<u>\$ (461,439)</u>

## LUMBERTON MUNICIPAL UTILITY DISTRICT

### Management's Discussion and Analysis For The Year Ended June 30, 2015

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#### Long-Term Debt

At June 30, 2015, the Lumberton Municipal Utility District had \$22 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		
	2015	2014	Change	2015	2014	Change
Bonds Payable	<u>\$9,215,000</u>	<u>\$9,575,000</u>	<u>\$ (360,000)</u>	<u>\$11,340,000</u>	<u>\$12,450,000</u>	<u>\$ (1,110,000)</u>

For the fiscal year ended June 30, 2015, interest expense in the Governmental activities was \$374,805, interest expense in the Business-type activities was \$316,639, and interest expense in the Governmental Funds was \$420,260.

#### Subsequent Events

Subsequent to June 30, 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 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.

#### Economic Factors and Next Year's Budgets

Service revenues and other revenues are budgeted at \$4,756,000 for the fiscal year ending June 30, 2016 as compared to \$4,755,936 for the fiscal year just ended.

Operating expenses, prior to capital outlay and debt principal are budgeted at \$5,907,841 for the fiscal year ending June 30, 2016 as compared to \$6,022,828 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, 2015

	Governmental Activities	Business-type Activities	Reclassifications	Total
<b>ASSETS</b>				
Cash	\$ 1,396,299	\$ 2,455,180	\$ -	\$ 3,851,479
Investments	-	645,968	-	645,968
Accounts receivable, net of allowance for doubtful accounts:				
Taxes	101,019	-	-	101,019
Service accounts	-	551,570	-	551,570
Other	-	14,648	-	14,648
Inventory	-	374,951	-	374,951
Restricted assets:				
Cash	-	1,406,520	-	1,406,520
Intangibles, net of accumulated amortization	-	9,994	-	9,994
Capital assets:				
Land	-	438,597	-	438,597
Construction-in-progress	-	1,619,985	-	1,619,985
Other capital assets, net of accumulated depreciation	-	29,813,660	-	29,813,660
Total assets	1,497,318	37,331,073	-	38,828,391
<b>DEFERRED OUTFLOW OF RESOURCES</b>	-	149,442	-	149,442
<b>LIABILITIES</b>				
Accounts payable	-	244,643	-	244,643
Accrued liabilities	-	51,839	-	51,839
Retainage payable	-	120,552	-	120,552
Interest payable	149,875	134,494	-	284,369
Compensated absences	-	50,500	-	50,500
Customer deposits	-	647,530	-	647,530
Accrued pension liability	-	205,934	-	205,934
Debt payable - current	1,135,000	375,000	-	1,510,000
Debt payable - noncurrent	10,205,000	8,840,000	-	19,045,000
Total liabilities	11,489,875	10,670,492	-	22,160,367
<b>DEFERRED INFLOW OF RESOURCES</b>	227,086	-	-	227,086
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	-	22,434,479	(11,567,086)	10,867,393
Restricted for:				
Debt service	1,347,443	762,423	-	2,109,866
Capital projects	-	121,872	-	121,872
Unrestricted	(11,567,086)	3,491,249	11,567,086	3,491,249
Total net position	<u>\$(10,219,643)</u>	<u>\$ 26,810,023</u>	<u>\$ -</u>	<u>\$ 16,590,380</u>

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, 2015

		Program Revenues		
	Expenses	Charges for Services	Operating Grant Contributions	Capital Grant Contributions
Primary Government				
Government activities				
Administration and general	\$ 54,663	\$ -	\$ -	\$ -
Interest on long-term debt	374,805	-	-	-
Total government activities	429,468	-	-	-
Business-type activities				
Water and Sewer	5,980,304	4,755,936	-	-
Total business-type activities	5,980,304	4,755,936	-	-
Total primary government	<u>\$ 6,409,772</u>	<u>\$ 4,755,936</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes				
Investment earnings				
Miscellaneous				
Gain on sale of assets				
Total general revenues				
Change in net position				
Net position, beginning of period, as previously reported				
Prior period adjustment - net pension liability				
Net position, beginning of period, as adjusted				
Net position, end of period				

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

## **FUND FINANCIAL STATEMENTS**

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2015

	Debt Service Fund
<b>ASSETS</b>	
Cash	\$ 1,396,299
Receivables, net of allowance for doubtful accounts:	
Taxes	<u>101,019</u>
Total assets	<u><u>\$ 1,497,318</u></u>
 <b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred property tax revenue	\$ 86,180
 <b>FUND BALANCES</b>	
Restricted	
Debt service	<u>1,411,138</u>
Total liabilities and fund balances	<u><u>\$ 1,497,318</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, 2015

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 1,411,138
--	--------------

The governmental fund reports gains or losses on bond refunding as other sources and 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	(343,290)
Accumulated amortization	116,204

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	(11,340,000)
Accrued interest expense	(149,875)

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 reported in the Statement of Net Position for Governmental Activities.

Deferred property tax revenue	<u>86,180</u>
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Total net position as reported on the Statement of Net Position for governmental activities.	<u><u>\$ (10,219,643)</u></u>
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The accompanying notes are an integral part  
of these financial statements.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	Debt Service Fund
<b>REVENUES</b>	
General property taxes	\$ 1,568,288
Penalties and interest	20,330
Interest	865
Miscellaneous	<u>7,664</u>
Total revenues	<u>1,597,147</u>
<b>EXPENDITURES</b>	
Debt service	
Principal	1,110,000
Interest and fiscal charges	420,260
Collection costs	<u>54,663</u>
Total expenditures	<u>1,584,923</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	12,224
<b>FUND BALANCES, beginning of period</b>	<u>1,398,914</u>
<b>FUND BALANCES, end of period</b>	<u><u>\$ 1,411,138</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, 2015**

Net change in fund balances for total governmental funds. \$ 12,224

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

Principal paid 1,110,000

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	163,638
Accrued interest on bonds payable - current year	(149,875)
Amortization of gain on refunded bonds	31,692

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	(70,348)
Collections due from current year tax levy	<u>47,354</u>

Change in net position of governmental activities \$ 1,144,685

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



# LUMBERTON MUNICIPAL UTILITY DISTRICT

## STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2015

	Water and Sewer Fund
<b>CURRENT ASSETS</b>	
Cash	\$ 2,455,180
Investments	645,968
Accounts receivable, net of allowance for doubtful accounts:	
Service accounts	551,570
Other	14,648
Inventory	374,951
Total current assets	<u>4,042,317</u>
<b>NONCURRENT ASSETS</b>	
Restricted	
Cash	1,406,520
Intangible assets, net of accumulated amortization	9,994
Capital assets	
Land	438,597
Construction-in-progress	1,619,985
Other capital assets, net of accumulated depreciation	29,813,660
Total noncurrent assets	<u>33,288,756</u>
Total assets	<u>37,331,073</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<u>149,442</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable	244,643
Accrued liabilities	51,839
Interest payable	134,494
Current portion, bonds payable	375,000
Retainage payable	120,552
Compensated absences	50,500
Customer deposits	647,530
Total current liabilities	<u>1,624,558</u>
<b>NONCURRENT LIABILITIES</b>	
Accrued pension liability	205,934
Bonds payable - noncurrent	8,840,000
Total noncurrent liabilities	<u>9,045,934</u>
Total liabilities	<u>10,670,492</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	22,434,479
Restricted for	
Debt service	762,423
Capital projects	121,872
Unrestricted	3,491,249
<b>TOTAL NET POSITION</b>	<u><u>\$ 26,810,023</u></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, 2015

	<u>Water and Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Service fees	\$ 4,100,607
Tap connection fees	69,347
Miscellaneous	<u>585,982</u>
Total operating revenues	<u>4,755,936</u>
<b>OPERATING EXPENSES</b>	
Personnel	2,086,254
Professional services	40,264
Purchased and contract services	177,143
Consumable supplies and materials	285,910
Recurring expenses and repairs	1,345,863
Depreciation and amortization	<u>1,728,231</u>
Total operating expenses	<u>5,663,665</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(907,729)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest revenue	8,459
Interest expense	(316,639)
Gain on sale of assets	<u>14,625</u>
Total non-operating revenues (expenses)	<u>(293,555)</u>
<b>CHANGES IN NET POSITION</b>	<u>(1,201,284)</u>
<b>NET POSITION</b> , beginning of period, as previously reported	28,111,260
Prior period adjustment - net pension liability	<u>(99,953)</u>
<b>NET POSITION</b> , beginning of period, as adjusted	<u>28,011,307</u>
<b>NET POSITION</b> , end of period	<u><u>\$ 26,810,023</u></u>

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, 2015

### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 4,627,013
Payments to suppliers	(2,413,676)
Payments to employees	(1,614,061)
Road Use / Mosquito Control collections	435,294
Road Use / Mosquito Control disbursements	<u>(435,294)</u>
Net cash provided by operating activities	<u>599,276</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from disposition of assets	14,625
Payments for capital assets	(104,217)
Construction-in-progress	(912,509)
Principal paid on long-term bonds	(360,000)
Interest paid	(367,550)
Customer security deposits	<u>18,625</u>
Net cash provided (used) by capital and related financing activities	<u>(1,711,026)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	8,459
Purchase of investments	<u>(3,116)</u>
Net cash provided (used) by investing activities	<u>5,343</u>

**DECREASE IN CASH** (1,106,407)

**CASH, beginning of period** 4,968,107

**CASH, end of period** \$ 3,861,700

### Reconciliation of net income to net cash provided

#### by operating activities

Changes in net position	\$ (1,201,284)
Adjustments to reconcile changes in net position to net cash provided by operating activities	
Depreciation	1,718,231
Amortization	10,000
GASB 68 impact on pension obligation	143,383
Changes in working capital	
Receivables	(22,212)
Inventory	(117,235)
Prepaid expenses	5,334
Accounts payable	50,866
Accrued liabilities	<u>12,193</u>
Net cash provided by operating activities	<u><u>\$ 599,276</u></u>

During the fiscal year ended June 30, 2015, water and sewer system additions included a \$106,711 contractor contribution.

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, 2015

### 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 63<sup>rd</sup> 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, 2015

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, 2015

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 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, 2015

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**

Certain proceeds of general obligation and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. Restricted assets also includes interest accrued on unexpended bond proceeds. 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, 2015

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 16, 2015, the date on which the financial statements were available for issue.

2) **CASH AND INVESTMENTS**

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

At the year-end, the carrying amount of the District's deposits (including Certificates of Deposit reported below) was \$5,903,967 and the bank balance was \$5,949,792. 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	\$ 427,012
Certificate of deposit - Local Financial Institution	218,956
	<u>\$ 645,968</u>

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

### 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	\$ 1,396,299	\$ -	\$ 1,396,299
Business-Type Activities - unrestricted	2,455,180	645,968	3,101,148
Business-Type Activities - restricted	<u>1,406,520</u>	<u>-</u>	<u>1,406,520</u>
	<u>\$ 5,257,999</u>	<u>\$ 645,968</u>	<u>\$ 5,903,967</u>

### 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 \$1,003,890,390 and levied property taxes in the amount of \$1,551,700 from a tax rate of \$.153085/\$100 valuation.

Property taxes receivables as of June 30, 2015, were comprised of the following:

<u>Year of Levy</u>	<u>Debt Service Fund</u>
2014	\$ 51,361
2013	20,880
2012	16,088
2011	9,867
2010	8,327
Before 2010	<u>49,234</u>
	<u>\$ 155,757</u>

In the Statement of Net Position, Property Taxes Receivable are reported net of an allowance for uncollectibles of \$54,738.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

### 4) **CAPITAL ASSETS**

A summary of changes in the capital assets for the primary government for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
<b>Business Type Activities</b>				
Capital assets, not being depreciated				
Land	\$ 404,097	\$ 34,500	\$ -	\$ 438,597
Construction-in-progress	574,121	1,045,864	-	1,619,985
Total capital assets, not being depreciated	978,218	1,080,364	-	2,058,582
Capital assets, being depreciated				
Buildings	5,810,505	-	-	5,810,505
Improvements other than buildings	47,749,582	106,711	-	47,856,293
Machinery and equipment	1,692,936	69,717	48,951	1,713,702
Total capital assets, being depreciated	55,253,023	176,428	48,951	55,380,500
Less accumulated depreciation				
Buildings	130,421	165,591	-	296,012
Improvements other than buildings	22,853,129	1,394,614	-	24,247,743
Machinery and equipment	914,010	158,026	48,951	1,023,085
Total accumulated depreciation	23,897,560	1,718,231	48,951	25,566,840
Total capital assets, being depreciation, net	31,355,463	(1,541,803)	-	29,813,660
Business-type activities capital assets, net	<u>\$32,333,681</u>	<u>\$ (461,439)</u>	<u>\$ -</u>	<u>\$ 31,872,242</u>

Construction-in-progress for the enterprise funds as of June 30, 2015, includes the following:

	Estimated Project Costs	Construction- In-Progress	Remaining Projected Costs
WIP Software	\$ 170,000	\$ 149,243	\$ 20,757
WIP 2007 L/S Imp Project, Part II	1,490,755	1,452,378	38,377
City of Lumberton Grant Project	55,000	18,364	36,636
Total for all projects	<u>\$ 1,715,755</u>	<u>\$ 1,619,985</u>	<u>\$ 95,770</u>

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

### 4) **CAPITAL ASSETS (CONTINUED)**

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

Business-type Activities	
Water and Sewer	<u>\$ 1,718,231</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,718,231</u></u>

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

Intangible assets and related amortization as of June 30, 2015, 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>\$ 369,163</u>	<u>\$ 9,994</u>
Governmental Activities			
Deferred gain on defeased bonds (residual deferred charge)	<u>\$ 343,290</u>	<u>\$ 116,204</u>	<u>\$ 227,086</u>

Amortization expense for the year ended June 30, 2015 was \$10,000 in the Business-type Activities. Amortization of the deferred gain in the Governmental Activities was \$31,692 for the year ended June 30, 2015 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:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 6,275,000
Governmental activities - refunding	5,065,000
Business-type activities	<u>9,215,000</u>
	<u><u>\$ 20,555,000</u></u>



# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

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

#### *General Obligation and Revenue Bonds (Continued)*

General Obligation Bonds payable at June 30, 2015 are comprised of the following individual issues:

\$8,765,000 Series 2005 Sanitary Sewer System Combination Tax and Revenue Bonds, principal installments of \$400,000 to \$575,000 through August 13, 2027; with interest at 2.1% to 3.85%	\$ 6,275,000
\$7,190,000 Series 2011 General Obligation Refunding Bonds due in annual principal installments of \$735,000 to \$510,000 through August 15, 2022; with interest at 3.50% to 4.00%	<u>5,065,000</u>
	<u>\$ 11,340,000</u>

Total Revenue Bonds payable at June 30, 2015 are as follows:

\$4,645,000 Series 2007 Utility System Revenue Bonds due in annual principal installments of \$185,000 to \$365,000 through August 15, 2028; with interest at 3.42% to 5.57%	\$ 3,685,000
\$5,710,000 Series 2012 Utility System Revenue Bonds due in annual principal installments of \$190,000 to \$425,000 through August 15, 2033; with interest at 3.0% to 3.25%	<u>5,530,000</u>
	<u>\$ 9,215,000</u>

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 1,135,000	\$ 382,847	\$ 375,000	\$ 353,591
2017	1,150,000	344,477	390,000	339,082
2018	1,195,000	304,689	410,000	323,640
2019	1,245,000	262,960	430,000	307,215
2020	935,000	225,588	450,000	289,788
2021-2025	4,005,000	635,464	2,605,000	1,148,818
2026-2030	1,675,000	97,255	2,970,000	533,823
2031-2034	-	-	1,585,000	105,570
Total	<u>\$ 11,340,000</u>	<u>\$ 2,253,280</u>	<u>\$ 9,215,000</u>	<u>\$ 3,401,527</u>

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

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

#### *Changes in Long-term Liabilities*

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation					
Bonds					
2005	\$ 6,665,000	\$ -	\$ 390,000	\$ 6,275,000	\$ 400,000
2011	5,785,000	-	720,000	5,065,000	735,000
	12,450,000	-	1,110,000	11,340,000	1,135,000
Revenue Bonds					
2007	3,865,000	-	180,000	3,685,000	185,000
2012	5,710,000	-	180,000	5,530,000	190,000
	9,575,000	-	360,000	9,215,000	375,000
Total Bonded Debt	<u>\$ 22,025,000</u>	<u>\$ -</u>	<u>\$ 1,470,000</u>	<u>\$ 20,555,000</u>	<u>\$ 1,510,000</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. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from Lumberton Municipal Utility District's government-wide financial statements.

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.

For the fiscal year ended June 30, 2015, interest expense in the Governmental activities was \$374,805; interest expense in the Business-type activities was \$316,639; interest expense in the Governmental Funds was \$420,260.

Subsequent to June 30, 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 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, 2015

### 7) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A) Segment information for certain enterprise funds. This requirement is effectively met in this report because the District maintains only one enterprise fund.
- B) In the Water and Sewer Fund, purchased and contract services exceeded budget by \$27,643. Recurring expenses and repairs exceeded budget by \$124,376. Depreciation and amortization exceeded budget by \$125,313.
- C) In the Debt Service Fund, collection cost exceeded budget by \$11,339.

### 8) PENSION COSTS

#### *Plan Description*

Lumberton Municipal Utility District provides retirement, disability and death benefits for all of its full-time 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 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The Plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-finance 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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>31</u>
	<u>38</u>

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

8) **PENSION COSTS (CONTINUED)**

***Funding Policy***

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

The employer contributed using the actuarially determined rate of 7.89% for the months of the accounting year in 2014 and 7.45% for the months of the accounting year in 2015. The contribution rate payable by the employee members for calendar years 2014 and 2015 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, 2015, the annual pension cost for the TCDRS plan for its employees was \$77,627 and the actual contribution was \$121,088. The annual required contribution was actuarially determined as a percent of the covered payroll of the participating employees, and was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2012 and December 31, 2013, the basis for determining the contribution rates for calendar years 2013 and 2014. The December 31, 2014, actuarial valuation is the most recent valuation.

The required contribution was determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2014 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 3.0 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 as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 8.2 years.

***Net Pension Liability / (Asset)***

	December 31, 2013	December 31, 2014
Total pension liability	\$ 2,453,272	\$ 2,800,997
Fiduciary net position	2,255,900	2,595,064
Net pension liability / (asset)	197,372	205,933
Fiduciary net position as a % of total pension liability	91.95%	92.65%
Pensionable covered payroll <sup>(1)</sup>	1,434,837	1,465,975
Net pension liability as a % of covered payroll	13.76%	14.05%

<sup>(1)</sup> 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, 2015

### 8) PENSION COSTS (CONTINUED)

#### **Discount Rate**

Discount rate <sup>(2)</sup>	8.10%	8.10%
Long-term expected rate of return, net of investment expenses <sup>(2)</sup>	8.10%	8.10%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

<sup>(2)</sup> 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.

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

#### **Other Key Actuarial Assumptions**

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

Valuation date	December 31, 2013	December 31, 2014
Measurement date	December 31, 2013	December 31, 2014
Reporting date	July 1, 2014	June 30, 2015

#### **Actuarial Methods and Assumptions Used for GASB Calculations**

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost method	Entry Age Normal <sup>(1)</sup>
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	3.5%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Lumberton Municipal Utility District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Later of the earliest retirement eligibility or age 60
Mortality	The RP-2000 Active Employee Mortality Table with a two-year set forward for males and a four-year setback for females

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

### 8) **PENSION COSTS (CONTINUED)**

#### **Actuarial Methods and Assumptions Used for Funding Valuation**

##### *Economic Assumptions*

TCDRS system-wide economic assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The long-term investment return of 8.0% is net of investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

Subdivision Accumulation Fund	9.0%
Employees Saving Fund	7.0%
Current Service Annuity Reserve Fund	7.0%

Assuming interest will be credited at these nominal annual rates to the various funds, we have then assumed the following

- An annual rate of 9.0% for calculating the actuarial accrued liability and normal cost contributions rate for the retirement plan of each participating employer.
- An annual rate of 7.0% required under the TCDRS Act for: (1) accumulating current service credit and multiple matching credit after the valuation date; (2) accumulating prior service credit after the valuation date; (3) determining the amount of the monthly benefit at future dates of retirement or disability; and (4) calculating the actuarial accrued liability of the system-wide Current Service Annuity Reserve Fund.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll Growth	1.5%

The payroll growth assumption is for the aggregate covered payroll of an employer.

#### ***Long-term Expected Rate of Return***

The Long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7 – 10 year time horizon.

The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

### 8) PENSION COSTS (CONTINUED)

#### *Long-term Expected Rate of Return (Continued)*

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment - Grade Bonds	Barclays Capital Agregate Bond Index	3.00%	55.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA / NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnership (MLPs)	Alegrian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

<sup>(1)</sup> Target asset allocation adopted at the April 2015 TCDS Board Meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

#### **Discount Rate**

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1) calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.



# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

8) **PENSION COSTS (CONTINUED)**

***Discount Rate (Continued)***

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TC DRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.



# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

### 8) PENSION COSTS (CONTINUED)

#### *Changes in Net Pension Liability / (Asset)*

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2013	\$ 2,453,272	\$ 2,255,901	\$ 197,371
Changes for the year:			
Service Cost	149,047	-	149,047
Interest on total pension liability <sup>(1)</sup>	204,111	-	204,111
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	7,732	-	7,732
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(4,938)	(4,938)	-
Benefit payments	(8,226)	(8,226)	-
Administrative expenses	-	(1,875)	1,875
Member contributions	-	87,958	(87,958)
Net Investment income	-	151,881	(151,881)
Employer contributions	-	115,664	(115,664)
Other <sup>(2)</sup>	-	(1,301)	1,301
Balances as of December 31, 2014	<u>\$ 2,800,998</u>	<u>\$ 2,595,064</u>	<u>\$ 205,934</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

#### **Sensitivity Analysis**

The following presents the net pension liability of the county/district, 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 percent point lower (7.10%) or 1 percent higher (9.10)% than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 3,269,460	\$ 2,800,997	\$ 2,419,246
Fiduciary net position	<u>2,595,064</u>	<u>2,595,064</u>	<u>2,595,064</u>
Net pension liability / (asset)	<u>\$ 674,396</u>	<u>\$ 205,933</u>	<u>\$ (175,818)</u>

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

8) **PENSION COSTS (CONTINUED)**

	January 1, 2014 to December 31, 2014
<b>Pension Expense / (Income)</b>	
Service cost	\$ 149,047
Interest on total pension liability <sup>(1)</sup>	204,111
Effect on plan changes	-
Administrative expenses	1,875
Member contributions	(87,958)
Expected investment return net of investment expenses	(192,040)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	1,289
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	8,032
Other <sup>(2)</sup>	1,302
	<u>\$ 85,658</u>
Pension expense / (income)	<u>\$ 85,658</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

**Deferred inflows and outflows of resources are as follows as of December 31, 2014:**

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,443
Changes of assumption	-	-
Net difference between projected and actual earnings	-	32,127
Contributions made subsequent to measurement date	N/A	<u>110,872</u>
		<u>\$ 149,442</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:	
2015	\$ 120,192
2016	9,320
2017	9,320
2018	9,320
2019	1,290
Thereafter	-

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

8) **PENSION COSTS (CONTINUED)**

***Payable to the Pension Plan***

At June 30, 2015, the District reported a payable of \$20,609 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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) **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 \$(10,219,643).

11) **PRIOR PERIOD ADJUSTMENT**

The District adopted Government Accounting Standards Board (GASB) Statement No. 68 effective June 30, 2015. This statement revises the accounting and reporting requirements for entities with defined benefit pension plans. As a result of this adoption, these financial statements include a prior period adjustment in the amount of \$99,953 for prior period pension costs and a current period pension benefit of \$43,461. The Statement of Net Position as of June 30, 2015 reflects related Deferred Outflow of Resources of \$149,442 and an accrued pension liability of \$205,934.

## **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, 2015

	Year Ended December 31, 2014
Total Pension Liability	\$ 149,047
Service cost	204,111
Interest on total pension liability	-
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	7,732
Benefit payments/refunds of contributions	<u>(13,164)</u>
Net change in total pension liability	347,726
Total pension liability, beginning	<u>2,453,272</u>
Total pension liability, ending (a)	<u>2,800,998</u>
Fiduciary Net Position	
Employer contributions	115,664
Member contributions	87,958
Investment income net of investment expenses	151,881
Benefit payments/refunds of contributions	(13,164)
Administrative expenses	(1,875)
Other	<u>(1,302)</u>
Net change in fiduciary net position	339,162
Fiduciary net position, beginning	<u>2,255,900</u>
Fiduciary net position, ending (b)	<u>2,595,062</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 205,936</u>
Fiduciary net position as a % of total pension liability	92.65%
Pensionable covered payroll	\$ 1,465,975
Net pension liability as a % of covered payroll	14.05%

See Independent Auditor's Report on Supplementary Information.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll<sup>(1)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 50,867	\$ 50,867	\$ -	\$ 999,351	5.1%
2007	54,803	54,803	-	1,087,351	5.0%
2008	55,821	55,821	-	1,229,529	4.5%
2009	57,057	57,057	-	1,317,721	4.3%
2010	83,436	83,436	-	1,326,482	6.3%
2011	93,024	93,211	(187)	1,398,861	6.6%
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%

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCERS.

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, 2015

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Service fees	\$ 4,200,000	\$ 4,200,000	\$ 4,100,607	\$ (99,393)
Tap connection fees	75,000	75,000	69,347	(5,653)
Miscellaneous	436,000	436,000	585,982	149,982
Total operating revenues	4,711,000	4,711,000	4,755,936	44,936
<b>EXPENSES</b>				
Personnel	2,139,600	2,139,600	2,086,254	53,346
Professional services	50,000	50,000	40,264	9,736
Purchased and contract services	149,500	149,500	177,143	(27,643)
Consumable supplies and materials	287,500	287,500	285,910	1,590
Recurring expenses and repairs	1,220,550	1,220,550	1,345,863	(125,313)
Depreciation and amortization	1,601,100	1,601,100	1,728,231	(127,131)
Total operating expenses	5,448,250	5,448,250	5,663,665	(215,415)
<b>OPERATING INCOME - BUDGET BASIS</b>	<u>(737,250)</u>	<u>(737,250)</u>	<u>(907,729)</u>	<u>(170,479)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest on investments	5,000	5,000	8,459	3,459
Interest expense	(367,300)	(367,300)	(316,639)	50,661
Gain on sale of assets	-	-	14,625	14,625
Total non-operating revenues (expenses)	<u>(362,300)</u>	<u>(362,300)</u>	<u>(293,555)</u>	<u>68,745</u>
<b>CHANGE IN NET POSITION - BUDGET BASIS</b>	<u>\$ (1,099,550)</u>	<u>\$ (1,099,550)</u>	<u>(1,201,284)</u>	<u>\$ (101,734)</u>
<b>NET POSITION, beginning of period</b>			<u>28,011,307</u>	
<b>NET POSITION, end of period</b>			<u>\$ 26,810,023</u>	

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, 2015

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
<b>REVENUES</b>				
General property taxes	\$ 1,530,259	\$ 1,530,259	\$ 1,568,288	\$ 38,029
Penalties and interest	23,500	23,500	20,330	(3,170)
Interest	1,660	1,660	865	(795)
Miscellaneous	18,750	18,750	7,664	(11,086)
Total revenues	1,574,169	1,574,169	1,597,147	22,978
<b>EXPENDITURES</b>				
Debt service				
Principal	1,110,000	1,110,000	1,110,000	-
Interest and fiscal charges	420,259	420,259	420,260	(1)
Collection costs	7,550	7,550	18,889	(11,339)
Appraisal District	44,500	44,500	35,274	9,226
Miscellaneous	175	175	500	(325)
Total expenditures	1,582,484	1,582,484	1,584,923	(2,439)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (8,315)</u>	<u>\$ (8,315)</u>	<u>12,224</u>	<u>\$ 20,539</u>
<b>FUND BALANCE</b> , beginning of period			<u>1,398,914</u>	
<b>FUND BALANCE</b> , end of period			<u>\$ 1,411,138</u>	

See Independent Auditor's Report on Supplementary Information.



## **TEXAS SUPPLEMENTARY INFORMATION**

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## SCHEDULE OF SERVICES AND RATES

JUNE 30, 2015

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 1, 2012:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels	
Water	11.00	1,500	Y		0	to 1,500
				2.3	1,501	to 7,000
				2.90	7,001	to plus
Wastewater	10.50	1,500		2.35		to
Surcharge	N/A					

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

Total water and wastewater charges per 10,000 gallons usage (including surcharges) \$ 63.14

3. Retail service providers: Number of retail and/or wastewater<sup>(1)</sup> 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) <sup>(2)</sup>	Total
Single family	7,377	7,377	Unknown	7,377
Multifamily	86	262	Unknown	262
Commercial	429	1,137	-	1,137
Other - recreational centers, government and VFD	-	-	-	-
	7,892	8,776	-	8,776

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

<sup>(2)</sup> "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, 2015

(CONTINUED)

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

Gallons pumped into system: 652,331,320

Gallons billed to customers: 571,948,104

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

For the fiscal year ended June 30, 2015:

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	728,591
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>\$ 728,591</u>

See Independent Auditor's Report on Supplementary Information.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## SCHEDULE OF SERVICES AND RATES

JUNE 30, 2015

(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, 2015

<b>OPERATING EXPENSES</b>	
Personnel (including benefits)	<u>\$ 2,086,254</u>
Professional fees	
Auditing	21,750
Legal	14,770
Engineering	<u>3,744</u>
Total professional fees	<u>40,264</u>
Purchased and contracted services	
Contracted material and repairs	29,337
Other contracted services	<u>147,806</u>
Total contracted services	<u>177,143</u>
Consumable supplies and materials	
Fuel, chemicals and other	276,059
Repair and maintenance	<u>9,851</u>
Total consumable supplies and materials	<u>285,910</u>
Recurring expenses and repairs	
Utilities	374,688
Insurance	76,146
Other administrative expenses	<u>895,029</u>
Total administrative expenses	<u>1,345,863</u>
Depreciation and amortization	<u>1,728,231</u>
<b>TOTAL OPERATING EXPENSES</b>	5,663,665
Interest	<u>316,639</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 5,980,304</u></u>

See Independent Auditor's Report on Supplementary Information.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## SCHEDULE OF TEMPORARY INVESTMENTS

JUNE 30, 2015

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balances at End of Year</u>
Water and Sewer Operating Fund				
Current assets				
Certificate of deposit	6700804869	0.07%	07/20/2016	\$ 427,012
Certificate of deposit	0209735352	0.07%	02/06/2016	<u>218,956</u>
				<u><u>\$ 645,968</u></u>

See Independent Auditor's Report on Supplementary Information.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## ANALYSIS OF TAXES LEVIED AND RECEIVABLE

JUNE 30, 2015

	Debt Service Fund
Taxes receivable, beginning of year	\$ 160,239
2014 original tax levy	<u>1,551,700</u>
Total to be accounted for	<u>1,711,939</u>
Taxes collections	
Current year	1,498,820
Prior year	<u>51,201</u>
Total collections	1,550,021
Adjustments	<u>6,161</u>
	<u>1,556,182</u>
Taxes receivable, end of year	<u><u>\$ 155,757</u></u>
Taxes receivable by year	
2014	\$ 51,361
2013	20,880
2012	16,088
2011	9,867
2010	8,327
Before 2010	<u>49,234</u>
Taxes receivable, end of year	<u><u>\$ 155,757</u></u>

	2014	2013	2012	2011
Property valuations				
Land and improvements	\$ 1,003,890,390	\$ 936,419,830	\$ 882,276,400	\$ 868,249,839
Tax rates per \$100 valuation				
Debt Service Fund	\$ 0.153085	\$ 0.165386	\$ 0.166990	\$ 0.152029
Original levy	\$ 1,551,700	\$ 1,565,961	\$ 1,549,062	\$ 1,330,315
Percent of taxes collected to taxes levied	<u>97%</u>	<u>96%</u>	<u>96%</u>	<u>96%</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, 2015

Due During Fiscal Years Ending June 30,	Utility System Revenue Bonds Series 2007 Issued \$4,645,000			
	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2016	\$ 95,842	\$ 185,000	\$ 91,661	\$ 372,503
2017	91,661	195,000	87,108	373,769
2018	87,108	205,000	82,219	374,327
2019	82,219	215,000	76,983	374,202
2020	76,983	225,000	71,392	373,375
2021	71,392	235,000	65,494	371,886
2022	65,494	250,000	59,094	374,588
2023	59,094	265,000	52,177	376,271
2024	52,177	275,000	44,931	372,108
2025	44,931	290,000	37,144	372,075
2026	37,144	310,000	28,744	375,888
2027	28,744	325,000	19,773	373,517
2028	19,773	345,000	10,165	374,938
2029	10,165	365,000	-	375,165
	<u>\$ 822,727</u>	<u>\$ 3,685,000</u>	<u>\$ 726,885</u>	<u>\$ 5,234,612</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, 2015 (CONTINUED)

Due During Fiscal Years Ending June 30,	Utility System Revenue Bonds Series 2012 Issued \$5,710,000			
	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2016	\$ 84,469	\$ 190,000	\$ 81,619	\$ 356,088
2017	81,619	195,000	78,694	355,313
2018	78,694	205,000	75,619	359,313
2019	75,619	215,000	72,394	363,013
2020	72,394	225,000	69,019	366,413
2021	69,019	235,000	65,494	369,513
2022	65,494	245,000	61,819	372,313
2023	61,819	260,000	57,919	379,738
2024	57,919	270,000	53,869	381,788
2025	53,869	280,000	49,669	383,538
2026	49,669	295,000	45,244	389,913
2027	45,244	310,000	40,594	395,838
2028	40,594	325,000	35,719	401,313
2029	35,719	340,000	30,619	406,338
2030	30,619	355,000	25,294	410,913
2031	25,294	370,000	19,744	415,038
2032	19,744	385,000	13,488	418,232
2033	13,488	405,000	6,906	425,394
2034	6,906	425,000	-	431,906
	<u>\$ 968,192</u>	<u>\$ 5,530,000</u>	<u>\$ 883,723</u>	<u>\$ 7,381,915</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, 2015 (CONTINUED)

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 375,000	\$ 353,591	\$ 728,591
2017	390,000	339,082	729,082
2018	410,000	323,640	733,640
2019	430,000	307,215	737,215
2020	450,000	289,788	739,788
2021	470,000	271,399	741,399
2022	495,000	251,901	746,901
2023	525,000	231,009	756,009
2024	545,000	208,896	753,896
2025	570,000	185,613	755,613
2026	605,000	160,801	765,801
2027	635,000	134,355	769,355
2028	670,000	106,251	776,251
2029	705,000	76,503	781,503
2030	355,000	55,913	410,913
2031	370,000	45,038	415,038
2032	385,000	33,232	418,232
2033	405,000	20,394	425,394
2034	425,000	6,906	431,906
	<u>\$ 9,215,000</u>	<u>\$ 3,401,527</u>	<u>\$ 12,616,527</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, 2015

Due During Fiscal Years Ending June 30,	Combination Tax and Revenue Bonds Series 2005 Issued \$8,765,000			
	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2016	\$ 109,692	\$ 400,000	\$ 103,592	\$ 613,284
2017	103,592	410,000	97,135	610,727
2018	97,135	425,000	90,229	612,364
2019	90,229	440,000	82,969	613,198
2020	82,969	450,000	75,431	608,400
2021	75,431	465,000	67,526	607,957
2022	67,526	480,000	59,426	606,952
2023	59,426	495,000	50,460	604,886
2024	50,460	510,000	41,280	601,740
2025	41,280	525,000	31,699	597,979
2026	31,699	540,000	21,709	593,408
2027	21,709	560,000	11,069	592,778
2028	11,069	575,000	-	586,069
	<u>\$ 842,217</u>	<u>\$ 6,275,000</u>	<u>\$ 732,525</u>	<u>\$ 7,849,742</u>
Paid August 15, 2015	<u>\$ 109,692</u>	\$ 400,000	<u>\$ -</u>	<u>\$ 509,692</u>
Called August 21, 2015		<u>\$ 5,875,000</u>		
Total Debt Retired Subsequent to June 30, 2015		<u>\$ 6,275,000</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, 2015 (CONTINUED)

Due During Fiscal Years Ending June 30,	Tax Refunding Bonds Series 2015 Issued \$5,770,000			
	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2016	\$ -	\$ -	\$ 89,752	\$ 89,752
2017	83,275	415,000	79,125	577,400
2018	79,125	425,000	74,875	579,000
2019	74,875	435,000	70,525	580,400
2020	70,525	445,000	63,850	579,375
2021	63,850	455,000	57,025	575,875
2022	57,025	470,000	47,625	574,650
2023	47,625	490,000	37,825	575,450
2024	37,825	505,000	30,250	573,075
2025	30,250	515,000	22,525	567,775
2026	22,525	525,000	14,650	562,175
2027	14,650	540,000	7,563	562,213
2028	7,562	550,000	-	557,562
	<u>\$ 589,112</u>	<u>\$ 5,770,000</u>	<u>\$ 595,590</u>	<u>\$ 6,954,702</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, 2015 (CONTINUED)

Due During Fiscal Years Ending June 30,	General Obligation Refunding Bonds Series 2011 Issued \$7,190,000			
	August 15,		February 15,	Total
	Interest	Principal	Interest	Principal and Interest
2016	\$ 91,213	\$ 735,000	\$ 78,350	\$ 904,563
2017	78,350	740,000	65,400	883,750
2018	65,400	770,000	51,925	887,325
2019	51,925	805,000	37,837	894,762
2020	37,838	485,000	29,350	552,188
2021	29,350	500,000	20,600	549,950
2022	20,600	520,000	10,200	550,800
2023	10,200	510,000	-	520,200
	<u>\$ 384,876</u>	<u>\$ 5,065,000</u>	<u>\$ 293,662</u>	<u>\$ 5,743,538</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, 2015

(CONTINUED)

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series (Prior to Refunding)		
	Total Principal Due	Total Interest Due	Total Principal and Interest
2016	\$ 1,135,000	\$ 382,847	\$ 1,517,847
2017	1,150,000	344,477	1,494,477
2018	1,195,000	304,689	1,499,689
2019	1,245,000	262,960	1,507,960
2020	935,000	225,588	1,160,588
2021	965,000	192,907	1,157,907
2022	1,000,000	157,752	1,157,752
2023	1,005,000	120,086	1,125,086
2024	510,000	91,740	601,740
2025	525,000	72,979	597,979
2026	540,000	53,408	593,408
2027	560,000	32,778	592,778
2028	575,000	11,069	586,069
	<u>\$ 11,340,000</u>	<u>\$ 2,253,280</u>	<u>\$ 13,593,280</u>

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series (Subsequent to Refunding)		
	Total Principal Due	Total Interest Due	Total Principal and Interest
2016	\$ 1,135,000	\$ 369,007	\$ 1,504,007
2017	1,155,000	306,150	1,461,150
2018	1,195,000	271,325	1,466,325
2019	1,240,000	235,162	1,475,162
2020	930,000	201,563	1,131,563
2021	955,000	170,825	1,125,825
2022	990,000	135,450	1,125,450
2023	1,000,000	95,650	1,095,650
2024	505,000	68,075	573,075
2025	515,000	52,775	567,775
2026	525,000	37,175	562,175
2027	540,000	22,213	562,213
2028	550,000	7,562	557,562
	<u>\$ 11,235,000</u>	<u>\$ 1,972,932</u>	<u>\$ 13,207,932</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, 2015

	Bond Issues		
	<u>Series 2007</u>	<u>Series 2012</u>	<u>Total</u>
Interest rates	3.42%-5.57%	3.0%-3.25%	
Dates interest payable	02/16 - 08/16	02/16 - 08/16	
Maturity dates	08/16	08/16	
Bonds outstanding, beginning of current period	\$ 3,865,000	\$ 5,710,000	\$ 9,575,000
New bond proceeds	-	-	-
Retirements, principal	<u>180,000</u>	<u>180,000</u>	<u>360,000</u>
Bonds outstanding, end of current period	<u><u>\$ 3,685,000</u></u>	<u><u>\$ 5,530,000</u></u>	<u><u>\$ 9,215,000</u></u>
Interest paid during current period	<u><u>\$ 195,662</u></u>	<u><u>\$ 171,638</u></u>	<u><u>\$ 367,300</u></u>

Paying agent's name and address:

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

Series 2012 - Bank of Texas Trust - Austin, 100 Congress Avenue, Suite 250, Austin, Texas 78701

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, 2015

	Bond Issues		
	Series 2005	Series 2011	Total
Interest rates	2.1% - 3.85%	3.5% - 4.0%	
Dates interest payable	02/16 - 08/16	02/16 - 08/16	
Maturity dates	08/16	08/16	
Bonds outstanding, beginning of current period	\$ 6,665,000	\$ 5,785,000	\$ 12,450,000
New bond proceeds			-
Retirements, principal	390,000	720,000	1,110,000
Bonds outstanding, end of current period	<u>\$ 6,275,000</u>	<u>\$ 5,065,000</u>	<u>\$ 11,340,000</u>
Interest paid during current period	<u>\$ 225,234</u>	<u>\$ 195,025</u>	<u>\$ 420,259</u>

Paying agent's name and address:

Series 2005 - Wells Fargo Bank of Texas, N.A., P.O. Box 2019, Austin, Texas 78768

Series 2011 - Bank of Texas Trust - Austin, 100 Congress Avenue, Suite 250, Austin, Texas 78701

Bond authority	Tax Bonds	Revenue Bonds	Refund Bonds
Amount authorized by voters	\$ 8,765,000	\$ -	\$ 7,190,000
Amount issued	8,765,000	-	7,190,000
Remaining to be issued	-	-	-
Debt service fund cash and temporary investment balances as of June 30, 2015			\$ 1,396,299
Average annual debt service payment (principal and interest) for remaining term of all debt			\$ 1,045,637

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, 2015

	Amounts				
	2015	2014	2013	2012	2011
Operating revenues					
Charges for service	\$ 4,100,607	\$ 4,170,715	\$ 4,157,322	\$4,042,361	\$3,937,913
Tap fees	69,347	100,128	62,417	105,535	90,811
Inspection and miscellaneous fees	585,982	446,174	328,571	285,010	264,916
Total revenue	<u>4,755,936</u>	<u>4,717,017</u>	<u>4,548,310</u>	<u>4,432,906</u>	<u>4,293,640</u>
Expenses					
Personnel	2,086,254	1,914,095	1,892,121	1,872,497	1,852,724
Professional fees	40,264	45,206	36,868	35,918	46,614
Purchased and contracted services	177,143	136,495	95,959	88,714	94,215
Consumable supplies and materials	285,910	288,531	267,785	233,109	250,991
Recurring operating expenses	1,345,863	1,308,029	1,255,640	1,290,508	1,217,004
Depreciation and amortization	1,728,231	1,624,768	1,592,063	1,448,200	1,445,734
Total expenses	<u>5,663,665</u>	<u>5,317,124</u>	<u>5,140,436</u>	<u>4,968,946</u>	<u>4,907,282</u>
Excess (expenses)	<u>(907,729)</u>	<u>(600,107)</u>	<u>(592,126)</u>	<u>(536,040)</u>	<u>(613,642)</u>
Nonoperating Revenues					
Gain/(Loss) on disposition of assets	14,625	27,221	17,656	26,520	41,204
Interest income	8,459	11,845	11,974	7,532	14,642
Interest expense on revenue bonds	(316,639)	(256,598)	(333,834)	(94,277)	(177,124)
Bond issue costs	-	-	(152,083)	-	-
Total nonoperating revenues	<u>(293,555)</u>	<u>(217,532)</u>	<u>(456,287)</u>	<u>(60,225)</u>	<u>(121,278)</u>
Net income (loss)	<u>\$ (1,201,284)</u>	<u>\$ (817,639)</u>	<u>\$ (1,048,413)</u>	<u>\$ (596,265)</u>	<u>\$ (734,920)</u>
Total active retail water and/or wastewater connections	<u>7,892</u>	<u>7,664</u>	<u>7,513</u>	<u>7,378</u>	<u>7,567</u>

See Independent Auditor's Report on Supplementary Information.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES DEBT SERVICE FUND FOR THE FIVE YEARS ENDED JUNE 30, 2015

	Amounts				
	2015	2014	2013	2012	2011
Revenues					
Property taxes, including penalty and interest	\$1,588,618	\$1,583,542	\$1,564,932	\$1,362,389	\$1,588,223
Interest from investments	865	1,044	1,048	283	1,398
Miscellaneous	7,664	9,112	8,572	10,546	12,314
Total revenue	<u>1,597,147</u>	<u>1,593,698</u>	<u>1,574,552</u>	<u>1,373,218</u>	<u>1,601,935</u>
Expenditures					
Tax collection and assessing expenses	54,663	62,974	49,575	68,883	57,731
Debt services, principal and interest	1,530,260	1,516,041	1,575,991	1,538,577	1,563,080
Bond issue expenses	-	-	-	245,276	-
Total expenditures	<u>1,584,923</u>	<u>1,579,015</u>	<u>1,625,566</u>	<u>1,852,736</u>	<u>1,620,811</u>
Excess (deficit) of revenue over expenditures	<u>\$ 12,224</u>	<u>\$ 14,683</u>	<u>\$ (51,014)</u>	<u>\$ (479,518)</u>	<u>\$ (18,876)</u>

See Independent Auditor's Report on Supplementary Information.

# LUMBERTON MUNICIPAL UTILITY DISTRICT

## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2015

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</u>	<u>Salary</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
<b>Board Members</b>					
Nicholas N. Carter 7760 Rosewood Drive Lumberton, Texas 77657	05/2014 - 05/2018	\$ -	\$ -	President	Yes
Roger Smith 6005 Crockett Street Lumberton, Texas 77657	05/2012 - 05/2016	-	-	Vice- President	Yes
David C. Pitchford 106 Norwood Lumberton, Texas 77657	05/2014 - 05/2018	-	-	Secretary	Yes
James B. (Jimmy) Burk 121 Rolling Hills Lumberton, Texas 77657	05/2014 - 05/2018	-	-	Asst. Secretary	Yes
David L. Desormeaux 280 Creekwood Lumberton, Texas 77657	11/2014 - 05/2016	-	-	Board Member	Yes

### Key Administrative Personnel

Roger Fussell 8300 Century Oaks Silsbee, Texas 77656	10/1999 - Present	99,772	8,452	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, 2015 (CONTINUED)

Name and Address	Term of Office Date Elected or Date Hired	Fees and Expense Reimbursements June 30, 2015	Title at Year-End	Resident of District
<b>Consultants</b>				
Germer, Bernsen & Gertz, L.L.P. 805 Park Street Beaumont, Texas 77701	10/12/1992	\$ 14,770	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
Carroll & Blackman, Inc. 3120 Fannin Street Beaumont, Texas 77701	05/04/2001	38,688	Engineer	N/A

See Independent Auditor's Report on Supplementary Information.

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



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

September 16, 2015

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

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

We have audited, in accordance with 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, 2015, 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 16, 2015.

**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 the Lumberton Municipal Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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