

KLEINWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

KLEINWOOD MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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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

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

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, 2021, 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, 2021, 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 22, 2021

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

Management's discussion and analysis of the financial performance of Kleinwood Municipal Utility District (the "District") provides an overview of the District's financial activities for the year ended March 31, 2021. 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, 2021**

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 of resources exceeded liabilities and deferred inflows of resources by \$7,939,640 as of March 31, 2021. 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, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 6,703,384	\$ 6,989,057	\$ (285,673)
Capital Assets (Net of Accumulated Depreciation)	11,161,836	10,608,046	553,790
Total Assets	\$ 17,865,220	\$ 17,597,103	\$ 268,117
Deferred Outflows of Resources	\$ 84,670	\$ 93,432	\$ (8,762)
Bonds Payable	\$ 9,007,676	\$ 9,816,277	\$ 808,601
Other Liabilities	883,133	787,780	(95,353)
Total Liabilities	\$ 9,890,809	\$ 10,604,057	\$ 713,248
Deferred Inflows of Resources	\$ 119,441	\$ -0-	\$ (119,441)
Net Position:			
Net Investment in Capital Assets	\$ 1,618,107	\$ 430,690	\$ 1,187,417
Restricted	1,776,349	1,812,020	(35,671)
Unrestricted	4,545,184	4,843,768	(298,584)
Total Net Position	\$ 7,939,640	\$ 7,086,478	\$ 853,162

The following table provides a summary of the District's operations for the years ended March 31, 2021, and March 31, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,562,036	\$ 1,427,739	\$ 134,297
Charges for Services	1,671,339	1,769,054	(97,715)
Other Revenues	574,626	513,660	60,966
Total Revenues	\$ 3,808,001	\$ 3,710,453	\$ 97,548
Expenses for Services	2,954,839	2,856,911	(97,928)
Change in Net Position	\$ 853,162	\$ 853,542	\$ (380)
Net Position, Beginning of Year	7,086,478	6,232,936	853,542
Net Position, End of Year	\$ 7,939,640	\$ 7,086,478	\$ 853,162

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2021, was \$5,217,931, a decrease of \$289,763 from the prior fiscal year.

The General Fund fund balance decreased by \$247,936, primarily due to operating costs and capital outlay exceeding property tax revenues, sales tax revenues and service revenues.

The Debt Service Fund fund balance decreased by \$41,827, primarily due to the structure of the District's outstanding debt and the impact of issuing the Series 2020 Refunding Bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$65,591 more than budgeted revenues and actual expenditures were \$395,727 less than budgeted expenditures which resulted in a positive variance of \$642,920. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2021, total \$11,161,836 (net of accumulated depreciation) and also include land, buildings and equipment, and the water and wastewater facilities. Current year capital asset activity included rehabilitation and improvements to District infrastructure as well as the District's share of improvements to facilities shared with other districts.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,526,486	\$ 1,526,486	\$
Construction in Progress	488,481	77,800	410,681
Capital Assets, Net of Accumulated Depreciation:			
Building and Equipment	195,901	207,934	(12,033)
Water System	4,951,626	5,091,413	(139,787)
Wastewater System	3,999,342	3,704,413	294,929
Total Net Capital Assets	<u>\$ 11,161,836</u>	<u>\$ 10,608,046</u>	<u>\$ 553,790</u>

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

LONG-TERM DEBT ACTIVITY

As of March 31, 2021, the District had total bonds payable of \$8,699,992. The changes in bonds payable during the year ended March 31, 2021, are summarized as follows:

Bond Debt Payable, April 1, 2020	\$ 9,604,992
Add: Refunding Bond Sale	3,080,000
Less: Bonds Refunded	3,200,000
Less: Bond Principal Paid	<u>785,000</u>
Bond Debt Payable, March 31, 2021	<u><u>\$ 8,699,992</u></u>

The District carries an underlying rating of "A2". The District's Series 2012 Refunding and 2020 Refunding bonds carry insured ratings of "A2" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The District's Series 2014 Refunding and 2015 Refunding 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, 2021.

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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 69,283	\$ 173,812
Investments	3,409,042	1,631,308
Receivables:		
Property Taxes	23,492	52,337
Penalty and Interest on Delinquent Taxes		
Service Accounts	117,288	
Sales Tax Receipts	66,521	
Other	700	
Due from Other Funds	28,840	
Water Authority Capital Contributions Receivable		
Chloramination Credit Receivable		
Prepaid Costs	70,553	
Operating Advance	17,473	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 3,803,192</u>	<u>\$ 1,857,457</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,803,192</u>	<u>\$ 1,857,457</u>

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>
\$ 243,095	\$	\$ 243,095
5,040,350		5,040,350
75,829		75,829
	15,772	15,772
117,288		117,288
66,521		66,521
700		700
28,840	(28,840)	
	804,236	804,236
	251,567	251,567
70,553		70,553
17,473		17,473
	1,526,486	1,526,486
	488,481	488,481
	<u>9,146,869</u>	<u>9,146,869</u>
<u>\$ 5,660,649</u>	<u>\$ 12,204,571</u>	<u>\$ 17,865,220</u>
<u>\$ - 0 -</u>	<u>\$ 84,670</u>	<u>\$ 84,670</u>
<u><u>\$ 5,660,649</u></u>	<u><u>\$ 12,289,241</u></u>	<u><u>\$ 17,949,890</u></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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 210,335	\$
Accrued Interest Payable		
Due to Other Funds		28,840
Due to Taxpayers		24,238
Security Deposits	103,476	
Accrued Interest on Compound Interest Bonds		
Long-term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 313,811</u>	<u>\$ 53,078</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 23,492	\$ 52,337
Deferred Revenues on Refunding Bonds		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 23,492</u>	<u>\$ 52,337</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 70,553	\$
Operating Advance	17,473	
Restricted for Debt Service		1,752,042
Committed for Construction	81,407	
Assigned to 2022 Budget	142,471	
Unassigned	3,153,985	
TOTAL FUND BALANCES	<u>\$ 3,465,889</u>	<u>\$ 1,752,042</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,803,192</u>	<u>\$ 1,857,457</u>
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>
\$ 210,335	\$	\$ 210,335
	43,802	43,802
28,840	(28,840)	
24,238		24,238
103,476		103,476
	501,282	501,282
	795,000	795,000
	8,212,676	8,212,676
<u>\$ 366,889</u>	<u>\$ 9,523,920</u>	<u>\$ 9,890,809</u>
 \$ 75,829	 \$ (75,829)	 \$
	119,441	119,441
<u>\$ 75,829</u>	<u>\$ 43,612</u>	<u>\$ 119,441</u>
 \$ 70,553	 \$ (70,553)	 \$
17,473	(17,473)	
1,752,042	(1,752,042)	
81,407	(81,407)	
142,471	(142,471)	
3,153,985	(3,153,985)	
<u>\$ 5,217,931</u>	<u>\$ (5,217,931)</u>	<u>\$ - 0 -</u>
 <u>\$ 5,660,649</u>		
	\$ 1,618,107	\$ 1,618,107
	1,776,349	1,776,349
	4,545,184	4,545,184
	<u>\$ 7,939,640</u>	<u>\$ 7,939,640</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, 2021

Total Fund Balances - Governmental Funds	\$	5,217,931
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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.		1,055,803
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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.		11,161,836
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Certain costs associated with refunding bond sales are recorded as deferred outflows of resources or deferred inflows of resources in the governmental activities and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.		(34,771)
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District.		91,601
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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	\$ (545,084)	
Bonds Payable	(9,007,676)	(9,552,760)

Total Net Position - Governmental Activities	\$	7,939,640
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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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 496,713	\$ 1,063,853
Water Service	422,732	
Wastewater Service	209,142	
Water Authority Fees	945,744	
Penalty and Interest	9,769	12,098
Tap Connection and Inspection Fees	70,230	
Water Authority Credits	110,246	
Sales Tax Revenues	320,121	
Contributions		
Investment and Miscellaneous Revenues	12,840	2,799
TOTAL REVENUES	<u>\$ 2,597,537</u>	<u>\$ 1,078,750</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 245,389	\$ 5,952
Contracted Services	236,547	41,152
Purchased Surface Water	819,013	
Purchased Wastewater Service	159,905	
Utilities	74,716	
Water Authority Pumpage Fees	140,680	
Repairs and Maintenance	203,861	
Depreciation		
Other	139,796	10,734
Capital Outlay	926,358	
Debt Service:		
Bond Principal		785,000
Bond Interest		277,739
Bond Issuance Costs	80,810	137,003
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,027,075</u>	<u>\$ 1,257,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ (429,538)</u>	<u>\$ (178,830)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from Sale of Refunding Bonds	\$	\$ 3,080,000
Transfer to Refunded Bond Escrow Agent		(3,201,376)
Bond Premium		258,379
Contributed by Other Governmental Units	181,602	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 181,602</u>	<u>\$ 137,003</u>
NET CHANGE IN FUND BALANCES	<u>\$ (247,936)</u>	<u>\$ (41,827)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2020	<u>3,713,825</u>	<u>1,793,869</u>
FUND BALANCES/NET POSITION - MARCH 31, 2021	<u>\$ 3,465,889</u>	<u>\$ 1,752,042</u>

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

Total	Adjustments	Statement of Activities
\$ 1,560,566	\$ 1,470	\$ 1,562,036
422,732		422,732
209,142		209,142
945,744		945,744
21,867	1,624	23,491
70,230		70,230
110,246	(52,982)	57,264
320,121		320,121
	181,602	181,602
15,639		15,639
<u>\$ 3,676,287</u>	<u>\$ 131,714</u>	<u>\$ 3,808,001</u>
\$ 251,341	\$	\$ 251,341
277,699		277,699
819,013		819,013
159,905		159,905
74,716		74,716
140,680		140,680
203,861		203,861
	372,568	372,568
150,530		150,530
926,358	(926,358)	
785,000	(785,000)	
277,739	16,347	294,086
217,813	(7,373)	210,440
<u>\$ 4,284,655</u>	<u>\$ (1,329,816)</u>	<u>\$ 2,954,839</u>
<u>\$ (608,368)</u>	<u>\$ 1,461,530</u>	<u>\$ 853,162</u>
\$ 3,080,000	\$ (3,080,000)	\$
(3,201,376)	3,201,376	
258,379	(258,379)	
181,602	(181,602)	
<u>\$ 318,605</u>	<u>\$ (318,605)</u>	<u>\$ -0-</u>
\$ (289,763)	\$ 289,763	\$
	853,162	853,162
5,507,694	1,578,784	7,086,478
<u>\$ 5,217,931</u>	<u>\$ 2,721,709</u>	<u>\$ 7,939,640</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, 2021**

Net Change in Fund Balances - Governmental Funds	\$ (289,763)
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.	1,470
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.	1,624
Governmental funds report the receipt of capital contributions as revenues in the period received. However, in the Statement of Net Position, repayments reduce long-term receivables.	(52,982)
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.	(372,568)
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.	926,358
Governmental funds report bond premiums as other financing sources in the year paid. However, in the Statement of Net Position, the bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(258,379)
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.	785,000
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.	(8,974)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(3,080,000)
Governmental funds report the transfer to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	3,201,376
Change in Net Position - Governmental Activities	<u>\$ 853,162</u>

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, 2021

NOTE 1. CREATION OF DISTRICT

Kleinwood Municipal Utility District was created by order of the Texas Water Rights Commission, predecessor to the TCEQ, dated May 3, 1972. The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City, the TCEQ and the District's voters of the District's plans in such regard. The District may also provide for waste collection and disposal service, operate and maintain recreational facilities and contract for its own peace officers with power to make arrests when necessary to prevent or abate the commission of any offense against the rules of the District or District property. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

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 other utility districts as described 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, 2021

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, 2021

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, 2021, the Debt Service Fund owed the General Fund \$28,840 for maintenance tax collections and bond issuance 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.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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:

	<u>Years</u>
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, 2021

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 committed \$81,407 of its General Fund fund balance for the remaining sanitary sewer rehabilitation, phase 1 construction costs.

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, 2021, \$142,471 has been assigned to cover the 2022 budgeted deficit.

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, 2021

NOTE 3. LONG-TERM DEBT

	Refunding Series 2012	Refunding Series 2014	
		Current Interest	Compound Interest
Amount Outstanding – March 31, 2021	\$ 360,000	\$ 2,180,000	\$ 214,996
Interest Rates	2.00%	3.00% - 3.50%	4.10%
Maturity Dates – Serially Beginning/Ending	August 1, 2021	August 1, 2021/2028	August 1, 2029
Interest Payment Dates	August 1/ February 1	August 1/ February 1	At Maturity
Callable Dates	August 1, 2020*	August 1, 2022*	N/A*

	Refunding Series 2015		Series 2020 Refunding
	Current Interest	Compound Interest	
Amount Outstanding – March 31, 2021	\$ 2,355,000	\$ 509,996	\$ 3,080,000
Interest Rates	2.00% - 3.00%	3.75%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	August 1, 2021/2029	August 1, 2030	August 1, 2021/2029
Interest Payment Dates	August 1/ February 1	At Maturity	August 1/ February 1
Callable Dates	August 1, 2023*	N/A*	August 1, 2026*

* Or any date thereafter at a price of par plus unpaid accrued interest to the date fixed for redemption. 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, 2021, the accreted value of these bonds is \$394,706, which includes accrued interest of \$179,710. 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, 2021, the accreted value of these bonds is \$831,569, which includes accrued interest of \$321,573. Interest on these bonds will be paid at maturity.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2021:

	April 1, 2020	Additions	Retirements	March 31, 2021
Bonds Payable	\$ 9,604,992	\$ 3,080,000	\$ 3,985,000	\$ 8,699,992
Unamortized Premiums	211,285	258,379	161,980	307,684
Bonds Payable, Net	<u>\$ 9,816,277</u>	<u>\$ 3,338,379</u>	<u>\$ 4,146,980</u>	<u>\$ 9,007,676</u>
		Amount Due Within One Year		\$ 795,000
		Amount Due After One Year		8,212,676
		Bonds Payable, Net		<u>\$ 9,007,676</u>

As of March 31, 2021, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 795,000	\$ 252,213	\$ 1,047,213
2023	820,000	227,037	1,047,037
2024	885,000	196,507	1,081,507
2025	910,000	163,450	1,073,450
2026	950,000	130,100	1,080,100
2027-2031	4,339,992	1,208,509	5,548,501
	<u>\$ 8,699,992</u>	<u>\$ 2,177,816</u>	<u>\$ 10,877,808</u>

As of March 31, 2021, the District had authorized but unissued bonds in the amount of \$19,355,000 for facilities and \$8,486,584 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, 2021, 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 \$1,084,765 on the adjusted taxable valuation of \$393,032,562 for the 2020 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, 2021

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 \$243,095 and the bank balance was \$294,242. 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, 2021, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 69,283
DEBT SERVICE FUND	<u>173,812</u>
TOTAL DEPOSITS	<u><u>\$ 243,095</u></u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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 cost. 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, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 2021, 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	\$ 898,817	\$ 898,817
TexSTAR	2,510,225	2,510,225
<u>DEBT SERVICE FUND</u>		
TexPool	1,088,253	1,088,253
TexSTAR	543,055	543,055
TOTAL INVESTMENTS	<u>\$ 5,040,350</u>	<u>\$ 5,040,350</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2021, 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, 2021

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2021 is as follows:

	April 1, 2020	Increases	Decreases	March 31, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,526,486	\$	\$	\$ 1,526,486
Construction in Progress	<u>77,800</u>	<u>926,358</u>	<u>515,677</u>	<u>488,481</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,604,286</u>	<u>\$ 926,358</u>	<u>\$ 515,677</u>	<u>\$ 2,014,967</u>
Capital Assets Subject to Depreciation				
Building and Equipment	\$ 464,605	\$	\$	\$ 464,605
Water System	7,326,682	44,800		7,371,482
Wastewater System	<u>5,483,390</u>	<u>470,877</u>		<u>5,954,267</u>
Total Capital Assets Subject to Depreciation	<u>\$ 13,274,677</u>	<u>\$ 515,677</u>	<u>\$ - 0 -</u>	<u>\$ 13,790,354</u>
Accumulated Depreciation				
Building and Equipment	\$ 256,671	\$ 12,033	\$	\$ 268,704
Water System	2,235,269	184,587		2,419,856
Wastewater System	<u>1,778,977</u>	<u>175,948</u>		<u>1,954,925</u>
Total Accumulated Depreciation	<u>\$ 4,270,917</u>	<u>\$ 372,568</u>	<u>\$ - 0 -</u>	<u>\$ 4,643,485</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,003,760</u>	<u>\$ 143,109</u>	<u>\$ - 0 -</u>	<u>\$ 9,146,869</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 10,608,046</u></u>	<u><u>\$ 1,069,467</u></u>	<u><u>\$ 515,677</u></u>	<u><u>\$ 11,161,836</u></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, 2021, the District levied an ad valorem maintenance tax rate of \$0.143 per \$100 of assessed valuation, which resulted in a tax levy of \$562,034 on the adjusted taxable valuation of \$393,032,562 for the 2020 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. The Authority currently charges \$4.25 per 1,000 gallons of water for pumpage fees and \$4.70 per 1,000 gallons of purchased surface water. During the current fiscal year, the District incurred costs totaling \$140,680 for pumpage fees and \$819,013 for purchased surface water.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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 \$46,450. Future repayments of capital contributions are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	59,782	28,624	88,406
2027-2031	348,661	93,369	442,030
2032-2034	184,673	10,900	195,573
	<u>\$ 804,236</u>	<u>\$ 275,397</u>	<u>\$ 1,079,633</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, \$6,532 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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,935	\$ 14,905	\$ 21,840
2023	7,363	14,477	21,840
2024	7,816	14,024	21,840
2025	8,299	13,541	21,840
2026	8,811	13,029	21,840
2027-2031	51,455	57,745	109,200
2032-2036	68,810	40,390	109,200
2037-2041	92,078	16,701	108,779
	<u>\$ 251,567</u>	<u>\$ 184,812</u>	<u>\$ 436,379</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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, 2021, the District recorded revenues of \$320,121 from the City of Houston.

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. 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 \$159,905 and capital project costs of \$470,877 were incurred by the District for the year ended March 31, 2021. The following summary financial data of the Plant is presented for the year ended May 31, 2020. Additional information can be obtained by contacting the Board’s attorneys, Young & Brooks.

Total Assets	\$ 262,191
Total Liabilities	<u>145,704</u>
Total Fund Balance	<u>\$ 116,487</u>
Total Revenues	\$ 1,426,704
Total Expenditures	<u>1,426,704</u>
Net Change in Fund Balance	\$ -0-
Fund Balance – June 1, 2019	<u>116,487</u>
Fund Balance – May 31, 2020	<u>\$ 116,487</u>

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 11. WATER SUPPLY AND WASTE DISPOSAL AGREEMENTS

On December 9, 1982, the District entered into a contract with Cypress Forest Public Utility District 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.

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. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 14. REFUNDING BOND SALE

On August 5, 2020, the District closed on the sale of its \$3,080,000 Series 2020 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds. Proceeds were used to refund: \$540,000 of the Series 2011 Refunding Bonds with maturities of 2021 - 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 - 2029, interest rates of 3.00% - 4.00% and a redemption date of August 5, 2020. The refunding resulted in gross debt service savings of \$195,511 and net present value savings of \$164,281.

NOTE 15. SUBSEQUENT EVENT - BOND SALE

On or about July 29, 2021, subsequent to year-end, the District anticipates closing on its \$2,810,000 Series 2021 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds. Proceeds will be used for: the sanitary sewer rehabilitation, phases I and II; the District's share of a reclaimed water system; related engineering and contingencies; capitalized interest; and issuance costs of the bonds.

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KLEINWOOD MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2021

KLEINWOOD MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 300,000	\$ 496,713	\$ 196,713
Water Service	460,000	422,732	(37,268)
Wastewater Service	220,000	209,142	(10,858)
Water Authority Fees	950,000	945,744	(4,256)
Penalty and Interest	16,000	9,769	(6,231)
Tap Connection and Inspection Fees	50,000	70,230	20,230
Sales Tax Revenues	350,000	320,121	(29,879)
Investment and Miscellaneous Revenues	<u>75,700</u>	<u>12,840</u>	<u>(62,860)</u>
TOTAL REVENUES	<u>\$ 2,421,700</u>	<u>\$ 2,487,291</u>	<u>\$ 65,591</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 296,000	\$ 245,389	\$ 50,611
Contracted Services	238,000	236,547	1,453
Purchased Water, Net of Credits	889,756	849,447	40,309
Purchased Wastewater Service	190,000	159,905	30,095
Utilities	76,100	74,716	1,384
Repairs and Maintenance	272,900	203,861	69,039
Other	183,800	220,606	(36,806)
Capital Outlay	<u>1,166,000</u>	<u>926,358</u>	<u>239,642</u>
TOTAL EXPENDITURES	<u>\$ 3,312,556</u>	<u>\$ 2,916,829</u>	<u>\$ 395,727</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (890,856)</u>	<u>\$ (429,538)</u>	<u>\$ 461,318</u>
OTHER FINANCING SOURCES(USES)			
Contributed by Other Governmental Unit	<u>\$ -0-</u>	<u>\$ 181,602</u>	<u>\$ 181,602</u>
NET CHANGE IN FUND BALANCE	<u>\$ (890,856)</u>	<u>\$ (247,936)</u>	<u>\$ 642,920</u>
FUND BALANCE - APRIL 1, 2020	<u>3,713,825</u>	<u>3,713,825</u>	<u></u>
FUND BALANCE - MARCH 31, 2021	<u><u>\$ 2,822,969</u></u>	<u><u>\$ 3,465,889</u></u>	<u><u>\$ 642,920</u></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, 2021

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2021**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>589</u>	<u>588</u>	x 1.0	<u>588</u>
1"	<u>218</u>	<u>217</u>	x 2.5	<u>543</u>
1½"	<u>28</u>	<u>28</u>	x 5.0	<u>140</u>
2"	<u>47</u>	<u>46</u>	x 8.0	<u>368</u>
3"	<u>5</u>	<u>5</u>	x 15.0	<u>75</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>894</u>	<u>891</u>		<u>2,014</u>
Total Wastewater Connections	<u>841</u>	<u>839</u>	x 1.0	<u>839</u>

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

Gallons pumped into system:	33,672,000	Water Accountability Ratio: 98% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	207,031,000	
Gallons purchased:	177,573,000	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, 2021**

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ 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 ☒

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2021**

PROFESSIONAL FEES:	
Auditing	\$ 16,250
Engineering	78,537
Legal	<u>150,602</u>
TOTAL PROFESSIONAL FEES	<u>\$ 245,389</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Surface Water	\$ 819,013
Purchased Wastewater Service	<u>159,905</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 978,918</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 19,900
Operations and Billing	58,938
Sales Tax Consultant	12,300
Security	<u>145,409</u>
TOTAL CONTRACTED SERVICES	<u>\$ 236,547</u>
UTILITIES	<u>\$ 74,716</u>
REPAIRS AND MAINTENANCE	<u>\$ 203,861</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 13,852
Insurance	32,418
Office Supplies and Postage	17,930
Other	<u>15,108</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 79,308</u>
CAPITAL OUTLAY	<u>\$ 926,358</u>
OTHER EXPENDITURES:	
Chemicals	\$ 5,592
Laboratory Fees	15,127
Permit Fees	2,274
Tap Connection, Inspection and Reconnection Fees	34,368
Water Authority Pumpage Fees	140,680
Regulatory Assessment	<u>3,127</u>
TOTAL OTHER EXPENDITURES	<u>\$ 201,168</u>
BOND ISSUANCE COSTS	<u>\$ 80,810</u>
TOTAL EXPENDITURES	<u>\$ 3,027,075</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MARCH 31, 2021

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 898,817	\$
TexSTAR	XXXX1110	Varies	Daily	<u>2,510,225</u>	<u></u>
TOTAL GENERAL FUND				<u>\$ 3,409,042</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 1,088,253	\$
TexSTAR	XXXX0230	Varies	Daily	<u>543,055</u>	<u></u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,631,308</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 5,040,350</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, 2021

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
APRIL 1, 2020	\$	21,158	\$	53,201
Adjustments to Beginning				
Balance		<u>(9,355)</u>		<u>(21,776)</u>
	\$	11,803	\$	31,425
Original 2020 Tax Levy	\$	503,766	\$	972,304
Adjustment to 2020 Tax Levy		<u>58,268</u>		<u>112,461</u>
		562,034		1,084,765
TOTAL TO BE				
ACCOUNTED FOR		\$ 573,837		\$ 1,116,190
TAX COLLECTIONS:				
Prior Years	\$	1,953	\$	5,419
Current Year		<u>548,391</u>		<u>1,058,434</u>
		550,344		1,063,853
TAXES RECEIVABLE -				
MARCH 31, 2021		<u>\$ 23,493</u>		<u>\$ 52,337</u>
TAXES RECEIVABLE BY				
YEAR:				
2020	\$	13,643	\$	26,331
2019		3,700		8,582
2018		1,551		4,284
2017		1,179		3,479
2016		1,305		3,728
2015		503		1,598
2014 and prior		<u>1,612</u>		<u>4,335</u>
TOTAL	\$	<u>23,493</u>	\$	<u>52,337</u>

Note: Maintenance tax collections include \$53,631 collected on behalf of and remitted to other entities in accordance with contractual provisions.

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PROPERTY VALUATIONS:				
Land	\$ 114,132,608	\$ 113,215,958	\$ 111,728,578	\$ 106,455,267
Improvements	380,233,369	367,144,793	347,759,714	350,673,314
Personal Property	18,967,197	20,224,795	19,914,875	22,080,305
Exemptions	<u>(120,300,612)</u>	<u>(118,887,922)</u>	<u>(116,047,309)</u>	<u>(115,351,841)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 393,032,562</u>	<u>\$ 381,697,624</u>	<u>\$ 363,355,858</u>	<u>\$ 363,857,045</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.276	\$ 0.276	\$ 0.290	\$ 0.295
Maintenance	<u>0.143</u>	<u>0.119</u>	<u>0.105</u>	<u>0.100</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.419</u>	<u>\$ 0.395</u>	<u>\$ 0.395</u>	<u>\$ 0.395</u>
ADJUSTED TAX LEVY*	<u>\$ 1,646,799</u>	<u>\$ 1,507,699</u>	<u>\$ 1,435,250</u>	<u>\$ 1,437,230</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.57 %</u>	<u>99.19 %</u>	<u>99.59 %</u>	<u>99.68 %</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, 2021

REFUNDING SERIES - 2012				
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total	
2022	\$ 360,000	\$ 3,600	\$	363,600
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
	<u>\$ 360,000</u>	<u>\$ 3,600</u>	<u>\$</u>	<u>363,600</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

REFUNDING SERIES - 2014			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
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>\$ 2,394,996</u>	<u>\$ 776,218</u>	<u>\$ 3,171,214</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

REFUNDING SERIES - 2015			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
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	509,996	670,004	1,180,000
	<u>\$ 2,864,996</u>	<u>\$ 1,033,348</u>	<u>\$ 3,898,344</u>

See accompanying independent auditor's report.

KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

REFUNDING - SERIES - 2020			
Due During Fiscal Years Ending March 31	Principal Due August 1	Interest Due August 1/ February 1	Total
2022	\$ 255,000	\$ 108,400	\$ 363,400
2023	625,000	90,800	715,800
2024	625,000	65,800	690,800
2025	650,000	40,300	690,300
2026	170,000	23,900	193,900
2027	175,000	17,000	192,000
2028	190,000	10,650	200,650
2029	195,000	5,850	200,850
2030	195,000	1,950	196,950
2031			
	<u>\$ 3,080,000</u>	<u>\$ 364,650</u>	<u>\$ 3,444,650</u>

See accompanying independent auditor's report.

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KLEINWOOD MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 795,000	\$ 252,213	\$ 1,047,213
2023	820,000	227,037	1,047,037
2024	885,000	196,507	1,081,507
2025	910,000	163,450	1,073,450
2026	950,000	130,100	1,080,100
2027	980,000	97,075	1,077,075
2028	1,030,000	63,588	1,093,588
2029	1,060,000	30,638	1,090,638
2030	759,996	347,204	1,107,200
2031	509,996	670,004	1,180,000
	<u>\$ 8,699,992</u>	<u>\$ 2,177,816</u>	<u>\$ 10,877,808</u>

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2021**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2020
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2011	\$ 4,625,000	\$ 800,000
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2012	3,780,000	3,355,000
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2014	2,544,996	2,414,996
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2015	3,689,996	3,034,996
Kleinwood Municipal Utility District		
Waterworks and Sewer System Combination		
Unlimited Tax and Revenue Refunding Bonds - Series 2020	<u>3,080,000</u>	
TOTAL	<u>\$ 17,719,992</u>	<u>\$ 9,604,992</u>
	Tax and	
Bond Authority:	Revenue Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 39,310,000	\$ 11,455,000
Amount Issued	<u>19,955,000</u>	<u>2,968,416</u>
Remaining to be Issued	<u>\$ 19,355,000</u>	<u>\$ 8,486,584</u>
Debt Service Fund cash and investment balances as of March 31, 2021:		<u>\$ 1,805,120</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 1,087,781</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>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2021</u>	<u>Paying Agent</u>	
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 800,000	\$ 14,863	\$ -0-	Wells Fargo Bank, N.A. Houston, TX	
	2,995,000	63,350	360,000	Wells Fargo Bank, N.A. Dallas, TX	
	20,000	76,300	2,394,996	Wells Fargo Bank, N.A. Minneapolis, MN	
	170,000	67,737	2,864,996	Bank of New York Mellon Trust Co., N.A. Dallas, TX	
<u>3,080,000</u>		<u>55,489</u>	<u>3,080,000</u>	UMB Bank, N.A. Houston, TX	
<u>\$ 3,080,000</u>	<u>\$ 3,985,000</u>	<u>\$ 277,739</u>	<u>\$ 8,699,992</u>		

See accompanying independent auditor's report.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 496,713	\$ 392,491	\$ 317,628
Water Service	422,732	450,439	397,742
Wastewater Service	209,142	216,071	213,667
Water Authority Fee	945,744	933,807	772,069
Penalty and Interest	9,769	12,857	15,301
Tap Connection and Inspection Fees	70,230	142,800	47,300
Water Authority Credits	110,246	110,246	110,246
Sales Tax Revenues	320,121	306,512	305,340
Investment and Miscellaneous Revenues	12,840	122,486	103,802
TOTAL REVENUES	<u>\$ 2,597,537</u>	<u>\$ 2,687,709</u>	<u>\$ 2,283,095</u>
EXPENDITURES			
Professional Fees	\$ 245,389	\$ 205,014	\$ 206,966
Contracted Services	236,547	229,831	228,324
Purchased Surface Water	819,013	767,915	625,945
Purchased Wastewater Service	159,905	130,635	125,891
Utilities	74,716	62,973	60,451
Water Authority Pumpage Fees	140,680	196,412	216,012
Repairs and Maintenance	203,861	388,368	320,250
Other	139,796	134,785	140,927
Capital Outlay	926,358	196,293	1,131,053
Bond Issuance Costs	80,810		
TOTAL EXPENDITURES	<u>\$ 3,027,075</u>	<u>\$ 2,312,226</u>	<u>\$ 3,055,819</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (429,538)</u>	<u>\$ 375,483</u>	<u>\$ (772,724)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$	\$	\$
Contributed by Other Governmental Units	181,602		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 181,602</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (247,936)	\$ 375,483	\$ (772,724)
BEGINNING FUND BALANCE	<u>3,713,825</u>	<u>3,338,342</u>	<u>4,111,066</u>
ENDING FUND BALANCE	<u>\$ 3,465,889</u>	<u>\$ 3,713,825</u>	<u>\$ 3,338,342</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues					
2018	2017	2021	2020	2019	2018	2017	
\$ 315,913	\$ 303,046	19.1 %	14.6 %	13.9 %	13.9 %	15.3 %	
521,473	401,260	16.3	16.8	17.4	22.8	20.3	
211,771	215,073	8.1	8.0	9.4	9.3	10.9	
626,478	515,672	36.4	34.7	33.8	27.4	26.1	
9,656	9,055	0.4	0.5	0.7	0.4	0.5	
144,259	27,511	2.7	5.3	2.1	6.3	1.4	
110,246	110,246	4.2	4.1	4.8	4.8	5.6	
317,824	343,445	12.3	11.4	13.4	13.9	17.4	
27,245	48,773	0.5	4.6	4.5	1.2	2.5	
<u>\$ 2,284,865</u>	<u>\$ 1,974,081</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 158,552	\$ 132,786	9.4 %	7.6 %	9.1 %	6.9 %	6.7 %	
224,964	218,316	9.1	8.6	10.0	9.9	11.1	
666,070	465,971	31.5	28.6	27.4	29.2	23.6	
135,742	127,002	6.2	4.9	5.5	5.9	6.4	
66,035	65,093	3.0	2.4	2.7	2.9	3.3	
213,292	163,541	5.4	7.3	9.5	9.3	8.3	
194,617	326,813	7.8	14.4	14.0	8.5	16.6	
196,856	125,288	5.4	5.0	6.2	8.6	6.3	
210,105	248,242	35.7	7.3	49.5	9.2	12.6	
		3.0					
<u>\$ 2,066,233</u>	<u>\$ 1,873,052</u>	<u>116.5 %</u>	<u>86.1 %</u>	<u>133.9 %</u>	<u>90.4 %</u>	<u>94.9 %</u>	
<u>\$ 218,632</u>	<u>\$ 101,029</u>	<u>(16.5) %</u>	<u>13.9 %</u>	<u>(33.9) %</u>	<u>9.6 %</u>	<u>5.1 %</u>	
\$	\$ (85,000)						
<u>\$ - 0 -</u>	<u>\$ (85,000)</u>						
\$ 218,632	\$ 16,029						
3,892,434	3,876,405						
<u>\$ 4,111,066</u>	<u>\$ 3,892,434</u>						

See accompanying independent auditor's report.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 1,063,853	\$ 1,027,701	\$ 1,012,472
Penalty and Interest	12,098	10,389	7,887
Investment and Miscellaneous Revenues	<u>2,799</u>	<u>24,732</u>	<u>25,952</u>
TOTAL REVENUES	<u>\$ 1,078,750</u>	<u>\$ 1,062,822</u>	<u>\$ 1,046,311</u>
EXPENDITURES			
Other Expenditures	\$ 55,788	\$ 58,922	\$ 48,692
Debt Service Principal	785,000	765,000	740,000
Debt Service Interest and Fees	279,789	308,337	327,650
Bond Issuance Costs	<u>137,003</u>		
TOTAL EXPENDITURES	<u>\$ 1,257,580</u>	<u>\$ 1,132,259</u>	<u>\$ 1,116,342</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (178,830)</u>	<u>\$ (69,437)</u>	<u>\$ (70,031)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$	\$
Proceeds from Sale of Refunding Bonds	3,080,000		
Transfer to Refunded Bond Escrow Agent	(3,201,376)		
Bond Premium	<u>258,379</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 137,003</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (41,827)	\$ (69,437)	\$ (70,031)
BEGINNING FUND BALANCE	<u>1,793,869</u>	<u>1,863,306</u>	<u>1,933,337</u>
ENDING FUND BALANCE	<u>\$ 1,752,042</u>	<u>\$ 1,793,869</u>	<u>\$ 1,863,306</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>891</u>	<u>888</u>	<u>884</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>839</u>	<u>836</u>	<u>834</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2018	2017	2021	2020	2019	2018	2017		
\$ 1,073,641	\$ 1,007,147	98.6 %	96.7 %	96.7 %	97.6 %	97.7 %		
9,476	17,884	1.1	1.0	0.8	0.9	1.7		
16,154	5,991	0.3	2.3	2.5	1.5	0.6		
<u>\$ 1,099,271</u>	<u>\$ 1,031,022</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 51,519	\$ 76,189	5.2 %	5.5 %	4.7 %	4.7 %	7.4 %		
720,000	730,000	72.8	72.0	70.7	65.5	70.8		
344,275	359,400	25.9	29.0	31.3	31.3	34.9		
		12.7						
<u>\$ 1,115,794</u>	<u>\$ 1,165,589</u>	<u>116.6 %</u>	<u>106.5 %</u>	<u>106.7 %</u>	<u>101.5 %</u>	<u>113.1 %</u>		
<u>\$ (16,523)</u>	<u>\$ (134,567)</u>	<u>(16.6) %</u>	<u>(6.5) %</u>	<u>(6.7) %</u>	<u>(1.5) %</u>	<u>(13.1) %</u>		
\$	\$ 85,000							
<u>\$ - 0 -</u>	<u>\$ 85,000</u>							
\$ (16,523)	\$ (49,567)							
1,949,860	1,999,427							
<u>\$ 1,933,337</u>	<u>\$ 1,949,860</u>							
<u>884</u>	<u>877</u>							
<u>847</u>	<u>832</u>							

See accompanying independent auditor's report.

**KLEINWOOD MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2021**

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, 2021	Expense Reimbursements for the year ended March 31, 2021	Title
David Guerrero	05/19 05/23 (Elected)	\$ 1,500	\$ 411	President
Jeff Gobbell	05/19 05/23 (Elected)	\$ 3,750	\$ -0-	Vice President
Joseph Fratangelo	05/19 05/23 (Elected)	\$ 4,050	\$ -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)	\$ 1,950	\$ -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, 2019

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, 2021**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2021</u>	<u>Title</u>
Coats Rose, P.C.	07/24/80	\$ 190,784	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	03/26/15	\$ 17,750	Auditor/ Bond Related
Claudia Redden & Associates, LLC	02/28/78	\$ 27,156	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/25/02	\$ 3,242	Delinquent Tax Attorney
Jones & Carter, Inc.	02/22/79	\$ 251,360	Engineer
Blitch Associates, Inc.	03/11/97	\$ 23,122	Financial Advisor
Environmental Development Partners	04/11/08	\$ 252,489	Operator
Wheeler & Associates	12/17/75	\$ 35,864	Tax Assessor/ Collector
Harris County	Annually	\$ 145,409	Security

See accompanying independent auditor's report.

