

EAST PLANTATION UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

EAST PLANTATION UTILITY DISTRICT
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	11-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	13
NOTES TO THE FINANCIAL STATEMENTS	14-24
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	26
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	28-30
GENERAL FUND EXPENDITURES	31
INVESTMENTS	32
TAXES LEVIED AND RECEIVABLE	33-34
LONG-TERM DEBT SERVICE REQUIREMENTS	35
CHANGES IN LONG-TERM BOND DEBT	36-37
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	38-41
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	42-43

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Plantation Utility District
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of East Plantation Utility District (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 District'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 and each major fund of the District as of December 31, 2018, and the respective changes in financial position 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 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 17, 2019

**EAST PLANTATION UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management's discussion and analysis of East Plantation Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include 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 District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

**EAST PLANTATION UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$630,101 as of December 31, 2018. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**EAST PLANTATION UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 1,394,878	\$ 1,323,820	\$ 71,058
Capital Assets (Net of Accumulated Depreciation)	1,764,987	1,921,082	(156,095)
Total Assets	\$ 3,159,865	\$ 3,244,902	\$ (85,037)
Bonds Payable	\$ 1,719,460	\$ 1,887,238	\$ 167,778
Other Liabilities	120,145	120,161	16
Total Liabilities	\$ 1,839,605	\$ 2,007,399	\$ 167,794
Deferred Inflows of Resources	\$ 690,159	\$ 698,876	\$ 8,717
Net Position:			
Net Investment in Capital Assets	\$ 45,527	\$ 33,844	\$ 11,683
Restricted	250,989	195,874	55,115
Unrestricted	333,585	308,909	24,676
Total Net Position	\$ 630,101	\$ 538,627	\$ 91,474

The following table provides a summary of the District's operations for the years ended December 31, 2018, and December 31, 2017. The District's net position increased by \$91,474.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 698,725	\$ 597,389	\$ 101,336
Charges for Services	367,785	368,029	(244)
Other Revenues	17,432	18,053	(621)
Total Revenues	\$ 1,083,942	\$ 983,471	\$ 100,471
Expenses for Services	992,468	970,827	(21,641)
Change in Net Position	\$ 91,474	\$ 12,644	\$ 78,830
Net Position, Beginning of Year	538,627	525,983	12,644
Net Position, End of Year	\$ 630,101	\$ 538,627	\$ 91,474

**EAST PLANTATION UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2018, were \$549,263, an increase of \$64,895 from the prior year.

The General Fund fund balance increased by \$20,292 primarily due to tax and service revenues exceeding operating and administrative costs.

The Debt Service Fund fund balance increased by \$44,603, primarily due to the structure of the District's outstanding debt service requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$45,175 less than budgeted revenues due to lower than budgeted service revenues. Actual expenditures were \$17,167 less than budgeted expenditures due to lower than anticipated costs across most categories of expenditures with the exception of maintenance and repair costs which were higher than budgeted.

CAPITAL ASSETS

Capital assets as of December 31, 2018, total \$1,764,987 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 90,364	\$ 90,364	\$
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	1,779	2,678	(899)
Water System	1,186,431	1,296,750	(110,319)
Wastewater System	393,884	434,299	(40,415)
Drainage System	92,529	96,991	(4,462)
Total Net Capital Assets	\$ 1,764,987	\$ 1,921,082	\$ (156,095)

**EAST PLANTATION UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$1,750,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bond Debt Payable, January 1, 2018	\$ 1,920,000
Less: Bond Principal Paid	<u>170,000</u>
Bond Debt Payable, December 31, 2018	<u><u>\$ 1,750,000</u></u>

The District has an underlying rating of "AA". The Series 2005 bonds carry an insured rating of "A3" by virtue of bond insurance issued by Assured Guaranty Corporation. The above ratings reflects changes, if any, during the fiscal year ended December 31, 2018.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to East Plantation Utility District, P.O. Box 2037, Conroe, TX 77305.

EAST PLANTATION UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 391,964	\$ 588,844
Investments	15,324	62,406
Receivables:		
Property Taxes	154,139	128,931
Penalty and Interest on Delinquent Taxes		
Service Accounts	28,797	
Due from Other Funds	217,715	
Prepaid Costs	1,845	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 809,784	\$ 780,181
LIABILITIES		
Accounts Payable	\$ 22,286	\$
Accrued Interest Payable		
Due to Other Funds		217,715
Security Deposits	70,491	
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 92,777	\$ 217,715
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 402,550	\$ 327,660
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 1,845	\$
Restricted for Debt Service		234,806
Unassigned	312,612	
TOTAL FUND BALANCES	\$ 314,457	\$ 234,806
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 809,784	\$ 780,181
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

Total	Adjustments	Statement of Net Position
\$ 980,808	\$	\$ 980,808
77,730		77,730
283,070		283,070
28,797	22,628	22,628
217,715	(217,715)	28,797
1,845		1,845
	90,364	90,364
	<u>1,674,623</u>	<u>1,674,623</u>
<u>\$ 1,589,965</u>	<u>\$ 1,569,900</u>	<u>\$ 3,159,865</u>
\$ 22,286	\$	\$ 22,286
	27,368	27,368
217,715	(217,715)	
70,491		70,491
	<u>1,719,460</u>	<u>1,719,460</u>
<u>\$ 310,492</u>	<u>\$ 1,529,113</u>	<u>\$ 1,839,605</u>
<u>\$ 730,210</u>	<u>\$ (40,051)</u>	<u>\$ 690,159</u>
\$ 1,845	\$ (1,845)	\$
234,806	(234,806)	
<u>312,612</u>	<u>(312,612)</u>	
<u>\$ 549,263</u>	<u>\$ (549,263)</u>	<u>\$ - 0 -</u>
<u>\$ 1,589,965</u>		
	\$ 45,527	\$ 45,527
	250,989	250,989
	<u>333,585</u>	<u>333,585</u>
	<u>\$ 630,101</u>	<u>\$ 630,101</u>

The accompanying notes to the financial statements are an integral part of this report.

**EAST PLANTATION UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total Fund Balances - Governmental Funds	\$	549,263
--	----	---------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		1,764,987
--	--	-----------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		62,679
--	--	--------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (27,368)	
Bonds Payable	<u>(1,719,460)</u>	<u>(1,746,828)</u>

Total Net Position - Governmental Activities	\$	<u><u>630,101</u></u>
--	----	-----------------------

The accompanying notes to the financial statements are an integral part of this report.

THIS PAGE INTENTIONALLY LEFT BLANK

EAST PLANTATION UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 383,783	\$ 307,076
Water Service	143,686	
Wastewater Service	206,020	
Penalty and Interest	8,960	3,183
Tap Connection and Inspection Fees	1,400	
Miscellaneous Revenues	<u>15,976</u>	<u>1,456</u>
TOTAL REVENUES	<u>\$ 759,825</u>	<u>\$ 311,715</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 33,848	\$ 534
Contracted Services	35,990	6,993
Purchased Services	205,478	
Utilities	41,892	
Repairs and Maintenance	108,331	
Salaries and Benefits	223,726	
Depreciation		
Other	90,268	
Debt Service:		
Bond Principal		170,000
Bond Interest		<u>89,585</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 739,533</u>	<u>\$ 267,112</u>
NET CHANGE IN FUND BALANCES	\$ 20,292	\$ 44,603
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2018	<u>294,165</u>	<u>190,203</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2018	<u>\$ 314,457</u>	<u>\$ 234,806</u>

The accompanying notes to the financial
statements are an integral part of this report.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 690,859	\$ 7,866	\$ 698,725
143,686		143,686
206,020		206,020
12,143	4,536	16,679
1,400		1,400
17,432		17,432
\$ 1,071,540	\$ 12,402	\$ 1,083,942
\$ 34,382	\$	\$ 34,382
42,983		42,983
205,478		205,478
41,892		41,892
108,331		108,331
223,726		223,726
90,268	156,095	156,095
170,000	(170,000)	
89,585	(272)	89,313
\$ 1,006,645	\$ (14,177)	\$ 992,468
\$ 64,895	\$ (64,895)	\$
	91,474	91,474
484,368	54,259	538,627
\$ 549,263	\$ 80,838	\$ 630,101

The accompanying notes to the financial statements are an integral part of this report.

**EAST PLANTATION UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$	64,895
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the taxes are levied.		7,866
Governmental funds report penalty and interest revenue on delinquent property taxes when collected. However, in the Statement of Activities, revenues are recorded when penalty and interest are assessed.		4,536
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(156,095)
Governmental funds report bond principal payments on long-term debt as expenditures. However, in the Statement of Net Position, bond principal payments decrease long-term liabilities and the Statement of Activities is not affected.		170,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the debt through fiscal year-end.		272
		272
Change in Net Position - Governmental Activities	\$	91,474

The accompanying notes to the financial statements are an integral part of this report.

EAST PLANTATION UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. CREATION OF DISTRICT

East Plantation Utility District, located in Montgomery County, Texas was created by House Bill Number 1087 on June 10, 1969, pursuant to the authority of Chapter 51, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The first bonds were sold on December 31, 1970.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units. The District has entered into a joint venture with River Plantation Municipal Utility District (“River Plantation”) for wastewater disposal. Oversight responsibility of the wastewater disposal plant is by River Plantation. Additional disclosure concerning the joint venture is provided in Note 8.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

EAST PLANTATION UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

EAST PLANTATION UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has two governmental funds and considers them both to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected in the subsequent period to finance current expenditures. Property taxes considered available by the District and included in revenue include the 2017 tax levy collections during the period October 1, 2017, to December 31, 2018, and taxes collected from January 1, 2018, to December 31, 2018, for the 2016 and prior tax levies. The 2018 tax levy has been fully deferred to meet the cost of operations for the 2019 year.

EAST PLANTATION UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2018, the Debt Service Fund owed the General Fund \$217,715 for maintenance tax collections and tax collection costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$20,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings and Equipment	3-40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

EAST PLANTATION UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

PERSONNEL EXPENDITURES (Including Benefits)	\$ 223,726
PROFESSIONAL FEES:	
Auditing	\$ 12,750
Legal	21,098
TOTAL PROFESSIONAL FEES	<u>\$ 33,848</u>
PURCHASED SERVICES	<u>\$ 205,478</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,800
Contract Labor	880
Operations and Billing	15,310
TOTAL CONTRACTED SERVICES	<u>\$ 35,990</u>
UTILITIES:	
Electricity	\$ 35,226
Telephone	6,666
TOTAL UTILITIES	<u>\$ 41,892</u>
REPAIRS AND MAINTENANCE	<u>\$ 108,331</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 28,800
Insurance	24,511
Office Supplies and Postage	3,189
Other	6,170
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 62,670</u>
OTHER EXPENDITURES:	
Chemicals	\$ 6,927
Laboratory Fees	2,496
Permit Fees	8,613
Regulatory Assessment	3,673
Other	5,889
TOTAL OTHER EXPENDITURES	<u>\$ 27,598</u>
TOTAL EXPENDITURES	<u><u>\$ 739,533</u></u>

See accompanying independent auditor's report.

EAST PLANTATION UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 15,324	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 62,406	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 77,730</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

EAST PLANTATION UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2018	\$ 129,697		\$ 109,403	
Adjustments to Beginning				
Balance	<u>(98)</u>	\$ 129,599	<u>(53)</u>	\$ 109,350
Original 2018 Tax Levy	\$ 383,778		\$ 307,022	
Adjustment to 2018 Tax Levy	<u>(356)</u>	<u>383,422</u>	<u>(285)</u>	<u>306,737</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 513,021		\$ 416,087
 TAX COLLECTIONS:				
Prior Years	\$ 110,471		\$ 88,427	
Current Year	<u>248,411</u>	<u>358,882</u>	<u>198,729</u>	<u>287,156</u>
 TAXES RECEIVABLE -				
DECEMBER 31, 2018		<u>\$ 154,139</u>		<u>\$ 128,931</u>
 TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 135,011		\$ 108,008
2017		4,645		3,716
2016		3,615		2,410
2015		2,343		2,577
2014		1,848		2,422
2013		1,336		1,931
2012		1,271		1,837
2011		986		1,345
2010		519		708
2009		512		697
2008 and prior		<u>2,053</u>		<u>3,280</u>
TOTAL		<u>\$ 154,139</u>		<u>\$ 128,931</u>

See accompanying independent auditor's report.

EAST PLANTATION UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>215</u>
PROPERTY VALUATIONS:				
Land	\$ 15,599,549	\$ 15,529,199	\$ 7,048,927	\$ 6,846,360
Improvements	112,987,768	115,389,498	113,328,314	101,687,490
Personal Property	1,928,184	2,176,513	2,020,360	1,809,840
Exemptions	<u>(2,742,048)</u>	<u>(3,674,987)</u>	<u>(2,899,236)</u>	<u>(4,718,665)</u>
TOTAL PROPERTY PROPERTY VALUATIONS	<u>\$ 127,773,453</u>	<u>\$ 129,420,223</u>	<u>\$ 119,498,365</u>	<u>\$ 105,625,025</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.24	\$ 0.24	\$ 0.20	\$ 0.33
Maintenance	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.54</u>	<u>\$ 0.54</u>	<u>\$ 0.50</u>	<u>\$ 0.63</u>
ADJUSTED TAX LEVY*	<u>\$ 690,159</u>	<u>\$ 698,876</u>	<u>\$ 597,494</u>	<u>\$ 665,441</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>64.79 %</u>	<u>98.80 %</u>	<u>98.99 %</u>	<u>99.26 %</u>

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.30 per \$100 of assessed valuation approved by voters on August 13, 1977.

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

EAST PLANTATION UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 0 5

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$	\$ 82,105	\$ 82,105
2020	95,000	82,105	177,105
2021	100,000	77,878	177,878
2022	105,000	73,427	178,427
2023	110,000	68,598	178,598
2024	115,000	63,537	178,537
2025	125,000	58,190	183,190
2026	130,000	52,378	182,378
2027	140,000	46,267	186,267
2028	150,000	39,688	189,688
2029	155,000	32,562	187,562
2030	165,000	25,200	190,200
2031	175,000	17,280	192,280
2032	185,000	8,880	193,880
	<u>\$ 1,750,000</u>	<u>\$ 728,095</u>	<u>\$ 2,478,095</u>

See accompanying independent auditor's report.

EAST PLANTATION UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
East Plantation Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2005	<u>\$ 2,000,000</u>	<u>\$ 1,920,000</u>
Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 5,330,000	\$ 3,200,000
Amount Issued	<u>5,330,000</u>	<u>2,845,000</u>
Remaining to be Issued	<u>\$ - 0 -</u>	<u>\$ 355,000</u>
Debt Service Fund cash and investment balances as of December 31, 2018:		<u>\$ 651,250</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 177,007</u>

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2018</u>	<u>Paying Agent</u>
<u>Bonds Sold</u>	<u>Principal</u>	<u>Interest</u>		
<u>\$ -0-</u>	<u>\$ 170,000</u>	<u>\$ 89,585</u>	<u>\$ 1,750,000</u>	Wells Fargo Bank N.A., Houston, TX

See accompanying independent auditor's report.

EAST PLANTATION UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 383,783	\$ 366,498	\$ 315,407
Water Service	143,686	147,587	148,109
Wastewater Service	206,020	206,088	204,237
Penalty and Interest	8,960	10,202	10,222
Tap Connection and Inspection Fees	1,400	1,928	5,600
Miscellaneous Revenues	15,976	15,227	12,756
TOTAL REVENUES	\$ 759,825	\$ 747,530	\$ 696,331
EXPENDITURES			
Professional Fees	\$ 33,848	\$ 57,913	\$ 57,950
Contracted Services	35,990	47,647	37,751
Purchased Services	205,478	190,605	188,583
Utilities	41,892	45,208	35,488
Repairs and Maintenance	108,331	61,225	95,563
Salaries and Benefits	223,726	212,946	189,350
Other	90,268	93,632	114,873
Capital Outlay			
TOTAL EXPENDITURES	\$ 739,533	\$ 709,176	\$ 719,558
NET CHANGE IN FUND BALANCE	\$ 20,292	\$ 38,354	\$ (23,227)
BEGINNING FUND BALANCE	294,165	255,811	279,038
ENDING FUND BALANCE	\$ 314,457	\$ 294,165	\$ 255,811

See accompanying independent auditor's report.

		Percentage of Total Revenues									
		2018		2017		2016		2015		2014	
2015	2014	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
\$ 273,316	\$ 253,733	50.5 %	49.0 %	45.3 %	42.8 %	42.0 %					
156,580	136,406	18.9	19.7	21.3	24.5	22.7					
169,841	144,492	27.1	27.6	29.3	26.6	24.1					
6,880	2,957	1.2	1.4	1.5	1.1	0.5					
4,200	42,950	0.2	0.3	0.8	0.7	7.2					
27,069	20,160	2.1	2.0	1.8	4.3	3.5					
<u>\$ 637,886</u>	<u>\$ 600,698</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>					
\$ 61,774	\$ 69,469	4.5 %	7.7 %	8.3 %	9.7 %	11.6 %					
32,619	26,898	4.7	6.4	5.4	5.1	4.5					
198,587	193,172	27.0	25.5	27.1	31.1	32.2					
41,146	38,536	5.5	6.0	5.1	6.5	6.4					
43,779	28,675	14.3	8.2	13.7	6.9	4.8					
171,331	166,958	29.3	28.4	27.1	26.8	27.7					
122,816	98,085	11.9	12.5	16.5	19.3	16.3					
204,436	49,119				32.0	8.2					
<u>\$ 876,488</u>	<u>\$ 670,912</u>	<u>97.2 %</u>	<u>94.7 %</u>	<u>103.2 %</u>	<u>137.4 %</u>	<u>111.7 %</u>					
\$ (238,602)	\$ (70,214)	<u>2.8 %</u>	<u>5.3 %</u>	<u>(3.2) %</u>	<u>(37.4) %</u>	<u>(11.7) %</u>					
517,640	587,854										
<u>\$ 279,038</u>	<u>\$ 517,640</u>										

See accompanying independent auditor's report.

EAST PLANTATION UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 307,076	\$ 252,193	\$ 347,247
Penalty and Interest	3,183	16,662	2,998
Miscellaneous Revenues	1,456	2,826	551
TOTAL REVENUES	\$ 311,715	\$ 271,681	\$ 350,796
EXPENDITURES			
Tax Collection Expenditures	\$ 7,027	\$ 7,315	\$ 12,234
Debt Service Principal	170,000	80,000	255,000
Debt Service Interest and Fees	90,085	93,605	110,770
TOTAL EXPENDITURES	\$ 267,112	\$ 180,920	\$ 378,004
NET CHANGE IN FUND BALANCE	\$ 44,603	\$ 90,761	\$ (27,208)
BEGINNING FUND BALANCE	190,203	99,442	126,650
ENDING FUND BALANCE	\$ 234,806	\$ 190,203	\$ 99,442
TOTAL ACTIVE RETAIL WATER CONNECTIONS	616	615	602
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	614	614	602

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 358,368	\$ 366,526	98.5 %	92.9 %	98.9 %	97.1 %	99.3 %
1,329	2,308	1.0	6.1	0.9	0.4	0.6
9,186	269	0.5	1.0	0.2	2.5	0.1
<u>\$ 368,883</u>	<u>\$ 369,103</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 5,738	\$ 6,133	2.3 %	2.7 %	3.5 %	1.6 %	1.7 %
240,000	225,000	54.5	29.4	72.7	65.1	61.0
124,560	139,903	28.9	34.5	31.6	33.8	37.9
<u>\$ 370,298</u>	<u>\$ 371,036</u>	<u>85.7 %</u>	<u>66.6 %</u>	<u>107.8 %</u>	<u>100.5 %</u>	<u>100.6 %</u>
\$ (1,415)	\$ (1,933)	<u>14.3 %</u>	<u>33.4 %</u>	<u>(7.8) %</u>	<u>(0.5) %</u>	<u>(0.6) %</u>
<u>128,065</u>	<u>129,998</u>					
<u>\$ 126,650</u>	<u>\$ 128,065</u>					
<u>606</u>	<u>578</u>					
<u>606</u>	<u>577</u>					

See accompanying independent auditor's report.

**EAST PLANTATION UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018**

District Mailing Address - East Plantation Utility District
P. O. Box 2037
Conroe, TX 77305

District Telephone Number - (936) 273-3366

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2018</u>	Expense Reimbursements for the year ended <u>December 31, 2018</u>	<u>Title</u>
William B. Knapp	05/17 05/21 (Elected)	\$ 7,200	\$ -0-	President
C. Marshall Loosier, Jr.	05/15 05/19 (Elected)	\$ 7,200	\$ -0-	Vice President
Eugene C. Arnold	05/15 05/19 (Elected)	\$ 7,200	\$ -0-	Secretary
Roger Bartel	05/17 05/21 (Elected)	\$ 7,200	\$ -0-	Treasurer
W. Preston Humphreys	05/15 05/19 (Elected)	\$ -0-	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
March 14, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 16, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

EAST PLANTATION UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2018</u>	<u>Title</u>
Key Personnel:			
W. Preston Humphreys	2014	\$ 68,120	General Manager
Franklin Gallegos	01/03	\$ 70,120	Operator Meter Readings and Water Plant
Leonardo Maldonado	11/03	\$ 46,100	Assistant Operator
Consultants:			
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/21/18	\$ 17,368	Attorney
Coats Rose, P.C.	12/14/81	\$ 3,730	Prior Attorney
McCall Gibson Swedlund Barfoot PLLC	02/13/03	\$ 12,750	Auditor
Municipal Accounts and Consulting	04/16/15	\$ 19,800	Bookkeeper
Feltcher Billing Services	12/21/09	\$ 15,310	Water Billing and Data Processing
Rathmann & Associates, L.P.	06/14/00	\$ -0-	Financial Advisor

See accompanying independent auditor's report.

