

KLEINWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2020

KLEINWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kleinwood Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Kleinwood Municipal Utility District (the "District"), as of and for the year ended March 31, 2020, 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 March 31, 2020, 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
Certified Public Accountants
Houston, Texas

July 23, 2020

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

Management's discussion and analysis of Kleinwood Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 31, 2020. 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 like 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.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

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 and deferred outflows exceeded liabilities by \$7,086,478 as of March 31, 2020. A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment, as well as the water and wastewater 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:

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 6,989,057	\$ 6,850,545	\$ 138,512
Capital Assets (Net of Accumulated Depreciation)	10,608,046	10,758,538	(150,492)
Total Assets	\$ 17,597,103	\$ 17,609,083	\$ (11,980)
Deferred Outflows of Resources	\$ 93,432	\$ 102,218	\$ (8,786)
Bonds Payable	\$ 9,816,277	\$ 10,604,478	\$ 788,201
Other Liabilities	787,780	873,887	86,107
Total Liabilities	\$ 10,604,057	\$ 11,478,365	\$ 874,308
Net Position:			
Net Investment in Capital Assets	\$ 430,690	\$ (153,367)	\$ 584,057
Restricted	1,812,020	1,871,318	(59,298)
Unrestricted	4,843,768	4,514,985	328,783
Total Net Position	\$ 7,086,478	\$ 6,232,936	\$ 853,542

The following table provides a summary of the District's operations for the years ended March 31, 2020, and March 31, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,427,739	\$ 1,349,521	\$ 78,218
Charges for Services	1,769,054	1,456,008	313,046
Other Revenues	513,660	497,555	16,105
Total Revenues	\$ 3,710,453	\$ 3,303,084	\$ 407,369
Expenses for Services	2,856,911	2,608,970	(247,941)
Change in Net Position	\$ 853,542	\$ 694,114	\$ 159,428
Net Position, Beginning of Year	6,232,936	5,538,822	694,114
Net Position, End of Year	\$ 7,086,478	\$ 6,232,936	\$ 853,542

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2020, was \$5,507,694, an increase of \$306,046 from the prior fiscal year.

The General Fund fund balance increased by \$375,483, primarily due to property tax revenues, sales tax revenues and operating revenues exceeding operating costs and capital outlay.

The Debt Service Fund fund balance decreased by \$69,437, primarily due to the structure of the District's outstanding debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$367,263 more than budgeted revenues primarily due to higher than expected property tax revenues, service revenues and investment revenues. Actual expenditures were \$401,220 less than budgeted expenditures primarily due to lower than anticipated professional fees, capital outlay and purchased services.

CAPITAL ASSETS

Capital assets as of March 31, 2020, total \$10,608,046 (net of accumulated depreciation) and also include land, buildings and equipment, and the water and wastewater facilities. Current year capital asset additions included rehabilitation and improvements to District facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,526,486	\$ 1,526,486	\$
Construction in Progress	77,800	1,177,147	(1,099,347)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	207,934	219,968	(12,034)
Water System	5,091,413	4,150,373	941,040
Wastewater System	3,704,413	3,684,564	19,849
Total Net Capital Assets	\$ 10,608,046	\$ 10,758,538	\$ (150,492)

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2020**

LONG-TERM DEBT ACTIVITY

As of March 31, 2020, the District had total bonds payable of \$9,604,992. The changes in bonds payable during the year ended March 31, 2020, are summarized as follows:

Bond Debt Payable, April 1, 2019	\$ 10,369,992
Less: Bond Principal Paid	<u>765,000</u>
Bond Debt Payable, March 31, 2020	<u>\$ 9,604,992</u>

The District carries an underlying rating of "A2". The District's Series 2011 and 2012 bonds carry insured ratings of "A2" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The District's Series 2014 and 2015 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings reflect any rating changes during the year ended March 31, 2020.

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 Kleinwood Municipal Utility District, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, TX 77046.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 157,034	\$ 208,050
Investments	3,514,933	1,634,985
Receivables:		
Property Taxes	21,158	53,201
Penalty and Interest on Delinquent Taxes		
Service Accounts	124,692	
Sales Tax Receipts	66,223	
Due from Other Funds	3,419	
Water Authority Capital Contributions Receivable		
Chloramination Credit Receivable		
Prepaid Costs	68,375	
Operating Advance	17,473	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 3,973,307	\$ 1,896,236
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,973,307	\$ 1,896,236

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 365,084	\$	\$ 365,084
5,149,918		5,149,918
74,359		74,359
	14,148	14,148
124,692		124,692
66,223		66,223
3,419	(3,419)	
	850,686	850,686
	258,099	258,099
68,375		68,375
17,473		17,473
	1,526,486	1,526,486
	77,800	77,800
	<u>9,003,760</u>	<u>9,003,760</u>
<u>\$ 5,869,543</u>	<u>\$ 11,727,560</u>	<u>\$ 17,597,103</u>
<u>\$ - 0 -</u>	<u>\$ 93,432</u>	<u>\$ 93,432</u>
<u>\$ 5,869,543</u>	<u>\$ 11,820,992</u>	<u>\$ 17,690,535</u>

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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 141,748	\$
Accrued Interest Payable		
Due to Other Funds		3,419
Due to Taxpayers		45,747
Security Deposits	96,576	
Accrued Interest on Compound Interest Bonds		
Long-term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 238,324	\$ 49,166
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 21,158	\$ 53,201
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 68,375	\$
Operating Advance	17,473	
Restricted for Debt Service		1,793,869
Assigned to 2021 Budget	890,856	
Unassigned	2,737,121	
TOTAL FUND BALANCES	\$ 3,713,825	\$ 1,793,869
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,973,307	\$ 1,896,236
 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.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 141,748	\$	\$ 141,748
	49,198	49,198
3,419	(3,419)	
45,747		45,747
96,576		96,576
	454,511	454,511
	785,000	785,000
	<u>9,031,277</u>	<u>9,031,277</u>
<u>\$ 287,490</u>	<u>\$ 10,316,567</u>	<u>\$ 10,604,057</u>
<u>\$ 74,359</u>	<u>\$ (74,359)</u>	<u>\$ - 0 -</u>
\$ 68,375	\$ (68,375)	\$
17,473	(17,473)	
1,793,869	(1,793,869)	
890,856	(890,856)	
<u>2,737,121</u>	<u>(2,737,121)</u>	
<u>\$ 5,507,694</u>	<u>\$ (5,507,694)</u>	<u>\$ - 0 -</u>
<u>\$ 5,869,543</u>		
	\$ 430,690	\$ 430,690
	1,812,020	1,812,020
	<u>4,843,768</u>	<u>4,843,768</u>
	<u>\$ 7,086,478</u>	<u>\$ 7,086,478</u>

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

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2020**

Total Fund Balances - Governmental Funds	\$	5,507,694
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are recorded in the Statement of Net Position.		1,108,785
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		10,608,046
--	--	------------

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		93,432
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		88,507
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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	\$ (503,709)	
Bonds Payable	<u>(9,816,277)</u>	<u>(10,319,986)</u>

Total Net Position - Governmental Activities	\$	<u>7,086,478</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**KLEINWOOD MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 392,491	\$ 1,027,701
Water Service	450,439	
Wastewater Service	216,071	
Water Authority Fees	933,807	
Penalty and Interest	12,857	10,389
Tap Connection and Inspection Fees	142,800	
Water Authority Credits	110,246	
Sales Tax Revenues	306,512	
Investment and Miscellaneous Revenues	122,486	24,732
TOTAL REVENUES	<u>\$ 2,687,709</u>	<u>\$ 1,062,822</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 205,014	\$ 7,261
Contracted Services	229,831	39,254
Purchased Surface Water	767,915	
Purchased Wastewater Service	130,635	
Utilities	62,973	
Water Authority Pumpage Fees	196,412	
Repairs and Maintenance	388,368	
Depreciation		
Other	134,785	15,007
Capital Outlay	196,293	
Debt Service:		
Bond Principal		765,000
Bond Interest		305,737
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,312,226</u>	<u>\$ 1,132,259</u>
NET CHANGE IN FUND BALANCES	<u>\$ 375,483</u>	<u>\$ (69,437)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2019	<u>3,338,342</u>	<u>1,863,306</u>
FUND BALANCES/NET POSITION - MARCH 31, 2020	<u>\$ 3,713,825</u>	<u>\$ 1,793,869</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>
\$ 1,420,192	\$ 7,547	\$ 1,427,739
450,439		450,439
216,071		216,071
933,807		933,807
23,246	2,691	25,937
142,800		142,800
110,246	(50,316)	59,930
306,512		306,512
147,218		147,218
<u>\$ 3,750,531</u>	<u>\$ (40,078)</u>	<u>\$ 3,710,453</u>
\$ 212,275	\$	\$ 212,275
269,085		269,085
767,915		767,915
130,635		130,635
62,973		62,973
196,412		196,412
388,368		388,368
	346,785	346,785
149,792		149,792
196,293	(196,293)	
765,000	(765,000)	
305,737	26,934	332,671
<u>\$ 3,444,485</u>	<u>\$ (587,574)</u>	<u>\$ 2,856,911</u>
\$ 306,046	\$ (306,046)	\$
	853,542	853,542
5,201,648	1,031,288	6,232,936
<u>\$ 5,507,694</u>	<u>\$ 1,578,784</u>	<u>\$ 7,086,478</u>

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

**KLEINWOOD MUNICIPAL 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 MARCH 31, 2020**

Net Change in Fund Balances - Governmental Funds \$ 306,046

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, revenue is recorded in the accounting period for which the taxes are levied. 7,547

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. 2,691

Governmental funds report repayment of capital contributions as revenues in the period received. However, in the Statement of Net Position, repayments reduce long-term receivables. (50,316)

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. (346,785)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 196,293

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 765,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (26,934)

Change in Net Position - Governmental Activities \$ 853,542

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

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 1. CREATION OF DISTRICT

Kleinwood Municipal Utility District, Harris County, Texas, was created by order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), effective May 3, 1972. The Board of Directors held its first meeting on February 2, 1973, and the first bonds were sold on November 3, 1975. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended.

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 an agreement for wastewater treatment with Cy-Champ Public Utility District, Harris County Water Control & Improvement District No. 114, Klein Independent School District, Cypress Forest Public Utility District, Louetta North Public Utility District, and Champions Municipal Utility District. Oversight responsibility of the wastewater treatment plant is by the Kleinwood Joint Powers Board. Additional disclosure concerning this joint venture is provided in Note 10.

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”).

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:

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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.

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 Governmental Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has two governmental funds and considers each to be a major fund.

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.

Property taxes considered available by the District and included in revenue include taxes collected during the period and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or use. 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 March 31, 2020, the Debt Service Fund owed the General Fund \$3,419 for maintenance tax collections.

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.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 \$5,000 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:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
All Other Equipment	5-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of March 31, 2020, \$890,856 has been assigned to the 2021 budget.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT

	Refunding Series 2011	Refunding Series 2014	
		Current Interest	Compound Interest
Amount Outstanding – March 31, 2020	\$ 800,000	\$ 2,200,000	\$ 214,996
Interest Rates	3.125% - 4.000%	2.25% - 3.50%	4.10%
Maturity Dates – Serially Beginning/Ending	August 1, 2020/2022	August 1, 2020/2028	August 1, 2029
Interest Payment Dates	August 1/ February 1	August 1/ February 1	At Maturity
Callable Dates	August 1, 2018*	August 1, 2022*	N/A*

	Refunding Series 2012	Refunding Series 2015	
		Current Interest	Compound Interest
Amount Outstanding – March 31, 2020	\$ 3,355,000	\$ 2,525,000	\$ 509,996
Interest Rates	2.00% - 4.00%	2.00% - 3.00%	3.75%
Maturity Dates – Serially Beginning/Ending	August 1, 2020/2029	August 1, 2020/2029	August 1, 2030
Interest Payment Dates	August 1/ February 1	August 1/ February 1	At Maturity
Callable Dates	August 1, 2020*	August 1, 2023*	N/A*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. For the Series 2011 bond issue, the bonds maturing August 1, 2022, are term bonds and subject to mandatory redemption beginning August 1, 2021. For the Series 2012 bond issue, the bonds maturing August 1, 2014, 2016, 2018, 2026, and 2028, are term bonds and are subject to mandatory redemption beginning August 1, 2012, 2015, 2017, 2025, and 2027, respectively. For the Series 2014 bond issue, the bonds maturing August 1, 2024, are term bonds and are subject to mandatory redemption beginning August 1, 2023. The par value of the Series 2014 Refunding compound interest bonds is \$214,996 and the maturity value is \$555,000. At March 31, 2020, the accreted value of these bonds is \$378,753, which includes accrued interest of \$163,757. Interest on these bonds will be paid at maturity. The par value of the Series 2015 Refunding Compound Interest bonds is \$509,996 and the maturity value is \$1,180,000. At March 31, 2020, the accreted value of these bonds is \$800,749, which includes accrued interest of \$290,754. Interest on these bonds will be paid at maturity.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2020:

	April 1, 2019	Additions	Retirements	March 31, 2020
Bonds Payable	\$ 10,369,992	\$	\$ 765,000	\$ 9,604,992
Unamortized Premiums	234,486		23,201	211,285
Bonds Payable, Net	\$ 10,604,478	\$ -0-	\$ 788,201	\$ 9,816,277
		Amount Due Within One Year		\$ 785,000
		Amount Due After One Year		9,031,277
		Bonds Payable, Net		\$ 9,816,277

As of March 31, 2020, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 785,000	\$ 284,174	\$ 1,069,174
2022	805,000	262,363	1,067,363
2023	830,000	236,787	1,066,787
2024	895,000	205,857	1,100,857
2025	925,000	172,300	1,097,300
2026-2030	4,854,996	699,580	5,554,576
2031	509,996	670,004	1,180,000
	\$ 9,604,992	\$ 2,531,065	\$ 12,136,057

As of March 31, 2020, the District had authorized but unissued bonds in the amount of \$19,355,000 for facilities and \$8,719,861 for refunding purposes. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount and are further payable from net operating revenues.

During the year ended March 31, 2020, the District levied an ad valorem debt service tax rate of \$0.276 per \$100 of assessed valuation, which resulted in a tax levy of \$1,053,481 on the adjusted taxable valuation of \$381,697,624 for the 2019 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020**

NOTE 3. LONG-TERM DEBT (Continued)

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$365,084 and the bank balance was \$563,368. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position for the year ended March 31, 2020, as listed below:

	Cash
GENERAL FUND	\$ 157,034
DEBT SERVICE FUND	208,050
TOTAL DEPOSITS	\$ 365,084

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measure all of its portfolio assets at amortized costs. The District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District also invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,008,424	\$ 1,008,424
TexSTAR	2,506,509	2,506,509
<u>DEBT SERVICE FUND</u>		
TexPool	1,092,734	1,092,734
TexSTAR	542,251	542,251
TOTAL INVESTMENTS	\$ 5,149,918	\$ 5,149,918

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2020, the District's investments in TexPool and TexSTAR were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020 is as follows:

	April 1, 2019	Increases	Decreases	March 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,526,486	\$	\$	\$ 1,526,486
Construction in Progress	<u>1,177,147</u>	<u>196,293</u>	<u>1,295,640</u>	<u>77,800</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,703,633</u>	<u>\$ 196,293</u>	<u>\$ 1,295,640</u>	<u>\$ 1,604,286</u>
Capital Assets Subject to Depreciation				
Buildings and Equipment	\$ 464,605	\$	\$	\$ 464,605
Water System	6,203,295	1,123,387		7,326,682
Wastewater System	<u>5,311,137</u>	<u>172,253</u>		<u>5,483,390</u>
Total Capital Assets Subject to Depreciation	<u>\$ 11,979,037</u>	<u>\$ 1,295,640</u>	<u>\$ - 0 -</u>	<u>\$ 13,274,677</u>
Accumulated Depreciation				
Building and Equipment	\$ 244,637	\$ 12,034	\$	\$ 256,671
Water System	2,052,922	182,347		2,235,269
Wastewater System	<u>1,626,573</u>	<u>152,404</u>		<u>1,778,977</u>
Total Accumulated Depreciation	<u>\$ 3,924,132</u>	<u>\$ 346,785</u>	<u>\$ - 0 -</u>	<u>\$ 4,270,917</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,054,905</u>	<u>\$ 948,855</u>	<u>\$ - 0 -</u>	<u>\$ 9,003,760</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,758,538</u>	<u>\$ 1,145,148</u>	<u>\$ 1,295,640</u>	<u>\$ 10,608,046</u>

NOTE 7. MAINTENANCE TAX

On December 4, 1974, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation. During the year ended March 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.119 per \$100 of assessed valuation, which resulted in a tax levy of \$454,218 on the adjusted taxable valuation of \$381,697,624 for the 2019 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority's purpose is to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. During the current fiscal year, the Authority charged \$3.85 per 1,000 gallons of water pumped from each well and charged a surface water fee of \$4.30 per 1,000 gallons. During the current fiscal year, the District incurred costs totaling \$196,412 for pumpage fees and \$767,915 for purchased surface water.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 8. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Capital Contribution Receivable

The District entered into a Capital Contribution Contract with the Authority in which the District paid \$1,213,095 to the Authority. During the current fiscal year, the District received credits of \$88,406 including a return of principal of \$44,163. Future repayments of capital contributions are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 46,450	\$ 41,956	\$ 88,406
2022	48,854	39,552	88,406
2023	51,383	37,023	88,406
2024	54,043	34,363	88,406
2025	56,840	31,566	88,406
2026-2030	331,501	110,529	442,030
2031-2034	261,615	22,364	283,979
	<u>\$ 850,686</u>	<u>\$ 317,353</u>	<u>\$ 1,168,039</u>

Chloramine Conversion Reimbursement

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority's system. The District has completed its chloramine conversion system which included reimbursable costs of \$300,627. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on its March 2011 Authority billing. Total credits earned in the current fiscal year were \$21,840. Of this amount, \$6,153 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

Fiscal Year	Principal	Interest	Total
2021	\$ 6,532	\$ 15,308	\$ 21,840
2022	6,935	14,905	21,840
2023	7,363	14,478	21,841
2024	7,816	14,024	21,840
2025	8,299	13,541	21,840
2026-2030	48,756	60,446	109,202
2031-2035	64,902	44,299	109,201
2036-2040	87,036	22,164	109,200
2041	20,460	959	21,419
	<u>\$ 258,099</u>	<u>\$ 200,124</u>	<u>\$ 458,223</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 9. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 1, 2010, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Subject Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract within the boundaries of the District.

The City imposes a sale and use tax within the boundaries of the Subject Tract at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the Subject Tract. During the year ended March 31, 2020, the District recorded revenues of \$306,512 from the City of Houston including \$66,223 which was receivable at year-end.

NOTE 10. KLEINWOOD JOINT POWERS BOARD

The District is a participant in the Kleinwood Regional Wastewater Treatment Plant (“Plant”) which provides wastewater treatment for the District and the following participants: Cy-Champ Public Utility District (“Cy-Champ”), Harris County Water Control & Improvement District No.114, Klein Independent School District, Cypress Forest Public Utility District (“Cypress Forest”), Louetta North Public Utility District and Champions Municipal Utility District (“Champions”). The agreement creating the Kleinwood Joint Powers Board was effective April 9, 1992, and subsequently amended on June 1, 1993, September 8, 1997, July 25, 2005, September 9, 2013, and March 16, 2017. The fifth amendment provided for the purchase of an ownership interest in the Plant by Champions from Cy-Champ. Unless terminated earlier by mutual agreement of all the participants, the agreement will continue in force and effect until April 9, 2047.

The operating expenses of the Plant are allocated based on each participant’s number of connections. Capital costs are paid by each participant based on their ownership interest in the Plant. The District’s capacity ownership is 15%. Operating expenses of \$130,635 and capital project costs of \$54,631 were incurred by the District for the year ended March 31, 2020. The following summary financial data of the Plant is presented for the year ended May 31, 2019. Additional information can be obtained by contacting the Board’s attorneys, Young & Brooks.

Total Assets	\$ 351,460
Total Liabilities	<u>234,973</u>
Total Fund Balance	<u>\$ 116,487</u>
Total Revenues	\$ 1,162,321
Total Expenditures	<u>1,162,321</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2018	<u>116,487</u>
Fund Balance – May 31, 2019	<u>\$ 116,487</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 10. KLEINWOOD JOINT POWERS BOARD (Continued)

On November 1, 2017, the participants entered into an agreement to construct facilities to further treat the wastewater effluent produced by the Plant to qualify for Type I Reclaimed Water Use, per Commission rules.

Champions and Cypress Forest (“Providers”) intend to purchase the reclaimed water from the Plant to provide to users within their districts. The Providers will construct and operate, at their sole cost and expense, facilities necessary to enable receipt of reclaimed water from the Plant. In addition to all other costs payable as participants in the Plant related to this agreement, the Providers will make Capital Recovery payments equal to 100% of the project costs which will be payable over a period of 66 consecutive months. The Plant will deposit all Capital Recovery payments to the operating account of the Plant for credit among the participants based on each participant’s pro-rata share of this project.

NOTE 11. WATER SUPPLY AND WASTE DISPOSAL AGREEMENTS

On December 9, 1982, the District entered into a contract with Cypress Forest Public Utility District (Cypress Forest) to provide water and sanitary sewer services to an 8-acre tract within the District’s boundaries. The term of the contract is 40 years and may be renewed on a year-to-year basis after that date. Any party may terminate the contract by giving a one-year written notice of termination. The District pays Cypress Forest an amount equal to 70% of the ad valorem taxes collected on the tract by March 1 of each year during the contract.

On March 18, 1987, the District entered into a contract with Harris County Municipal Utility District. No. 24 (District No. 24) to provide water and sanitary sewer services to a 13-acre tract within the District’s boundaries. The term of the contract is 40 years and may be renewed on a year-to-year basis after that date. Any party may terminate the contract by giving one-year written notice of termination. The District pays District No. 24 an amount equal to 70% of the ad valorem taxes collected on the tract by March 1 of each year during the contract.

On April 16, 1989, the District entered into an emergency water supply contract with Cypress-Klein Utility District. This contract was amended on November 14, 2016. The contract provides for emergency water to be provided at a cost per 1,000 gallons of water of \$0.50 plus the surface water fee of the North Harris County Regional Water Authority for a period not to exceed 30 days. The contract is in effect until December 31, 2029 and will automatically renew each January 1 unless otherwise terminated by either party.

On October 7, 1976, the District entered into an emergency water supply contract with Harris County Water Control and Improvement District No. 114. This contract was amended on December 12, 2016. The contract provides for emergency water received to be repaid in kind or repaid at the rate paid by the supplying district per 1,000 gallons to purchase surface water plus an additional \$0.25 per 1,000 gallons of water taken.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 13. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

NOTE 14. SUBSEQUENT EVENT - REFUNDING BOND SALE

On or about August 5, 2020, subsequent to the audit report date, the District anticipates closing on its \$3,080,000 Series 2020 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds. Proceeds will be used to refund: \$540,000 of the Series 2011 Refunding Bonds with maturities of 2021 and 2022, interest rates of 4.00% and a redemption date of August 5, 2020; and \$2,660,000 of the Series 2012 Refunding Bonds with maturities of 2022 through 2029, interest rates of 3.00% to 4.00% and a redemption date of August 5, 2020.

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KLEINWOOD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2020

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 300,000	\$ 392,491	\$ 92,491
Water Service	425,000	450,439	25,439
Wastewater Service	220,000	216,071	(3,929)
Water Authority Fees	775,000	933,807	158,807
Penalty and Interest	16,000	12,857	(3,143)
Tap Connection and Inspection Fees	50,000	142,800	92,800
Sales Tax Revenues	350,000	306,512	(43,488)
Investment and Miscellaneous Revenues	<u>74,200</u>	<u>122,486</u>	<u>48,286</u>
TOTAL REVENUES	<u>\$ 2,210,200</u>	<u>\$ 2,577,463</u>	<u>\$ 367,263</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 315,000	\$ 205,014	\$ 109,986
Contracted Services	243,000	229,831	13,169
Purchased Water, Net of Credits	890,000	854,081	35,919
Purchased Wastewater Service	190,000	130,635	59,365
Utilities	90,800	62,973	27,827
Repairs and Maintenance	290,000	388,368	(98,368)
Other	184,400	134,785	49,615
Capital Outlay	<u>400,000</u>	<u>196,293</u>	<u>203,707</u>
TOTAL EXPENDITURES	<u>\$ 2,603,200</u>	<u>\$ 2,201,980</u>	<u>\$ 401,220</u>
NET CHANGE IN FUND BALANCE	\$ (393,000)	\$ 375,483	\$ 768,483
FUND BALANCE - APRIL 1, 2019	<u>3,338,342</u>	<u>3,338,342</u>	<u>_____</u>
FUND BALANCE - MARCH 31, 2020	<u>\$ 2,945,342</u>	<u>\$ 3,713,825</u>	<u>\$ 768,483</u>

See accompanying independent auditor's report.

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KLEINWOOD MUNICIPAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2020

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>588</u>	<u>585</u>	x 1.0	<u>585</u>
1"	<u>218</u>	<u>217</u>	x 2.5	<u>543</u>
1½"	<u>27</u>	<u>27</u>	x 5.0	<u>135</u>
2"	<u>49</u>	<u>48</u>	x 8.0	<u>384</u>
3"	<u>4</u>	<u>4</u>	x 15.0	<u>60</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>5</u>	<u>5</u>	x 50.0	<u>250</u>
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>893</u></u>	<u><u>888</u></u>		<u><u>2,007</u></u>
Total Wastewater Connections	<u><u>840</u></u>	<u><u>836</u></u>	x 1.0	<u><u>836</u></u>

3. TOTAL WATER CONSUMPTION DURING THE CURRENT YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	51,940,000	Water Accountability Ratio: 96.2% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	221,371,000	
Gallons purchased:	178,286,000	From: <u>North Harris County Regional Water Authority</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

Does the District have Operation and Maintenance standby fees? Yes ___ No X

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 15,750
Engineering	145,987
Legal	<u>43,277</u>
TOTAL PROFESSIONAL FEES	<u>\$ 205,014</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Surface Water	\$ 767,915
Purchased Wastewater Service	<u>130,635</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 898,550</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,100
Operations and Billing	62,187
Sales Tax Consultant	10,650
Security	<u>138,894</u>
TOTAL CONTRACTED SERVICES	<u>\$ 229,831</u>
UTILITIES:	
Electricity	\$ 48,827
Telephone	<u>14,146</u>
TOTAL UTILITIES	<u>\$ 62,973</u>
REPAIRS AND MAINTENANCE	<u>\$ 388,368</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 14,533
Insurance	36,108
Office Supplies and Postage	17,308
Other	<u>13,370</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 81,319</u>
CAPITAL OUTLAY	<u>\$ 196,293</u>
OTHER EXPENDITURES:	
Chemicals	\$ 7,533
Laboratory Fees	13,548
Permit Fees	2,166
Inspection and Reconnection Fees	26,777
Water Authority Pumpage Fees	196,412
Regulatory Assessment	<u>3,442</u>
TOTAL OTHER EXPENDITURES	<u>\$ 249,878</u>
TOTAL EXPENDITURES	<u><u>\$ 2,312,226</u></u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MARCH 31, 2020**

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	\$ 1,008,424	\$
TexSTAR	XXXX1110	Varies	Daily	<u>2,506,509</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 3,514,933</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 1,092,734	\$
TexSTAR	XXXX0230	Varies	Daily	<u>542,251</u>	<u> </u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,634,985</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 5,149,918</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2019	\$	17,542	\$	49,270
Adjustments to Beginning				
Balance		<u>(7,893)</u>	\$	<u>9,649</u>
			<u>(21,849)</u>	\$
				27,421
Original 2019 Tax Levy	\$	420,711	\$	975,768
Adjustment to 2019 Tax Levy		<u>33,507</u>	<u>454,218</u>	<u>1,053,481</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	463,867	\$
				1,080,902
TAX COLLECTIONS:				
Prior Years	\$	1,840	\$	5,180
Current Year		<u>440,869</u>	<u>442,709</u>	<u>1,027,701</u>
			<u>1,022,521</u>	<u>1,027,701</u>
TAXES RECEIVABLE -				
MARCH 31, 2020		<u>\$</u>	<u>21,158</u>	<u>\$</u>
				<u>53,201</u>
TAXES RECEIVABLE BY				
YEAR:				
2019		\$	13,349	\$
2018			2,240	30,960
2017			1,678	6,185
2016			1,410	4,951
2015			595	4,030
2014			499	1,891
2013			320	1,524
2012			209	1,037
2011			114	626
2010			120	287
2009			133	299
2008			159	314
2007			161	374
2006			<u>171</u>	<u>359</u>
				<u>364</u>
TOTAL		<u>\$</u>	<u>21,158</u>	<u>\$</u>
				<u>53,201</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 113,215,958	\$ 111,728,578	\$ 106,455,267	\$ 95,343,543
Improvements	367,144,793	347,759,714	350,673,314	346,382,544
Personal Property	20,224,795	19,914,875	22,080,305	21,362,605
Exemptions	<u>(118,887,922)</u>	<u>(116,047,309)</u>	<u>(115,351,841)</u>	<u>(105,603,241)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 381,697,624</u>	<u>\$ 363,355,858</u>	<u>\$ 363,857,045</u>	<u>\$ 357,485,451</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.276	\$ 0.290	\$ 0.295	\$ 0.300
Maintenance	<u>0.119</u>	<u>0.105</u>	<u>0.100</u>	<u>0.105</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.395</u>	<u>\$ 0.395</u>	<u>\$ 0.395</u>	<u>\$ 0.405</u>
ADJUSTED TAX LEVY*	<u>\$ 1,507,699</u>	<u>\$ 1,435,250</u>	<u>\$ 1,437,230</u>	<u>\$ 1,447,810</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.06 %</u>	<u>99.41 %</u>	<u>99.54 %</u>	<u>99.62 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on December 4, 1974.

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

REFUNDING SERIES - 2011

Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2021	\$ 260,000	\$ 25,662	\$ 285,662
2022	265,000	16,300	281,300
2023	275,000	5,500	280,500
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
	<u>\$ 800,000</u>	<u>\$ 47,462</u>	<u>\$ 847,462</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

REFUNDING SERIES - 2012

Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2021	\$ 335,000	\$ 114,475	\$ 449,475
2022	360,000	105,850	465,850
2023	360,000	95,050	455,050
2024	635,000	75,150	710,150
2025	665,000	49,150	714,150
2026	185,000	32,150	217,150
2027	190,000	24,650	214,650
2028	205,000	17,775	222,775
2029	210,000	11,550	221,550
2030	210,000	4,200	214,200
2031			
	<u>\$ 3,355,000</u>	<u>\$ 530,000</u>	<u>\$ 3,885,000</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

REFUNDING SERIES - 2014

Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2021	\$ 20,000	\$ 76,300	\$ 96,300
2022	20,000	75,775	95,775
2023	25,000	75,100	100,100
2024	85,000	73,238	158,238
2025	80,000	70,350	150,350
2026	460,000	60,900	520,900
2027	480,000	44,450	524,450
2028	505,000	27,213	532,213
2029	525,000	9,188	534,188
2030	214,996	340,004	555,000
2031			
	<u>\$ 2,414,996</u>	<u>\$ 852,518</u>	<u>\$ 3,267,514</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

REFUNDING SERIES - 2015

Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2021	\$ 170,000	\$ 67,737	\$ 237,737
2022	160,000	64,438	224,438
2023	170,000	61,137	231,137
2024	175,000	57,469	232,469
2025	180,000	52,800	232,800
2026	320,000	45,300	365,300
2027	325,000	35,625	360,625
2028	335,000	25,725	360,725
2029	340,000	15,600	355,600
2030	350,000	5,250	355,250
2031	<u>509,996</u>	<u>670,004</u>	<u>1,180,000</u>
	<u>\$ 3,034,996</u>	<u>\$ 1,101,085</u>	<u>\$ 4,136,081</u>

See accompanying independent auditor's report.

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**KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 785,000	\$ 284,174	\$ 1,069,174
2022	805,000	262,363	1,067,363
2023	830,000	236,787	1,066,787
2024	895,000	205,857	1,100,857
2025	925,000	172,300	1,097,300
2026	965,000	138,350	1,103,350
2027	995,000	104,725	1,099,725
2028	1,045,000	70,713	1,115,713
2029	1,075,000	36,338	1,111,338
2030	774,996	349,454	1,124,450
2031	509,996	670,004	1,180,000
	<u>\$ 9,604,992</u>	<u>\$ 2,531,065</u>	<u>\$ 12,136,057</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2020**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2019
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2011	\$ 4,625,000	\$ 1,050,000
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2012	3,780,000	3,685,000
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2014	2,544,996	2,434,996
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2015	<u>3,689,996</u>	<u>3,199,996</u>
TOTAL	<u><u>\$ 14,639,992</u></u>	<u><u>\$ 10,369,992</u></u>

Bond Authority:	Tax and Revenue Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 39,310,000	\$ 11,455,000
Amount Issued	<u>19,955,000</u>	<u>2,735,139</u>
Remaining to be Issued	<u><u>\$ 19,355,000</u></u>	<u><u>\$ 8,719,861</u></u>

Debt Service Fund cash and investment balances as of March 31, 2020: \$ 1,843,035

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,103,278

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 250,000	\$ 33,475	\$ 800,000	Wells Fargo Bank, N.A. Houston, TX
	330,000	122,450	3,355,000	Wells Fargo Bank, N.A. Dallas, TX
	20,000	76,725	2,414,996	Wells Fargo Bank, N.A. Minneapolis, MN
	<u>165,000</u>	<u>71,087</u>	<u>3,034,996</u>	Bank of New York Mellon Trust Co., N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 765,000</u>	<u>\$ 303,737</u>	<u>\$ 9,604,992</u>	

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 392,491	\$ 317,628	\$ 315,913
Water Service	450,439	397,742	521,473
Wastewater Service	216,071	213,667	211,771
Water Authority Fee	933,807	772,069	626,478
Penalty and Interest	12,857	15,301	9,656
Tap Connection and Inspection Fees	142,800	47,300	144,259
Water Authority Credits	110,246	110,246	110,246
Sales Tax Revenues	306,512	305,340	317,824
Investment and Miscellaneous Revenues	122,486	103,802	27,245
TOTAL REVENUES	\$ 2,687,709	\$ 2,283,095	\$ 2,284,865
EXPENDITURES			
Professional Fees	\$ 205,014	\$ 206,966	\$ 158,552
Contracted Services	229,831	228,324	224,964
Purchased Surface Water	767,915	625,945	666,070
Purchased Wastewater Service	130,635	125,891	135,742
Utilities	62,973	60,451	66,035
Water Authority Pumpage Fees	196,412	216,012	213,292
Repairs and Maintenance	388,368	320,250	194,617
Other	134,785	140,927	196,856
Capital Outlay	196,293	1,131,053	210,105
TOTAL EXPENDITURES	\$ 2,312,226	\$ 3,055,819	\$ 2,066,233
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 375,483	\$ (772,724)	\$ 218,632
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 375,483	\$ (772,724)	\$ 218,632
BEGINNING FUND BALANCE	3,338,342	4,111,066	3,892,434
ENDING FUND BALANCE	\$ 3,713,825	\$ 3,338,342	\$ 4,111,066

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2017	2016	2020	2019	2018	2017	2016		
\$ 303,046	\$ 311,509	14.6 %	13.9 %	13.9 %	15.3 %	16.4 %		
401,260	411,346	16.8	17.4	22.8	20.3	21.6		
215,073	221,994	8.0	9.4	9.3	10.9	11.6		
515,672	454,127	34.7	33.8	27.4	26.1	23.8		
9,055	9,524	0.5	0.7	0.4	0.5	0.5		
27,511	54,228	5.3	2.1	6.3	1.4	2.8		
110,246	110,246	4.1	4.8	4.8	5.6	5.8		
343,445	311,936	11.4	13.4	13.9	17.4	16.4		
48,773	21,677	4.6	4.5	1.2	2.5	1.1		
<u>\$ 1,974,081</u>	<u>\$ 1,906,587</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 132,786	\$ 265,339	7.6 %	9.1 %	6.9 %	6.7 %	13.9 %		
218,316	201,387	8.6	10.0	9.9	11.1	10.5		
465,971	417,603	28.6	27.4	29.2	23.6	21.9		
127,002	91,489	4.9	5.5	5.9	6.4	4.8		
65,093	77,340	2.4	2.7	2.9	3.3	4.1		
163,541	142,928	7.3	9.5	9.3	8.3	7.5		
326,813	416,657	14.4	14.0	8.5	16.6	21.9		
125,288	180,323	5.0	6.2	8.6	6.3	9.4		
248,242	241,337	7.3	49.5	9.2	12.6	12.7		
<u>\$ 1,873,052</u>	<u>\$ 2,034,403</u>	<u>86.1 %</u>	<u>133.9 %</u>	<u>90.4 %</u>	<u>94.9 %</u>	<u>106.7 %</u>		
<u>\$ 101,029</u>	<u>\$ (127,816)</u>	<u>13.9 %</u>	<u>(33.9) %</u>	<u>9.6 %</u>	<u>5.1 %</u>	<u>(6.7) %</u>		
<u>\$ (85,000)</u>	<u>\$ - 0 -</u>							
\$ 16,029	\$ (127,816)							
<u>3,876,405</u>	<u>4,004,221</u>							
<u>\$ 3,892,434</u>	<u>\$ 3,876,405</u>							

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,027,701	\$ 1,012,472	\$ 1,073,641
Penalty and Interest	10,389	7,887	9,476
Investment and Miscellaneous Revenues	<u>24,732</u>	<u>25,952</u>	<u>16,154</u>
TOTAL REVENUES	<u>\$ 1,062,822</u>	<u>\$ 1,046,311</u>	<u>\$ 1,099,271</u>
EXPENDITURES			
Other Expenditures	\$ 58,922	\$ 48,692	\$ 51,519
Debt Service Principal	765,000	740,000	720,000
Debt Service Interest and Fees	308,337	327,650	344,275
Bond Issuance Costs			
TOTAL EXPENDITURES	<u>\$ 1,132,259</u>	<u>\$ 1,116,342</u>	<u>\$ 1,115,794</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (69,437)</u>	<u>\$ (70,031)</u>	<u>\$ (16,523)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$	\$
Proceeds from Sale of Refunding Bonds			
Transfer to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (69,437)	\$ (70,031)	\$ (16,523)
BEGINNING FUND BALANCE	<u>1,863,306</u>	<u>1,933,337</u>	<u>1,949,860</u>
ENDING FUND BALANCE	<u>\$ 1,793,869</u>	<u>\$ 1,863,306</u>	<u>\$ 1,933,337</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>888</u>	<u>884</u>	<u>884</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>836</u>	<u>834</u>	<u>847</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 1,007,147	\$ 1,111,137	96.7 %	96.7 %	97.6 %	97.7 %	99.0 %
17,884	9,107	1.0	0.8	0.9	1.7	0.8
<u>5,991</u>	<u>2,140</u>	<u>2.3</u>	<u>2.5</u>	<u>1.5</u>	<u>0.6</u>	<u>0.2</u>
<u>\$ 1,031,022</u>	<u>\$ 1,122,384</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 76,189	\$ 50,204	5.5 %	4.7 %	4.7 %	7.4 %	4.5 %
730,000	635,000	72.0	70.7	65.5	70.8	56.6
359,400	380,313	29.0	31.3	31.3	34.9	33.9
	<u>152,629</u>					<u>13.6</u>
<u>\$ 1,165,589</u>	<u>\$ 1,218,146</u>	<u>106.5 %</u>	<u>106.7 %</u>	<u>101.5 %</u>	<u>113.1 %</u>	<u>108.6 %</u>
<u>\$ (134,567)</u>	<u>\$ (95,762)</u>	<u>(6.5) %</u>	<u>(6.7) %</u>	<u>(1.5) %</u>	<u>(13.1) %</u>	<u>(8.6) %</u>
\$ 85,000	\$					
	3,689,996					
	(3,740,960)					
	<u>210,139</u>					
<u>\$ 85,000</u>	<u>\$ 159,175</u>					
\$ (49,567)	\$ 63,413					
<u>1,999,427</u>	<u>1,936,014</u>					
<u>\$ 1,949,860</u>	<u>\$ 1,999,427</u>					
<u>877</u>	<u>876</u>					
<u>832</u>	<u>828</u>					

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020**

District Mailing Address - Kleinwood Municipal Utility District
Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, TX 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2020	Expense Reimbursements for the year ended March 31, 2020	Title
David Guerrero	05/19 05/23 (Elected)	\$ 3,000	\$ 1,441	President
Jeff Gobbell	05/19 05/23 (Elected)	\$ 3,300	\$ -0-	Vice President
Joseph Fratangelo	05/19 05/23 (Elected)	\$ 3,750	\$ -0-	Secretary/ Treasurer
Sherry Allard	05/17 05/21 (Elected)	\$ 1,650	\$ -0-	Assistant Vice President/ Assistant Secretary
Robert Ehmann	05/17 05/21 (Elected)	\$ 1,800	\$ -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: June 27, 2020

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

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2020</u>	<u>Title</u>
Coats Rose, P.C.	07/24/80	\$ 43,277	General Counsel
McCall Gibson Swedlund Barfoot PLLC	03/26/15	\$ 15,750	Auditor
Claudia Redden & Associates, LLC	02/28/78	\$ 25,056	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/25/02	\$ 3,025	Delinquent Tax Attorney
Jones & Carter, Inc.	02/22/79	\$ 200,060	Engineer
Blich Associates, Inc.	03/11/97	\$ -0-	Financial Advisor
Environmental Development Partners	04/11/08	\$ 298,920	Operator
Wheeler & Associates	12/17/75	\$ 31,753	Tax Assessor/ Collector
Harris County	Annually	\$ 140,586	Security

See accompanying independent auditor's report.

