

WILLOW POINT MUNICIPAL UTILITY DISTRICT
FORT BEND AND WALLER COUNTIES, TEXAS
ANNUAL FINANCIAL REPORT
MAY 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

WILLOW POINT MUNICIPAL UTILITY DISTRICT

FORT BEND AND WALLER COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	11-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	13
NOTES TO THE FINANCIAL STATEMENTS	14-27
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	29
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	31-33
GENERAL FUND EXPENDITURES	34-35
INVESTMENTS	36
TAXES LEVIED AND RECEIVABLE	37-38
LONG-TERM DEBT SERVICE REQUIREMENTS	39-43
CHANGE IN LONG-TERM BOND DEBT	44-45
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	46-49
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	50-51

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Willow Point Municipal
Utility District
Fort Bend and Waller Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Willow Point Municipal Utility District (the "District"), as of and for the year ended May 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 May 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 financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 3, 2020

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

Management's discussion and analysis of Willow Point Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended May 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 similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets and 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 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, 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. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 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 period. 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 Balance 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, liabilities exceeded assets by \$12,364,599 as of May 31, 2020.

A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses those assets to provide water and wastewater services. The following is a comparative analysis of government-wide changes in net position.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 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	\$ 4,088,894	\$ 2,551,072	\$ 1,537,822
Capital Assets (Net of Accumulated Depreciation)	18,289,062	14,740,353	3,548,709
Total Assets	\$ 22,377,956	\$ 17,291,425	\$ 5,086,531
Due to Developer	\$ 14,874,352	\$ 15,843,420	\$ 969,068
Bonds Payable	15,347,162	10,735,000	(4,612,162)
Other Liabilities	4,521,041	2,723,577	(1,797,464)
Total Liabilities	\$ 34,742,555	\$ 29,301,997	\$ (5,440,558)
Net Position:			
Net Investment in Capital Assets	\$ (15,088,136)	\$ (13,976,002)	\$ (1,112,134)
Restricted	949,641	849,618	100,023
Unrestricted	1,773,896	1,115,812	658,084
Total Net Position	\$ (12,364,599)	\$ (12,010,572)	\$ (354,027)

The following table provides a summary of the District's operations for the years ended May 31, 2020, and May 31, 2019. The District's net position decreased by \$354,027.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,955,788	\$ 1,391,155	\$ 564,633
Charges for Services	1,010,145	775,370	234,775
Other Revenues	66,617	57,446	9,171
Total Revenues	\$ 3,032,550	\$ 2,223,971	\$ 808,579
Expenses for Services	3,386,577	3,760,453	373,876
Change in Net Position	\$ (354,027)	\$ (1,536,482)	\$ 1,182,455
Net Position, Beginning of Year	(12,010,572)	(10,474,090)	(1,536,482)
Net Position, End of Year	\$ (12,364,599)	\$ (12,010,572)	\$ (354,027)

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2020, were \$3,761,575, an increase of \$3,874,525 from the prior year.

The General Fund fund balance increased by \$628,612 from the prior year, primarily due to tax and operating revenues exceeding the costs of operation expenditures.

The Debt Service Fund increased by \$130,324, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$3,115,589. The District sold its Series 2019 BAN and Series 2019 Bonds and used the proceeds to reimburse developers for various projects (see Notes 13 and 14). The Series 2019 BAN was retired with the issuance of the Series 2020 Bonds (see Note 15).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current year. Actual revenues were \$533,072 more than budgeted revenues primarily due to higher than anticipated revenues across most categories. Actual expenditures were \$226,560 more than budgeted expenditures primarily due to higher than anticipated costs across most categories, which were offset by lower than anticipated lease costs and capital outlay costs.

CAPITAL ASSETS

Capital assets as of May 31, 2020, total \$18,289,062 (net of accumulated depreciation). These capital assets include the water and wastewater systems, and park assets. Roads are conveyed to the County upon completion.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,895,962	\$ 1,266,324	\$ 629,638
Construction in Progress	70,853	4,698	66,155
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,908,946	2,938,172	1,970,774
Wastewater System	3,750,549	3,648,567	101,982
Drainage System	7,186,341	6,851,915	334,426
Park Assets	476,411	30,677	445,734
Total Net Capital Assets	<u>\$ 18,289,062</u>	<u>\$ 14,740,353</u>	<u>\$ 3,548,709</u>

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2020**

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$15,385,000. The changes in the debt position of the District during the fiscal year ended May 31, 2020, are summarized as follows:

Bond Debt Payable, June 1, 2019	\$ 10,735,000
Add: Bond Sale	5,000,000
Less: Bond Principal Paid	<u>350,000</u>
Bond Debt Payable, May 31, 2020	<u><u>\$ 15,385,000</u></u>

The Series 2015, Series 2017, and Series 2017 Road bonds do not carry an underlying rating or an insured rating. The Series 2019 bonds do not carry an underlying rating; however, the Series 2019 bonds do carry an insured rating of “AA” by virtue of bond insurance issued by Municipal Assurance Corp.

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 Willow Point Municipal Utility District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, TX 77056.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 71,948	\$ 39,946
Investments	1,901,415	1,038,742
Receivables:		
Property Taxes	7,446	6,859
Service Accounts	74,995	
Accrued Interest	6,587	1,523
Due from Other Funds	14,402	
Prepaid Costs	7,050	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,083,843	\$ 1,087,070
LIABILITIES		
Accounts Payable	\$ 210,426	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		14,402
Security Deposits	71,700	
Bond Anticipation Note Payable		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 282,126	\$ 14,402
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 7,446	\$ 6,859
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 7,050	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,065,809
Unassigned	1,787,221	
TOTAL FUND BALANCES	\$ 1,794,271	\$ 1,065,809
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,083,843	\$ 1,087,070
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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 100 932,283	\$ 111,994 3,872,440	\$	\$ 111,994 3,872,440
	14,305		14,305
	74,995		74,995
	8,110		8,110
	14,402	(14,402)	
	7,050		7,050
		1,895,962	1,895,962
		70,853	70,853
		<u>16,322,247</u>	<u>16,322,247</u>
<u>\$ 932,383</u>	<u>\$ 4,103,296</u>	<u>\$ 18,274,660</u>	<u>\$ 22,377,956</u>
\$ 6,631 24,257	\$ 217,057 24,257	\$	\$ 217,057
		123,027	147,284
		14,874,352	14,874,352
	14,402	(14,402)	
	71,700		71,700
		4,085,000	4,085,000
		355,000	355,000
		14,992,162	14,992,162
<u>\$ 30,888</u>	<u>\$ 327,416</u>	<u>\$ 34,415,139</u>	<u>\$ 34,742,555</u>
<u>\$ -0-</u>	<u>\$ 14,305</u>	<u>\$ (14,305)</u>	<u>\$ -0-</u>
\$ 901,495	\$ 7,050 901,495	\$ (7,050) (901,495)	\$
	1,065,809	(1,065,809)	
	1,787,221	(1,787,221)	
<u>\$ 901,495</u>	<u>\$ 3,761,575</u>	<u>\$ (3,761,575)</u>	<u>\$ -0-</u>
<u>\$ 932,383</u>	<u>\$ 4,103,296</u>		
		\$ (15,088,136)	\$ (15,088,136)
		949,641	949,641
		<u>1,773,896</u>	<u>1,773,896</u>
		<u>\$ (12,364,599)</u>	<u>\$ (12,364,599)</u>

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

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2020**

Total Fund Balances - Governmental Funds	\$	3,761,575
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		18,289,062
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Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		14,305
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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:

Due to Developer	\$ (14,874,352)	
Accrued Interest Payable	(123,027)	
Bond Anticipation Note Payable	(4,085,000)	
Bonds Payable	<u>(15,347,162)</u>	<u>(34,429,541)</u>

Total Net Position - Governmental Activities	\$	<u>(12,364,599)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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WILLOW POINT MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MAY 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,020,423	\$ 941,380
Water Service	261,414	
Wastewater Service	324,163	
Regional Water Authority Fees	321,100	
Penalty and Interest	19,018	10,503
Tap Connection and Inspection Fees	73,947	
Investment Revenues	30,820	15,029
Miscellaneous Revenues	9,600	2,122
TOTAL REVENUES	\$ 2,060,485	\$ 969,034
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 153,670	\$ 6,081
Contracted Services	155,321	43,894
Lease Costs	114,100	
Utilities	59,224	
Regional Water Authority Assessment	294,584	
Repairs and Maintenance	395,177	
Depreciation		
Other	222,699	11,549
Developer Interest		
Capital Outlay	45,474	
Debt Service:		
Bond Principal		350,000
Bond Interest		427,186
Bond Anticipation Note Interest		
Issuance Costs	60,855	
TOTAL EXPENDITURES/EXPENSES	\$ 1,501,104	\$ 838,710
EXCESS (DEFICIENCY) OF REVENUES		
OVER EXPENDITURES/EXPENSES	\$ 559,381	\$ 130,324
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ 69,231	\$
Proceeds from Sale of Bond Anticipation Note		
Proceeds from Long-Term Debt Issued		
Bond Discount		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 69,231	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 628,612	\$ 130,324
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2019	1,165,659	935,485
FUND BALANCES/NET POSITION - MAY 31, 2020	\$ 1,794,271	\$ 1,065,809

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,961,803	\$ (6,015)	\$ 1,955,788
	261,414		261,414
	324,163		324,163
	321,100		321,100
	29,521		29,521
	73,947		73,947
9,046	54,895		54,895
	11,722		11,722
<u>\$ 9,046</u>	<u>\$ 3,038,565</u>	<u>\$ (6,015)</u>	<u>\$ 3,032,550</u>
\$ 13,458	\$ 173,209	\$	\$ 173,209
	199,215		199,215
	114,100		114,100
	59,224		59,224
	294,584		294,584
	395,177		395,177
		447,900	447,900
54	234,302		234,302
406,621	406,621		406,621
4,903,679	4,949,153	(4,949,153)	
	350,000	(350,000)	
	427,186	27,679	454,865
54,209	54,209		54,209
492,316	553,171		553,171
<u>\$ 5,870,337</u>	<u>\$ 8,210,151</u>	<u>\$ (4,823,574)</u>	<u>\$ 3,386,577</u>
<u>\$ (5,861,291)</u>	<u>\$ (5,171,586)</u>	<u>\$ 4,817,559</u>	<u>\$ (354,027)</u>
\$ (69,231)	\$	\$	\$
4,085,000	4,085,000	(4,085,000)	
5,000,000	5,000,000	(5,000,000)	
(38,889)	(38,889)	38,889	
<u>\$ 8,976,880</u>	<u>\$ 9,046,111</u>	<u>\$ (9,046,111)</u>	<u>\$ -0-</u>
\$ 3,115,589	\$ 3,874,525	\$ (3,874,525)	\$
		(354,027)	(354,027)
(2,214,094)	(112,950)	(11,897,622)	(12,010,572)
<u>\$ 901,495</u>	<u>\$ 3,761,575</u>	<u>\$ (16,126,174)</u>	<u>\$ (12,364,599)</u>

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

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$ 3,874,525
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.	(6,015)
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.	(447,900)
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.	4,949,153
Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	38,889
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.	350,000
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.	(27,679)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(5,000,000)
Governmental funds report bond anticipation note proceeds as other financing sources. Proceeds from the sale of bond anticipation notes increase long-term liabilities in the Statement of Net Position.	(4,085,000)
Change in Net Position - Governmental Activities	<u>\$ (354,027)</u>

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

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 1. CREATION OF DISTRICT

Willow Point Municipal Utility District (the “District”) was created and is operating pursuant to a special act of the 83rd Texas Legislature, now codified at Chapter 8413 of the Texas Special District Local Laws Code, June 14, 2013, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “Commission”). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities, recreational facilities and road facilities and to provide such facilities and services to the customers of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic 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 or not 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.

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:

- 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.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 period 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 statements. The fund statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three 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, costs and general expenditures.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 year and taxes collected after year-end which were considered available to defray the expenditures of the current period. 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 uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of May 31, 2020, the Debt Service Fund owed the General Fund \$14,402 for maintenance tax collections. During the current fiscal year, the Capital Projects Fund recorded a transfer to the General Fund in the amount of \$69,231 for bond costs paid in a prior year.

Capital Assets

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

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

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 considered to be wages subject to federal income tax withholding for payroll 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. 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.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 and does not have any assigned fund balances.

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.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 3. LONG-TERM DEBT

	Series 2015	Series 2017	Series 2017 Road	Series 2019
Amount Outstanding – May 31, 2020	\$5,165,000	\$2,820,000	\$2,400,000	\$5,000,000
Interest Rates	2.00% - 4.20%	2.20% - 4.00%	2.00% - 4.00%	2.00%-2.75%
Maturity Date	September 1, 2020/2041	September 1, 2020/2042	September 1, 2020/2042	September 1, 2021/2043
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022*	September 1, 2023*	September 1, 2023*	September 1, 2024*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2015 term bonds maturing on September 1, 2032, September 1, 2035, September 1, 2038, and September 1, 2041, are subject to mandatory redemption by random selection beginning September 1, 2030, September 1, 2033, September 1, 2036, and September 1, 2039, respectively. Series 2017 term bonds maturing September 1, 2033, September 1, 2039, and September 1, 2042, are subject to mandatory redemption by random selection beginning September 1, 2031, September 1, 2034, and September 1, 2040, respectively. Series 2017 Road term bonds maturing on September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2035.

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

	June 1, 2019	Additions	Retirements	May 31, 2020
Bonds Payable	\$ 10,735,000	\$ 5,000,000	\$ 350,000	\$ 15,385,000
Unamortized Discounts		(38,889)	(1,051)	(37,838)
Bonds Payable, Net	<u>\$ 10,735,000</u>	<u>\$ 4,961,111</u>	<u>\$ 348,949</u>	<u>\$ 15,347,162</u>
		Amount Due Within One Year		\$ 355,000
		Amount Due After One Year		<u>14,992,162</u>
		Bonds Payable		<u>\$ 15,347,162</u>

As of May 31, 2020, the District has authorized and unissued bonds in the amount of \$82,910,000 for water, wastewater and drainage facilities, authorized but unissued bonds in the amount of \$7,000,000 for recreational facilities, and authorized and unissued bonds in the amount of \$38,500,000 for roads. The District has authorized and unissued refunding bonds totaling one and one-half times the bond authorizations.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2021	\$ 355,000	\$ 488,433	\$ 843,433
2022	580,000	478,008	1,058,008
2023	585,000	463,808	1,048,808
2024	590,000	448,709	1,038,709
2025	600,000	433,133	1,033,133
2026-2030	3,135,000	1,905,896	5,040,896
2031-2035	3,415,000	1,394,288	4,809,288
2036-2040	3,805,000	767,199	4,572,199
2041-2044	2,320,000	121,991	2,441,991
	<u>\$ 15,385,000</u>	<u>\$ 6,501,465</u>	<u>\$ 21,886,465</u>

During the year ended May 31, 2020, the District levied an ad valorem debt service tax rate of \$0.70 per \$100 of assessed valuation, which resulted in a tax levy of \$937,707 on the adjusted taxable valuation of \$133,958,098 for the 2019 tax year. The bond order and bond resolution required 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. See Note 6 for the maintenance tax levy.

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 RESOLUTIONS AND LEGAL REQUIREMENTS

- A. The District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board. 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.
- B. In the bond resolutions, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each use.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS
(Continued)

C. In accordance with the Series 2017 Road bond resolutions, a portion of the bond proceeds were deposited into the Debt Service Fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond Interest Reserve - June 1, 2019	\$	67,859
Less: Interest - Series 2017 Road		<u>(67,859)</u>
Bond Interest Reserve - May 31, 2020		<u><u>\$ -0-</u></u>

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 will not be able to recover 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 year end, the carrying amount of the District's deposits was \$1,671,994 and the bank balance was \$1,690,351. 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 at May 31, 2020, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 71,948	\$ 1,320,000	\$ 1,391,948
DEBT SERVICE FUND	39,946	240,000	279,946
CAPITAL PROJECTS FUND	<u>100</u>	<u> </u>	<u>100</u>
TOTAL DEPOSITS	<u><u>\$ 111,994</u></u>	<u><u>\$ 1,560,000</u></u>	<u><u>\$ 1,671,994</u></u>

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 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 Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. 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 Texas CLASS.

The District measures its investments in certificates of deposits at acquisition cost.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of May 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>		
Texas CLASS	\$ 581,415	\$ 581,415
Certificates of Deposit	1,320,000	1,320,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	798,742	798,742
Certificate of Deposit	240,000	240,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>932,283</u>	<u>932,283</u>
TOTAL INVESTMENTS	<u>\$ 3,872,440</u>	<u>\$ 3,872,440</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage. At May 31, 2020, the District's investment in Texas CLASS was 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 manages interest rate risk by investing in certificates of deposit with maturities of less than one year. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

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. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. MAINTENANCE TAX

On November 5, 2013, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. This maintenance tax is to be used to pay expenditures of operating the District. During the year ended May 31, 2020, the District levied a maintenance tax of \$0.76 per \$100 of assessed

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 6. MAINTENANCE TAX (Continued)

valuation resulting in a levy of \$1,018,081 on the adjusted taxable valuation of \$133,958,098 for the 2019 tax year.

On November 5, 2013, the voters of the District approved the levy and collection of a parks and recreational maintenance tax in an amount not to exceed \$0.10 per \$100 of assessed valuation. During the current year, the District did not levy a parks and recreational maintenance tax.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2020:

	June 1, 2019	Increases	Decreases	May 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,266,324	\$ 629,638	\$	\$ 1,895,962
Construction in Progress	4,698	3,996,609	3,930,454	70,853
Total Capital Assets Not Being Depreciated	<u>\$ 1,271,022</u>	<u>\$ 4,626,247</u>	<u>\$ 3,930,454</u>	<u>\$ 1,966,815</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,489,886	\$ 2,187,721	\$	\$ 5,677,607
Wastewater System	3,940,077	190,744		4,130,821
Drainage System	7,496,186	470,903		7,967,089
Park Assets	41,606	451,448		493,054
Total Capital Assets Subject to Depreciation	<u>\$ 14,967,755</u>	<u>\$ 3,300,816</u>	<u>\$ - 0 -</u>	<u>\$ 18,268,571</u>
Accumulated Depreciation				
Water System	\$ 551,714	\$ 216,947	\$	\$ 768,661
Wastewater System	291,510	88,762		380,272
Drainage System	644,271	136,477		780,748
Park Assets	10,929	5,714		16,643
Total Accumulated Depreciation	<u>\$ 1,498,424</u>	<u>\$ 447,900</u>	<u>\$ - 0 -</u>	<u>\$ 1,946,324</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,469,331</u>	<u>\$ 2,852,916</u>	<u>\$ - 0 -</u>	<u>\$ 16,322,247</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,740,353</u>	<u>\$ 7,479,163</u>	<u>\$ 3,930,454</u>	<u>\$ 18,289,062</u>

Roadways constructed by the District are accepted by either Fort Bend County or Waller County for maintenance and operation. The roadways conveyed had a total cost to the District in the amount of \$10,100,591.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 8. UNREIMBURSED COSTS

In accordance with the terms of development financing agreements, Developers within the District have made expenditures on behalf of the District for various projects. As of May 31, 2020, the District recorded amounts due to Developer of \$14,846,531, for completed projects. Since inception, the Developers have also made operating advances totaling \$538,171. Of these advances, \$510,350 has been reimbursed. Reimbursement for project costs and operating advances will come from proceeds of future bond sales, as allowed by the Commission.

NOTE 9. SEWAGE TREATMENT PLANT LEASE

On November 26, 2013, the District entered an agreement with AUC Group, LP (AUC) to operate and maintain a sewage treatment plant to serve customers of the District. On March 1, 2020, the District entered into the first amendment to equipment lease agreement with AUC. The agreement calls for AUC to operate a Phase I sewage treatment plant capable of treating an average daily flow of 100,000 gallons per day (400,000 gallons per day peak flow) and a future Phase II capable of treating an average daily flow of 200,000 gallons per day (800,000 gallons per day peak flow). The initial term of the agreement is twelve months commencing the first day of the month following substantial completion and startup of Phase I. The term of the agreement for Phase II is 36 months commencing the first day of the month following substantial completion and startup of Phase II. If each Phase installation is not complete within 180 days of engineer notification, the District may terminate the contract under the terms of the contract.

Phase II installation costs total \$100,000, payable in partial payments. Phase I lease payments total \$91,200 payable in 12 monthly installments of \$7,600, with first and last month payable upon execution of the agreement. Phase II lease payments total \$253,800, payable in 36 monthly installments of \$7,050. The agreement may be extended on a month-to-month basis after the initial terms (either Phase I or Phase II) with Phase I extended term monthly rental payments of \$7,600 and Phase II extended term monthly rental payments of \$4,800.

The District has the option to purchase the Phase I and/or Phase II equipment as is, where is at any time during the initial term of the agreement or under any month-to-month extension of the agreement for a residual value as outlined in the agreement.

During a prior year, the District exercised the option to purchase the Phase I equipment for \$490,190.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and no settlements have exceeded coverage in the past three years.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 11. NORTH FORT BEND WATER AUTHORITY

The District is located within the boundaries of the North Fort Bend Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by Senate Bill 1798 (the “Act”), as passed by the 79th Texas Legislature, in 2005. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The District is required to convert its water supply to surface water over a period of time. A seven-member board of directors governs the Authority.

The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fees being charged are \$3.95 per 1,000 gallons of water pumped from each well and \$4.30 per 1,000 gallons of surface water purchased. Pumpage fees totaled \$294,584 during the current fiscal year.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 12, 2019, the District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston, Texas (“the City”). Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City annexed a tract of land within the District for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the tract. The City may not annex the District for full purposes during the term of this agreement. The City imposes a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the District within 30 days of the City receiving the funds from the State Comptroller’s office. The term of this SPA is 30 years from the effective date of the SPA or any amendment to the SPA. During the current fiscal year, the District did not record any sales tax revenue.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2020

NOTE 13. SALE OF BOND ANTICIPATION NOTE

On November 26, 2019, the District closed on the sale of its \$4,085,000 Series 2019 Bond Anticipation Note (“BAN”). Proceeds from the BAN sale were used to reimburse the Developers for water, sewer, and drainage facilities serving Trails of Katy, Phase II and Anserra, Sections 2 and 3. Proceeds from the BAN sale were also used to fund costs associated with water plant phase 2 and remote well, land acquisition for Trails of Katy detention phases II and III, land acquisition for remote well, engineering related to all projects, and BAN issuance costs. The BAN was retired with proceeds of the Series 2020 bond sale (see Note 15).

NOTE 14. BOND SALE

On October 8, 2019, the District closed on the sale of its \$5,000,000 Series 2019 Unlimited Tax Bonds. The District used proceeds of the bonds to reimburse the Developers for the remaining costs associated with water, sewer, and drainage facilities serving the following: Anserra Trail and Kingsland Boulevard; Anserra, Sections One and Two; and Trails of Katy, Section One. Proceeds of the bonds were also used to fund costs associated with interim wastewater treatment expansion to 0.2 MGD, engineering, geotechnical, and testing related to all projects, stormwater pollution prevention, to pay off the Series 2018 BAN, to pay developer interest and BAN interest, and to pay for the bond issuance costs.

NOTE 15. SUBSEQUENT EVENT - BOND SALE

On June 30, 2020, subsequent to year-end, the District closed on the sale of its \$6,500,000 Series 2020 Unlimited Tax Bonds. The District used proceeds of the bonds to reimburse the Developers for the remaining costs associated with water, sewer, and drainage facilities serving the following: Trails of Katy Detention Pond Phase II and Channel Improvements; Anserra, Sections Two and Three; and water plant phase 2 and remote well. Proceeds of the bonds were also used to fund costs associated with land acquisition, engineering related to all projects, stormwater pollution prevention, to pay off the Series 2019 BAN, to pay developer interest, capitalized interest, BAN interest and to pay for the bond issuance costs.

NOTE 16. 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.

WILLOW POINT MUNICIPAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
MAY 31, 2020

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 729,427	\$ 1,020,423	\$ 290,996
Water Service	203,869	261,414	57,545
Wastewater Service	245,323	324,163	78,840
Regional Water Authority Fee	224,749	321,100	96,351
Penalty and Interest	18,695	19,018	323
Tap Connection and Inspection Fees	71,682	73,947	2,265
Investment Revenues	22,134	30,820	8,686
Miscellaneous Revenues	11,534	9,600	(1,934)
TOTAL REVENUES	<u>\$1,527,413</u>	<u>\$ 2,060,485</u>	<u>\$ 533,072</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 102,500	\$ 153,670	\$ (51,170)
Contracted Services	132,065	155,321	(23,256)
Lease Costs	153,600	114,100	39,500
Utilities	58,550	59,224	(674)
Regional Water Authority Assessment	224,749	294,584	(69,835)
Repairs and Maintenance	338,523	395,177	(56,654)
Other	154,517	222,699	(68,182)
Bond Issuance Costs		60,855	(60,855)
Capital Outlay	110,040	45,474	64,566
TOTAL EXPENDITURES	<u>\$1,274,544</u>	<u>\$ 1,501,104</u>	<u>\$(226,560)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 252,869</u>	<u>\$ 559,381</u>	<u>\$ 306,512</u>
OTHER FINANCING SOURCES(USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ 69,231</u>	<u>\$ 69,231</u>
NET CHANGE IN FUND BALANCE	\$ 252,869	\$ 628,612	\$ 375,743
FUND BALANCE - JUNE 1, 2019	<u>1,165,659</u>	<u>1,165,659</u>	<u>_____</u>
FUND BALANCE - MAY 31, 2020	<u>\$1,418,528</u>	<u>\$ 1,794,271</u>	<u>\$ 375,743</u>

See accompanying independent auditor's report.

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WILLOW POINT MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MAY 31, 2020

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2020**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> X </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective August 8, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$32.00	10,000	N	\$2.90 \$3.50 \$4.40	10,001 to 20,000 20,001 to 25,000 Over 25,001
WASTEWATER:	\$32.00	10,000	N	\$1.50 \$1.75 \$2.00	10,001 to 20,000 20,001 to 25,000 Over 25,001

SURCHARGE:

North Fort Bend Water Authority Fee	\$ 4.35 per 1,000 gallons	
Garbage Fee per Residential Connection	\$16.12	Y

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$32.00 Wastewater: \$32.00 Surcharge: \$59.62 Total: \$123.62

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 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>591</u>	<u>588</u>	x 1.0	<u>588</u>
1"	<u>6</u>	<u>6</u>	x 2.5	<u>15</u>
1½"	<u>4</u>	<u>4</u>	x 5.0	<u>20</u>
2"	<u>15</u>	<u>15</u>	x 8.0	<u>120</u>
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>616</u></u>	<u><u>613</u></u>		<u><u>743</u></u>
Total Wastewater Connections	<u><u>585</u></u>	<u><u>582</u></u>	x 1.0	<u><u>582</u></u>

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

Gallons pumped into system:	81,308,000	Water Accountability Ratio: 96.5%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	78,462,000	

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2020**

3. 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

4. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

Counties in which District is located:

Fort Bend County, Texas
Waller 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.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 12,500
Engineering	60,102
Legal	<u>81,068</u>
TOTAL PROFESSIONAL FEES	<u>\$ 153,670</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 23,215
Operations and Billing	40,817
Solid Waste Disposal	<u>91,289</u>
TOTAL CONTRACTED SERVICES	<u>\$ 155,321</u>
UTILITIES:	
Electricity	\$ 58,331
Telephone	<u>893</u>
TOTAL UTILITIES	<u>\$ 59,224</u>
REPAIRS AND MAINTENANCE	<u>\$ 395,177</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,500
Election Costs	919
Insurance	12,834
Office Supplies and Postage	8,920
Payroll Taxes	803
Travel and Meetings	5,233
Other	<u>32,649</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 71,858</u>
CAPITAL OUTLAY	<u>\$ 45,474</u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2020**

TAP CONNECTIONS	\$ <u>45,223</u>
OTHER EXPENDITURES:	
Chemicals	\$ 14,913
Laboratory Fees	25,774
Permit Fees	1,450
Lease Costs	114,100
Inspection Fees	35,580
Regional Water Authority Assessment	294,584
Regulatory Assessment	2,816
Sludge Hauling	<u>25,085</u>
TOTAL OTHER EXPENDITURES	\$ <u>514,302</u>
BOND ISSUANCE COSTS	\$ <u>60,855</u>
TOTAL EXPENDITURES	\$ <u>1,501,104</u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
INVESTMENTS
MAY 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>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 581,415	\$
Certificate of Deposit	XXXX0487	1.80%	02/10/21	100,000	543
Certificate of Deposit	XXXX0985	1.60%	10/10/20	100,000	478
Certificate of Deposit	XXXX2340	1.90%	02/07/21	240,000	1,412
Certificate of Deposit	XXXX0582	0.60%	04/08/21	240,000	209
Certificate of Deposit	XXXX0123	1.55%	11/11/20	100,000	467
Certificate of Deposit	XXXX0642	2.45%	08/21/20	100,000	1,900
Certificate of Deposit	XXXX1393	1.10%	05/13/21	100,000	54
Certificate of Deposit	XXXX0235	1.80%	12/07/20	100,000	542
Certificate of Deposit	XXXX4494	1.80%	03/09/21	240,000	982
TOTAL GENERAL FUND				<u>\$ 1,901,415</u>	<u>\$ 6,587</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0006	Varies	Daily	\$ 592,906	\$
Texas CLASS	XXXX0007	Varies	Daily	205,836	
Certificate of Deposit	XXXX2257	2.05%	02/09/21	240,000	1,523
TOTAL DEBT SERVICE FUND				<u>\$ 1,038,742</u>	<u>\$ 1,523</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	\$ 6,285	\$
Texas CLASS	XXXX0008	Varies	Daily	846,444	
Texas CLASS	XXXX0009	Varies	Daily	79,554	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 932,283</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 3,872,440</u>	<u>\$ 8,110</u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE FOR THE
YEAR ENDED MAY 31, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2019	\$	9,788	\$	10,532
Adjustments to Beginning				
Balance		\$ 9,788		\$ 10,532
Original 2019 Tax Levy	\$	1,008,344	\$	928,738
Adjustment to 2019 Tax Levy		9,737	1,018,081	8,969
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,027,869		\$ 948,239
TAX COLLECTIONS:				
Prior Years	\$	9,788	\$	10,532
Current Year		1,010,635	1,020,423	930,848
TAXES RECEIVABLE -				
MAY 31, 2020		\$ 7,446		\$ 6,859
TAXES RECEIVABLE BY				
YEAR:				
2019		\$ 7,446		\$ 6,859

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE FOR THE
YEAR ENDED MAY 31, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 31,781,260	\$ 23,635,390	\$ 21,943,260	\$ 25,409,800
Improvements	106,718,324	72,783,280	49,963,680	33,188,320
Personal Property	216,421	138,986	181,480	182,871
Exemptions	<u>(4,757,907)</u>	<u>(2,560,761)</u>	<u>(1,502,608)</u>	<u>(617,086)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 133,958,098</u>	<u>\$ 93,996,895</u>	<u>\$ 70,585,812</u>	<u>\$ 58,163,905</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.70	\$ 0.76	\$ 0.80	\$ 0.60
Maintenance	<u>0.76</u>	<u>0.72</u>	<u>0.70</u>	<u>0.90</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.46</u>	<u>\$ 1.48</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 1,955,788</u>	<u>\$ 1,391,155</u>	<u>\$ 1,058,787</u>	<u>\$ 872,459</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.27 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</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 \$1.50 per \$100 of assessed valuation approved by voters November 5, 2013.

Maintenance Tax for Parks and Recreational facilities – Maximum tax rate of \$0.10 per \$100 of assessed valuation approved by voters November 5, 2013.

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2020**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 130,000	\$ 196,214	\$ 326,214
2022	140,000	192,813	332,813
2023	145,000	188,539	333,539
2024	150,000	184,114	334,114
2025	160,000	179,464	339,464
2026	170,000	174,301	344,301
2027	180,000	168,389	348,389
2028	185,000	161,886	346,886
2029	195,000	154,876	349,876
2030	205,000	147,376	352,376
2031	220,000	139,133	359,133
2032	230,000	130,133	360,133
2033	240,000	120,733	360,733
2034	255,000	110,832	365,832
2035	265,000	100,432	365,432
2036	280,000	89,532	369,532
2037	295,000	77,848	372,848
2038	310,000	65,370	375,370
2039	325,000	52,273	377,273
2040	345,000	38,325	383,325
2041	360,000	23,520	383,520
2042	380,000	7,980	387,980
2043			
2044			
	\$ 5,165,000	\$ 2,704,083	\$ 7,869,083

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2020**

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 125,000	\$ 96,882	\$ 221,882
2022	125,000	94,008	219,008
2023	125,000	90,882	215,882
2024	125,000	87,508	212,508
2025	125,000	83,882	208,882
2026	125,000	80,133	205,133
2027	125,000	76,289	201,289
2028	125,000	72,257	197,257
2029	125,000	68,070	193,070
2030	125,000	63,758	188,758
2031	125,000	59,320	184,320
2032	125,000	54,695	179,695
2033	120,000	50,040	170,040
2034	120,000	45,480	165,480
2035	120,000	40,800	160,800
2036	120,000	36,000	156,000
2037	120,000	31,200	151,200
2038	120,000	26,400	146,400
2039	120,000	21,600	141,600
2040	120,000	16,800	136,800
2041	120,000	12,000	132,000
2042	120,000	7,200	127,200
2043	120,000	2,400	122,400
2044			
	\$ 2,820,000	\$ 1,217,604	\$ 4,037,604

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2020**

SERIES - 2017 ROAD

Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 100,000	\$ 81,825	\$ 181,825
2022	100,000	79,825	179,825
2023	100,000	77,325	177,325
2024	100,000	74,325	174,325
2025	100,000	71,325	171,325
2026	100,000	68,325	168,325
2027	100,000	65,325	165,325
2028	100,000	62,263	162,263
2029	100,000	59,075	159,075
2030	100,000	55,763	155,763
2031	100,000	52,325	152,325
2032	100,000	48,825	148,825
2033	100,000	45,263	145,263
2034	110,000	41,388	151,388
2035	110,000	37,263	147,263
2036	110,000	33,000	143,000
2037	110,000	28,600	138,600
2038	110,000	24,200	134,200
2039	110,000	19,800	129,800
2040	110,000	15,400	125,400
2041	110,000	11,000	121,000
2042	110,000	6,600	116,600
2043	110,000	2,200	112,200
2044			
	<u>\$ 2,400,000</u>	<u>\$ 1,061,240</u>	<u>\$ 3,461,240</u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2020**

S E R I E S - 2 0 1 9			
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$	\$ 113,512	\$ 113,512
2022	215,000	111,362	326,362
2023	215,000	107,062	322,062
2024	215,000	102,762	317,762
2025	215,000	98,462	313,462
2026	215,000	94,162	309,162
2027	215,000	89,862	304,862
2028	215,000	85,562	300,562
2029	215,000	81,262	296,262
2030	215,000	76,962	291,962
2031	215,000	72,662	287,662
2032	215,000	68,228	283,228
2033	215,000	63,660	278,660
2034	215,000	58,957	273,957
2035	215,000	54,119	269,119
2036	220,000	49,088	269,088
2037	220,000	43,726	263,726
2038	220,000	38,225	258,225
2039	220,000	32,725	252,725
2040	220,000	27,087	247,087
2041	220,000	21,313	241,313
2042	220,000	15,402	235,402
2043	225,000	9,282	234,282
2044	225,000	3,094	228,094
	\$ 5,000,000	\$ 1,518,538	\$ 6,518,538

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICES REQUIREMENTS
MAY 31, 2020**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 355,000	\$ 488,433	\$ 843,433
2022	580,000	478,008	1,058,008
2023	585,000	463,808	1,048,808
2024	590,000	448,709	1,038,709
2025	600,000	433,133	1,033,133
2026	610,000	416,921	1,026,921
2027	620,000	399,865	1,019,865
2028	625,000	381,968	1,006,968
2029	635,000	363,283	998,283
2030	645,000	343,859	988,859
2031	660,000	323,440	983,440
2032	670,000	301,881	971,881
2033	675,000	279,696	954,696
2034	700,000	256,657	956,657
2035	710,000	232,614	942,614
2036	730,000	207,620	937,620
2037	745,000	181,374	926,374
2038	760,000	154,195	914,195
2039	775,000	126,398	901,398
2040	795,000	97,612	892,612
2041	810,000	67,833	877,833
2042	830,000	37,182	867,182
2043	455,000	13,882	468,882
2044	225,000	3,094	228,094
	<u>\$ 15,385,000</u>	<u>\$ 6,501,465</u>	<u>\$ 21,886,465</u>

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2020**

Description	Original Bonds Issued	Bonds Outstanding June 1, 2019
Willow Point Municipal Utility District Unlimited Tax Bonds - Series 2015	\$ 5,520,000	\$ 5,290,000
Willow Point Municipal Utility District Unlimited Tax Bonds - Series 2017	3,070,000	2,945,000
Willow Point Municipal Utility District Unlimited Tax Road Bonds - Series 2017	2,500,000	2,500,000
Willow Point Municipal Utility District Unlimited Tax Bonds - Series 2019	<u>5,000,000</u>	<u> </u>
TOTAL	<u>\$ 16,090,000</u>	<u>\$ 10,735,000</u>

Bond Authority:	<u>Utility Bonds</u>	<u>Refunding Bonds</u>	<u>Road Bonds</u>
Amount Authorized by Voters	\$ 96,500,000	\$ 216,750,000	\$ 41,000,000
Amount Issued	<u>13,590,000</u>	<u> </u>	<u>2,500,000</u>
Remaining to be Issued	<u>\$ 82,910,000</u>	<u>\$ 216,750,000</u>	<u>\$ 38,500,000</u>
	*		
Debt Service Fund cash, investments and cash with paying agent balances as of May 31, 2020:			<u>\$ 1,078,688</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 911,936</u>

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 125,000	\$ 198,764	\$ 5,165,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
	125,000	99,508	2,820,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
	100,000	83,824	2,400,000	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
<u>5,000,000</u>		<u>45,090</u>	<u>5,000,000</u>	The Bank Of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 5,000,000</u>	<u>\$ 350,000</u>	<u>\$ 427,186</u>	<u>\$ 15,385,000</u>	
 <u>Park Bonds</u>				
\$ 7,000,000				
<u>\$ 7,000,000</u>				

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS**

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,020,423	\$ 680,777	\$ 490,827
Water Service	261,414	194,822	137,494
Wastewater Service	324,163	239,727	169,198
Regional Water Authority Fee	321,100	209,713	154,376
Penalty and Interest	19,018	17,987	8,118
Tap Connection and Inspection Fees	73,947	99,924	87,352
Investment Revenues	30,820	22,005	7,960
Miscellaneous Revenues	9,600	13,084	8,964
TOTAL REVENUES	<u>\$ 2,060,485</u>	<u>\$ 1,478,039</u>	<u>\$ 1,064,289</u>
EXPENDITURES			
Professional Fees	\$ 153,670	\$ 126,161	\$ 75,260
Contracted Services	155,321	123,759	88,685
Lease Costs	114,100		
Utilities	59,224	57,796	55,125
Regional Water Authority Assessment	294,584	212,019	152,533
Repairs and Maintenance	395,177	389,121	224,050
Other	222,699	176,832	129,990
Bond Issuance Costs	60,855	68,325	
Capital Outlay	45,474	4,698	10,420
TOTAL EXPENDITURES	<u>\$ 1,501,104</u>	<u>\$ 1,158,711</u>	<u>\$ 736,063</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 559,381</u>	<u>\$ 319,328</u>	<u>\$ 328,226</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ 69,231	\$	\$
Developer Advances			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 69,231</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 628,612	\$ 319,328	\$ 328,226
BEGINNING FUND BALANCE	<u>1,165,659</u>	<u>846,331</u>	<u>518,105</u>
ENDING FUND BALANCE	<u>\$ 1,794,271</u>	<u>\$ 1,165,659</u>	<u>\$ 846,331</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 516,355	\$ 312,737	49.5 %	46.0 %	46.2 %	56.2 %	54.8 %
100,588	65,642	12.7	13.2	12.9	10.9	11.5
117,342	75,856	15.7	16.2	15.9	12.7	13.3
99,715	58,590	15.6	14.2	14.5	10.8	10.2
5,517	9,331	0.9	1.2	0.8	0.6	1.6
67,567	41,033	3.6	6.8	8.2	7.3	7.2
1,289	155	1.5	1.5	0.7	0.1	
12,938	8,287	0.5	0.9	0.8	1.4	1.4
<u>\$ 921,311</u>	<u>\$ 571,631</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 85,381	\$ 102,762	7.5 %	8.5 %	7.1 %	9.3 %	18.0 %
65,408	62,316	7.5	8.4	8.3	7.1	10.9
		5.5				
42,665	43,702	2.9	3.9	5.2	4.6	7.6
103,071	60,321	14.3	14.3	14.3	11.2	10.6
220,007	158,948	19.2	26.3	21.1	23.9	27.8
134,335	112,383	10.8	12.0	12.2	14.6	19.7
		3.0	4.6			
		2.2	0.3	1.0		
<u>\$ 650,867</u>	<u>\$ 540,432</u>	<u>72.9 %</u>	<u>78.3 %</u>	<u>69.2 %</u>	<u>70.7 %</u>	<u>94.6 %</u>
<u>\$ 270,444</u>	<u>\$ 31,199</u>	<u>27.1 %</u>	<u>21.7 %</u>	<u>30.8 %</u>	<u>29.3 %</u>	<u>5.4 %</u>
\$	\$ 60,800					
	170,100					
<u>\$ - 0 -</u>	<u>\$ 230,900</u>					
\$ 270,444	\$ 262,099					
247,661	(14,438)					
<u>\$ 518,105</u>	<u>\$ 247,661</u>					

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 941,380	\$ 718,321	\$ 557,219
Penalty and Interest	10,503	13,197	4,355
Investment Revenues	15,029	15,943	7,613
Miscellaneous Revenues	<u>2,122</u>	<u>3,679</u>	<u>2,951</u>
TOTAL REVENUES	<u>\$ 969,034</u>	<u>\$ 751,140</u>	<u>\$ 572,138</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 59,274	\$ 42,325	\$ 39,632
Debt Service Principal	350,000	245,000	110,000
Debt Service Interest and Fees	<u>429,436</u>	<u>390,140</u>	<u>313,485</u>
TOTAL EXPENDITURES	<u>\$ 838,710</u>	<u>\$ 677,465</u>	<u>\$ 463,117</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 130,324</u>	<u>\$ 73,675</u>	<u>\$ 109,021</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>169,650</u>
NET CHANGE IN FUND BALANCE	\$ 130,324	\$ 73,675	\$ 278,671
BEGINNING FUND BALANCE	<u>935,485</u>	<u>861,810</u>	<u>583,139</u>
ENDING FUND BALANCE	<u>\$ 1,065,809</u>	<u>\$ 935,485</u>	<u>\$ 861,810</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>613</u>	<u>513</u>	<u>384</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>582</u>	<u>488</u>	<u>361</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 341,975	\$	97.1 %	95.6 %	97.4 %	98.3 %	%
3,579		1.1	1.8	0.8	1.0	
1,949	531	1.6	2.1	1.3	0.6	100.0
186		0.2	0.5	0.5	0.1	
<u>\$ 347,689</u>	<u>\$ 531</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 32,601	\$ 71	6.1 %	5.6 %	6.9 %	9.4 %	13.4 %
		36.1	32.6	19.2		
<u>205,363</u>	<u>39,218</u>	<u>44.3</u>	<u>51.9</u>	<u>54.8</u>	<u>59.1</u>	<u>7,385.7</u>
<u>\$ 237,964</u>	<u>39,289</u>	<u>86.5 %</u>	<u>90.1 %</u>	<u>80.9 %</u>	<u>68.5 %</u>	<u>7,399.1 %</u>
\$ 109,725	\$ (38,758)	<u>13.5 %</u>	<u>9.9 %</u>	<u>19.1 %</u>	<u>31.5 %</u>	<u>(7,299.1) %</u>
<u>102,945</u>	<u>409,227</u>					
\$ 212,670	\$ 370,469					
<u>370,469</u>						
<u>\$ 583,139</u>	<u>\$ 370,469</u>					
<u>266</u>	<u>189</u>					
<u>245</u>	<u>176</u>					

See accompanying independent auditor's report.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2020**

District Mailing Address - Willow Point Municipal Utility District
c/o Sanford Kuhl Hagan Kugle Parker Kahn, LLP
1980 Post Oak Boulevard, Suite 1380
Houston, TX 77056-3970

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended May 31, 2020	Expense reimbursements for the year ended May 31, 2020	Title
Ryan B. Niles	05/2020 – 05/2024 (Elected)	\$ 1,350	\$ 69	President
Will Gutowsky, P.E.	05/2018 – 05/2022 (Elected)	\$ 1,650	\$ 232	Vice President
David L. Salley	05/2018 – 05/2022 (Elected)	\$ 1,500	\$ 16	Secretary
Simon VanDyk	05/2020 – 05/2024 (Elected)	\$ 3,750	\$ 3,505	Assistant Secretary
Chris Barge	05/2020 – 05/2024 (Elected)	\$ 1,500	\$ 510	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: January 13, 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.

**WILLOW POINT MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2020**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2020</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/22/13	\$ 90,310 \$ 189,733 \$ 6,081	General Counsel/ Bond Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	06/25/14	\$ 12,500 \$ 15,750	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	05/03/18	\$ 26,562 \$ 5,500	Bookkeeper Bond Related
Jones & Carter, Inc.	01/22/13	\$ 181,866	Engineer
Masterson Advisors LLC	05/03/18	\$ 146,467	Financial Advisor
Mark Burton		\$ -0-	Investment Officer
Ghia Lewis		\$ -0-	Investment Officer
Si Environmental LLC	08/14/13	\$ 376,095	Operator
Utility Tax Services, LLC	06/19/13	\$ 33,804	Tax Assessor/ Collector

See accompanying independent auditor's report.

