

BACLIF MUNICIPAL UTILITY DISTRICT
GALVESTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bacliff Municipal Utility District
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Bacliff Municipal Utility District (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Net Pension Liability and Related Ratios, the Schedule of District Contributions-Pensions, and the Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios 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

May 13, 2019

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

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

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The 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 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 the District's assets, liabilities, 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 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 three 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. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explains the differences between the two presentations and assists 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. In addition, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of District of Contributions – Pensions and the Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios are included as RSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,897,421 as of December 31, 2018. A portion of the District's net position reflects its net investment in capital assets (land as well as buildings, vehicles, equipment and water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). A comparative analysis of government-wide changes in net position is presented below.

BACLIFF MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 5,087,784	\$ 5,396,184	\$ (308,400)
Capital Assets (Net of Accumulated Depreciation)	23,070,824	23,225,173	(154,349)
Total Assets	\$ 28,158,608	\$ 28,621,357	\$ (462,749)
Deferred Outflows of Resources	\$ 94,398	\$ 266,492	\$ (172,094)
Bonds Payable	\$ 12,435,000	\$ 12,955,000	\$ 520,000
Other Liabilities	804,342	1,098,760	294,418
Total Liabilities	\$ 13,239,342	\$ 14,053,760	\$ 814,418
Deferred Inflows of Resources	\$ 1,116,243	\$ 1,047,643	\$ (68,600)
Net Position:			
Net Investment in Capital Assets	\$ 11,617,860	\$ 11,389,050	\$ 228,810
Restricted	387,996	383,486	4,510
Unrestricted	1,891,565	2,013,910	(122,345)
Total Net Position	\$ 13,897,421	\$ 13,786,446	\$ 110,975

*

The following table provides a summary of the District's operations for the years ending December 31, 2018, and December 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,029,013	\$ 1,038,997	\$ (9,984)
Charges for Services	2,995,197	2,995,094	103
Other Revenues	188,462	120,457	68,005
Total Revenues	\$ 4,212,672	\$ 4,154,548	\$ 58,124
Expenses for Services	4,101,697	3,895,122	(206,575)
Change in Net Position	\$ 110,975	\$ 259,426	\$ (148,451)
Net Position, Beginning of Year	13,786,446	13,527,020	259,426
Net Position, End of Year	\$ 13,897,421	\$ 13,786,446	\$ 110,975

* As Adjusted, Note 12

*

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

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2018, were \$3,303,925, a decrease of \$247,936 from the prior year.

The General Fund fund balance decreased by \$104,815, primarily due to operating and capital expenditures exceeding service revenues during the year.

The Debt Service Fund fund balance decreased by \$6,280, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$136,841 due to the capital expenditures incurred during the year which were paid from bond proceeds received in a prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year to decrease projected service revenues as well as adjust several categories of expenditures based on changing cost estimates. Actual revenues were \$210,356 less than budgeted revenues primarily due to service revenues being lower than anticipated. Actual expenditures were \$504,701 less than budgeted expenditures, primarily due to lower than anticipated personnel costs, repairs, maintenance, capital and other costs.

CAPITAL ASSETS

Capital assets as of December 31, 2018, total \$23,070,824 (net of accumulated depreciation) and include land, buildings, and equipment as well as the water and wastewater systems. Current year construction in progress relates to the water supply improvements program. Completed projects included the construction of a ground storage tank and pump station and collection system rehabilitation.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 335,899	\$ 335,899	\$
Construction in Progress	1,349,250	4,174,881	(2,825,631)
Capital Assets, Net of Accumulated Depreciation:			
Buildings, Vehicles, and Equipment	1,196,864	1,265,587	(68,723)
Water System	7,320,654	4,507,665	2,812,989
Wastewater System	12,868,157	12,941,141	(72,984)
Total Net Capital Assets	\$ 23,070,824	\$ 23,225,173	\$ (154,349)

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

LONG-TERM DEBT ACTIVITY

As of December 31, 2018, the District had total bond debt payable of \$12,435,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bond Debt Payable, January 1, 2018	\$ 12,955,000
Less: Bond Principal Paid	<u>520,000</u>
Bond Debt Payable, December 31, 2018	<u><u>\$ 12,435,000</u></u>

The District's bonds have been assigned an "A-" underlying rating. The Series 2013 Bonds carry an insured rating of AA by virtue of bond insurance issued by Build America Mutual Assurance Company. These ratings reflect all changes, if any, for the fiscal year ending December 31, 2018.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bacliff Municipal Utility District, P. O. Box 8717, Bacliff, Texas 77518.

**BACLIFF MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,835,558	\$ 450,024
Investments	401,682	200,841
Cash with Galveston County Tax Office		48,035
Receivables:		
Property Taxes		881,781
Penalty and Interest on Delinquent Taxes		
Service Accounts	219,987	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,457,227	\$ 1,580,681
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	\$	\$
Deferred Outflows - Other Postemployment Benefits		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,457,227	\$ 1,580,681

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 982,036	\$ 3,267,618	\$	\$ 3,267,618
	602,523		602,523
	48,035		48,035
	881,781		881,781
		67,840	67,840
	219,987		219,987
		335,899	335,899
		1,349,250	1,349,250
		21,385,675	21,385,675
<u>\$ 982,036</u>	<u>\$ 5,019,944</u>	<u>\$ 23,138,664</u>	<u>\$ 28,158,608</u>
\$	\$	\$ 92,243	\$ 92,243
		2,155	2,155
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 94,398</u>	<u>\$ 94,398</u>
<u>\$ 982,036</u>	<u>\$ 5,019,944</u>	<u>\$ 23,233,062</u>	<u>\$ 28,253,006</u>

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

**BACLIFF MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 108,385	\$
Accrued Interest Payable		
Security Deposits	413,190	
Net Pension Liability		
Net Other Postemployment Benefits Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 521,575	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$	\$ 1,194,444
Deferred Inflows - Pensions		
Deferred Inflows - Other Postemployment Benefits		
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ -0-	\$ 1,194,444
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		386,237
Assigned to 2019 Budget Deficit	398,160	
Unassigned	1,537,492	
TOTAL FUND BALANCES	\$ 1,935,652	\$ 386,237
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,457,227	\$ 1,580,681
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
\$	\$ 108,385	\$	\$ 108,385
		168,553	168,553
	413,190		413,190
		100,702	100,702
		13,512	13,512
		535,000	535,000
		11,900,000	11,900,000
<u>\$ -0-</u>	<u>\$ 521,575</u>	<u>\$ 12,717,767</u>	<u>\$ 13,239,342</u>
\$	\$ 1,194,444	\$ (102,472)	\$ 1,091,972
		20,900	20,900
		3,371	3,371
<u>\$ -0-</u>	<u>\$ 1,194,444</u>	<u>\$ (78,201)</u>	<u>\$ 1,116,243</u>
\$ 982,036	\$ 982,036	\$ (982,036)	\$
	386,237	(386,237)	
	398,160	(398,160)	
	1,537,492	(1,537,492)	
<u>\$ 982,036</u>	<u>\$ 3,303,925</u>	<u>\$ (3,303,925)</u>	<u>\$ -0-</u>
<u>\$ 982,036</u>	<u>\$ 5,019,944</u>		
		\$ 11,617,860	\$ 11,617,860
		387,996	387,996
		1,891,565	1,891,565
		<u>\$ 13,897,421</u>	<u>\$ 13,897,421</u>

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

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

Total Fund Balances - Governmental Funds \$ 3,303,925

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

Portions of the change in net pension liability and net other postemployment benefit liability that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources. 70,127

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 23,070,824

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District. 170,312

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	\$ (168,553)	
Net Pension Liability	(100,702)	
Net Other Postemployment Benefit Liability	(13,512)	
Bonds Payable	<u>(12,435,000)</u>	<u>(12,717,767)</u>

Total Net Position - Governmental Activities \$ 13,897,421

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

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

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$	\$ 1,026,240
Water Service	1,047,410	
Wastewater Service	1,657,423	
Street Lighting	86,641	
Penalty and Interest	59,700	27,500
Tap Connection and Inspection Fees	113,750	
Miscellaneous Revenues	<u>175,420</u>	<u>842</u>
TOTAL REVENUES	<u>\$ 3,140,344</u>	<u>\$ 1,054,582</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 982,786	\$
Professional Fees	48,926	6,799
Solid Waste Disposal	592,146	
Contracted Services		12,077
Purchased Water Service	364,231	
Utilities	211,409	
Repairs and Maintenance	288,790	
Street Lighting	77,453	
Depreciation		
Other	408,875	593
Capital Outlay	270,543	
Debt Service:		
Bond Principal		520,000
Bond Interest		<u>521,393</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,245,159</u>	<u>\$ 1,060,862</u>
NET CHANGE IN FUND BALANCES	\$ (104,815)	\$ (6,280)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JANUARY 1, 2018, AS ADJUSTED	<u>2,040,467</u>	<u>392,517</u>
FUND BALANCES/NET POSITION -		
DECEMBER 31, 2018	<u><u>\$ 1,935,652</u></u>	<u><u>\$ 386,237</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,026,240	\$ 2,773	\$ 1,029,013
	1,047,410		1,047,410
	1,657,423		1,657,423
	86,641		86,641
	87,200	2,773	89,973
	113,750		113,750
12,200	188,462		188,462
<u>\$ 12,200</u>	<u>\$ 4,207,126</u>	<u>\$ 5,546</u>	<u>\$ 4,212,672</u>
\$	\$ 982,786	\$ 17,530	\$ 1,000,316
	55,725		55,725
	592,146		592,146
	12,077		12,077
	364,231		364,231
	211,409		211,409
	288,790		288,790
	77,453		77,453
		573,433	573,433
500	409,968		409,968
148,541	419,084	(419,084)	
	520,000	(520,000)	
	521,393	(5,244)	516,149
<u>\$ 149,041</u>	<u>\$ 4,455,062</u>	<u>\$ (353,365)</u>	<u>\$ 4,101,697</u>
\$ (136,841)	\$ (247,936)	\$ 247,936	\$
		110,975	110,975
1,118,877	3,551,861	10,234,585	13,786,446
<u>\$ 982,036</u>	<u>\$ 3,303,925</u>	<u>\$ 10,593,496</u>	<u>\$ 13,897,421</u>

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

BACLIFF 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 DECEMBER 31, 2018

Net Change in Fund Balances - Governmental Funds \$ (247,936)

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. 2,773

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. 2,773

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. (573,433)

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 decreased by disposals and the Statement of Activities is not affected. 419,084

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. 520,000

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. 5,244

The changes in the net pension liability, other postemployment benefits liability, and the deferred inflows and outflows of resources are recorded in the government-wide financial statements. (17,530)

Change in Net Position - Governmental Activities \$ 110,975

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

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. CREATION OF DISTRICT

Bacliff Municipal Utility District was created by the filing of a petition with the Legislature of Texas requesting that the District be organized in conformity with the Constitution and Laws of the State of Texas, particularly Chapter 25, Acts of the 39th Legislature of Texas, and Chapter 217, Acts of the Regular Sessions of the 52nd Legislature of Texas, 1951. As a result of this petition, the District was authorized by Senate Bill No. 503, Acts of the 58th Legislature of Texas, 1963. The organization meeting of the District was held on August 29, 1963. This District is governed by the Board of Directors, elected by the residents of the District. The Board is composed of five members and the financial statements of the District include all operations and activities for which the Board of Directors has oversight responsibility.

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 Texas Commission on Environmental Quality (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:

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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.

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 revenues 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 2017 tax levy collections during the period October 1, 2017, to December 31, 2018, and taxes collected from January 1, 2018, to December 31, 2018, for the 2016 and prior tax levies. The 2018 tax levy has been fully deferred to meet planned operating expenditures for the 2019 fiscal year.

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.

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

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Vehicles and Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions and Other Postemployment Benefits

The District has 11 full time employees. Payments are made into the social security system for them. The Internal Revenue Service has determined that the District’s directors are considered “employees” for federal payroll tax purposes only. See Notes 10 and 11 for more information on employee benefits.

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.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District does not have any nonspendable fund balances.

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 has assigned \$398,160 of the General Fund fund balance to cover a budgeted shortfall in fiscal year 2019.

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.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT

	Series 2002	Series 2004
Amounts Outstanding – December 31, 2018	\$ 1,475,000	\$ 2,010,000
Interest Rates	3.15% - 3.40%	3.05% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2023	September 1, 2019/2025
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2012*	September 1 2014*
	Series 2012	Series 2013
Amounts Outstanding – December 31, 2018	\$ 2,425,000	\$ 6,525,000
Interest Rates	3.00% - 4.00%	4.50% - 4.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2024/2037	September 1, 2024/2037
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1 2019*	September 1 2022*

* In whole or in part, in inverse numerical order on any interest payment date thereafter at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. Series 2012 term bonds maturing September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032, September 1, 2034, and September 1, 2037, are subject to mandatory redemption beginning September 1, 2024, September 1, 2027, September 1, 2029, September 1, 2031, September 1, 2033, and September 1, 2035, respectively. Series 2013 term bonds maturing September 1, 2031, September 1, 2033 and September 1, 2037 are subject to mandatory redemption beginning September 1, 2030, September 1, 2032, and September 1, 2034, respectively.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2018:

	January 1, 2018	Additions	Retirements	December 31, 2018
Bonds Payable	<u>\$ 12,955,000</u>	<u>\$ -0-</u>	<u>\$ 520,000</u>	<u>\$ 12,435,000</u>
		Amount Due Within One Year		\$ 535,000
		Amount Due After One Year		<u>11,900,000</u>
		Bonds Payable		<u>\$ 12,435,000</u>

As of December 31, 2018, the District had authorized but unissued bonds in the amount of \$706,000. As of December 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 535,000	\$ 505,662	\$ 1,040,662
2020	555,000	489,066	1,044,066
2021	575,000	471,300	1,046,300
2022	590,000	452,606	1,042,606
2023	610,000	433,126	1,043,126
2024-2028	2,910,000	1,831,485	4,741,485
2029-2033	3,370,000	1,204,939	4,574,939
2034-2037	<u>3,290,000</u>	<u>382,462</u>	<u>3,672,462</u>
	<u>\$ 12,435,000</u>	<u>\$ 5,770,646</u>	<u>\$ 18,205,646</u>

The bonds are payable from an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended December 31, 2018, the District levied an ad valorem debt service tax rate of \$0.331174 per \$100 of assessed valuation, which resulted in a tax levy of \$1,091,972 on the adjusted taxable valuation of \$329,367,592 for the 2018 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. The District's tax calendar is as follows:

- Levy Date - October 1 or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Upon receipt but not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4. SIGNIFICANT BOND ORDERS 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 with respect to the District 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.

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 issue.

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 fiscal year-end, the carrying amount of the District's deposits was \$3,267,618 and the bank balance was \$3,295,268. 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 December 31, 2018, as listed below:

	Cash
GENERAL FUND	\$ 1,835,558
DEBT SERVICE FUND	450,024
CAPITAL PROJECTS FUND	982,036
TOTAL DEPOSITS	\$ 3,267,618

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 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 FirstSouthwest, a Division of 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 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. As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 401,682	\$ 401,682
<u>DEBT SERVICE FUND</u>		
TexSTAR	200,841	200,841
TOTAL INVESTMENTS	\$ 602,523	\$ 602,523

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District will manage this risk by limiting investments to the safest types of investments and pre-qualifying the financial institution and broker/dealers with which the District will do business. At December 31, 2018, the District's investment in TexSTAR 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 considers the investment in TexSTAR 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. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018.

	January 1, 2018	Increases	Decreases	December 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 335,899	\$	\$	\$ 335,899
Construction in Progress	4,174,881	419,084	3,244,715	1,349,250
Total Capital Assets Not Being Depreciated	\$ 4,510,780	\$ 419,084	\$ 3,244,715	\$ 1,685,149
Capital Assets Subject to Depreciation				
Buildings, Vehicles, and Equipment	\$ 2,136,186	\$	\$	\$ 2,136,186
Water System	6,239,229	2,974,172		9,213,401
Wastewater System	17,094,696	270,543		17,365,239
Total Capital Assets Subject to Depreciation	\$ 25,470,111	\$ 3,244,715	\$ -0-	\$ 28,714,826
Less Accumulated Depreciation				
Buildings, Vehicles, and Equipment	\$ 870,599	\$ 68,723	\$	\$ 939,322
Water System	1,731,564	161,183		1,892,747
Wastewater System	4,153,555	343,527		4,497,082
Total Accumulated Depreciation	\$ 6,755,718	\$ 573,433	\$ -0-	\$ 7,329,151
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 18,714,393	\$ 2,671,282	\$ -0-	\$ 21,385,675
Total Capital Assets, Net of Accumulated Depreciation	\$ 23,225,173	\$ 3,090,366	\$ 3,244,715	\$ 23,070,824

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7. SURFACE WATER SUPPLY CONTRACT

On August 7, 1981, the District executed an agreement with the Galveston County Water Authority, presently known as the Gulf Coast Water Authority (the "Authority"). This agreement was amended on September 14, 1981, September 10, 1984, June 16, 1998, March 15, 2001, June 16, 2011, and May 1, 2014. The term of the agreement is through December 31, 2027. The District's total reserved capacity is currently 1,190,000 gallons-per-day in the original mainland portion of the water plant and its current contract quantity is 613,000 gallons-per-day. The contract allows the Authority to acquire, construct and operate a water treatment plant and related water supply system in order to provide potable water to its customers. Charges to the District include its allocation of raw water charges, capital charges and operating and maintenance charges. The District's purchased water costs totaled \$364,231.

NOTE 8. STREET LIGHTING

The District assesses the cost of installation, operating and maintaining the street lighting as an additional charge on the monthly billings of the District's customers. The current street lighting charge is \$2.25 per month. During the current year, the District recorded \$86,641 in revenues and \$77,453 in costs related to street lighting.

NOTE 9. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the District’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. At December 31, 2017, the most recent valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled but not yet receiving benefits	4
Active employees	11

Funding Policy

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

The employer contributed using the actuarially determined rate of 7.13% for calendar year 2018. The deposit rate payable by the employee members for calendar year 2018 is 7.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10. PENSION PLAN (Continued)

Annual Pension Cost

For the District’s accounting year ended December 31, 2018, the annual pension cost for the TCDRS plan for its employees was \$50,191 and the actual contributions were \$50,191. The employees contributed \$47,445 to the plan for the 2018 fiscal year. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB parameters based on the actuarial valuations as of December 31, 2017, the basis for determining the contribution rates for calendar year 2018. The December 31, 2017 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/17</u>
Actuarial cost method	Entry age Level	Entry age Level	Entry age Level
	percentage,	percentage,	percentage,
Amortization method	closed	closed	closed
Amortization period	14.7	15.1	16.2
Asset valuation method	5 Year Smoothed Value	5 Year Smoothed Value	5 Year Smoothed Value
Actuarial Assumptions:			
Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	4.90%	4.90%	4.90%
Inflation	3.00%	3.00%	2.75%
Cost-of-living adjustments	0.00%	0.00%	0.00%

¹ Includes inflation at the stated rate.

Net Pension Liability

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions above, except as noted. The discount rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The plan’s fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Mortality rates were based on the following:

Depositing members - The RP-2014 Active Employee Mortality Table for males with a two-year set-forward and the RP-2014 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries and non-depositing members - The RP-2014 Combined Mortality Table with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees - RP-2014 Disabled Mortality Table with scale AA and then projected with 110% of the MO-2014 Ultimate scale after that with no age adjustment for males and a two-year set-forward for females.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The numbers shown are based on January 2018 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon. The most recent analysis was performed in 2017.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities-Developed Markets	11.00%	4.55%
International Equities-Emerging Markets	8.00%	5.55%
Investment-Grade Bonds	3.00%	0.75%
Opportunistic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net position (b)	Net Position Liability (a)-(b)
Balances of December 31, 2016	\$ 2,078,773	\$ 1,800,684	\$ 278,089
Changes for the year:			
Service cost	64,036		64,036
Interest on total pension liability	172,925		172,925
Effect of economic/demographic (gains) or losses	(8,932)		(8,932)
Effect of assumptions changes or inputs	6,032		6,032
Refund of contributions	(6,813)	(6,813)	
Benefit payments	(9,376)	(9,376)	
Administrative expenses		(1,460)	1,460
Member Contributions		48,777	(48,777)
Net Investment income		264,929	(264,929)
Employer contributions		97,473	(97,473)
Other		1,729	(1,729)
Balances of December 31, 2017	<u>\$ 2,296,645</u>	<u>\$ 2,195,943</u>	<u>\$ 100,702</u>

Sensitivity Analysis - The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$ 2,615,069	\$ 2,296,645	\$ 2,025,972
Fiduciary net position	<u>2,195,943</u>	<u>2,195,943</u>	<u>2,195,943</u>
Net pension liability (asset)	<u>\$ 419,126</u>	<u>\$ 100,702</u>	<u>\$ (169,971)</u>

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10. PENSION PLAN (Continued)

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 8,373	\$ 29,029
Changes in assumptions and other inputs	-0-	13,023
Net difference between projected and actual earnings	12,527	-0-
Contributions made subsequent to measurement date	<u>-0-</u>	<u>50,191</u>
Total	<u>20,900</u>	<u>92,243</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$50,191 will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 27,859
2019	23,231
2020	(13,192)
2021	(16,076)
2022	(669)
Thereafter	-0-

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

The District participates in a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund (GTL). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. Contributions made to the retiree GTL Program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$5,000. The GTL covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 and as such the GTL is considered an unfunded OPEB plan. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. This report is available at TCDRS' website at www.TCDRS.org.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District contributes to the GTL fund at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the GTL fund program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employee’s entire career.

Each participating employer contributes to the GTL fund at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District’s contributions for the year ending December 31, 2018 was \$1,696.

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled but not yet receiving benefits	-0-
Active employees	<u>11</u>
Total	<u><u>12</u></u>

Actuarial Methods and Assumptions Used for GASB Calculations

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial investigation of the experience of TCDRS over the period from January 1, 2013 - December 31, 2016.

The assumptions are summarized below:

Inflation – does not apply

Salary Increases – does not apply

Investment Rate of Return (Discount Rate) - 3.44% based on Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 28, 2017

Administrative expenses - All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 active employee mortality table for males and 90% of the RP-2014 active employee mortality table for females, projected with 110% of the MP-2014 ultimate scale after 2014.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations (Continued)

Service retirees – 130% of the RP-2014 healthy annuitant mortality table for males and 110% of the RP-2014 healthy annuitant mortality table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Disabled retirees – 130% of the RP-2014 healthy annuitant mortality table for males and 115% of the RP-2014 healthy annuitant mortality table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Discount Rate

The total OPEB liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions discussed below. The discount rate reflects the long-term rate of return funding valuation assumption of 3.44%. The TCDRS GTLF is treated as an unfunded OPEB plan because the GTLF covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.44% based on an index of tax exempt 20-year municipal bond rates rated as AA or higher is used as of the measurement date of December 31, 2017. As of December 31, 2017, the discount rate used in the development of the Total OPEB Liability was 3.44% compared to 3.78% as of December 31, 2016. The Total OPEB Liability as of December 31, 2017 was “rolled back” to December 31, 2016 for the purpose of developing a beginning Total OPEB Liability.

Change in Total OPEB Liability for measurement year ended December 31, 2017 are as follows:

	<u>Total OPEB Liability</u>
Balances of December 31, 2016	\$ 15,518
Changes for the year:	
Service Costs	795
Interest on total OPEB liability	614
Effect of economic/demographic experience	(3,792)
Effect of assumptions changes or inputs	516
Benefit payments	<u>(139)</u>
Balances of December 31, 2017	<u>\$ 13,512</u>

For the year ended December 30, 2018, the District recognized OPEB expense of \$884.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity Analysis – The following presents the net OPEB liability of the District, calculated using the discount rate of 3.44%, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.44%	3.44%	4.44%
Total OPEB Liability	\$ 16,366	\$ 13,512	\$ 11,242

As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 3,371	\$
Changes in assumptions and other inputs		459
Contributions subsequent to the measurement date		1,696
Total	\$ 3,371	\$ 2,155

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year ended December 31:	
2018	\$ (364)
2019	(364)
2020	(364)
2021	(364)
2022	(364)
Thereafter	(1,092)

NOTE 12. PRIOR PERIOD ADJUSTMENT

As of January 1, 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard requires governments to calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. As a result, beginning net position was restated and the effect was a decrease of \$13,844.

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BACLIFF MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Water and Wastewater Service, Other	\$ 3,153,400	\$ 3,145,900	\$ 2,939,953	\$ (205,947)
Street Lighting	85,500	85,500	86,641	1,141
Tap Connection and Inspection Fees	119,300	119,300	113,750	(5,550)
TOTAL REVENUES	<u>\$ 3,358,200</u>	<u>\$ 3,350,700</u>	<u>\$ 3,140,344</u>	<u>\$ (210,356)</u>
EXPENDITURES				
Services Operations:				
Personnel	\$ 1,124,000	\$ 1,133,600	\$ 982,786	\$ 150,814
Professional Fees	38,100	57,100	48,926	8,174
Solid Waste Disposal	527,300	590,000	592,146	(2,146)
Purchased Water Service	359,500	363,500	364,231	(731)
Utilities	226,200	214,700	211,409	3,291
Repairs and Maintenance/Capital Outlay	395,600	677,600	559,333	118,267
Street Lighting	85,500	85,500	77,453	8,047
Other	602,000	627,860	408,875	218,985
TOTAL EXPENDITURES	<u>\$ 3,358,200</u>	<u>\$ 3,749,860</u>	<u>\$ 3,245,159</u>	<u>\$ 504,701</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ (399,160)	\$ (104,815)	\$ 294,345
FUND BALANCE - JANUARY 1, 2018	<u>2,040,467</u>	<u>2,040,467</u>	<u>2,040,467</u>	
FUND BALANCE - DECEMBER 31, 2018	<u>\$ 2,040,467</u>	<u>\$ 1,641,307</u>	<u>\$ 1,935,652</u>	<u>\$ 294,345</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2018

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Total Pension Liability			
Service cost	\$ 64,036	\$ 62,985	\$ 50,566
Interest on total pension liability	172,925	153,814	135,815
Effect of plan changes	-0-	-0-	5,251
Effect of assumption changes or inputs	6,032	-0-	13,994
Effect of economic/demographic (gains) or losses	(8,932)	(1,302)	37,614
Refund of contributions/benefit payments	<u>(16,189)</u>	<u>(9,376)</u>	<u>(25,672)</u>
Net change in total pension liability	\$ 217,872	\$ 206,121	\$ 217,568
Total pension liability, beginning	<u>2,078,773</u>	<u>1,872,652</u>	<u>1,655,084</u>
Total pension liability, ending (a)	<u>\$ 2,296,645</u>	<u>\$ 2,078,773</u>	<u>\$ 1,872,652</u>
Fiduciary Net Position			
Employer contributions	\$ 97,473	\$ 49,027	\$ 42,969
Member contributions	48,777	47,077	39,365
Investment income net of investment expenses	264,929	118,167	(32,734)
Benefit payments/refunds of contributions	(16,189)	(9,376)	(25,672)
Administrative expenses	(1,460)	(1,284)	(1,141)
Other	<u>1,729</u>	<u>4,051</u>	<u>(178)</u>
Net change in fiduciary net position	\$ 395,259	\$ 207,662	\$ 22,609
Fiduciary net position, beginning	<u>1,800,684</u>	<u>1,593,022</u>	<u>1,570,413</u>
Fiduciary net position, ending (b)	<u>\$ 2,195,943</u>	<u>\$ 1,800,684</u>	<u>\$ 1,593,022</u>
Net pension liability, ending = (a) – (b)	<u>\$ 100,702</u>	<u>\$ 278,089</u>	<u>\$ 279,630</u>
Fiduciary net position as a % of total pension liability	95.62%	86.62%	85.07%
Pensionable covered payroll	\$ 696,808	\$ 672,524	\$ 656,087
Net pension liability as a % of covered payroll	14.45%	41.35%	42.62%

See accompanying independent auditor's report.

Year Ended
December 31,
2014

\$ 42,514
121,092
-0-
-0-
22,607
(10,287)

\$ 175,926

1,479,158

\$ 1,655,084

\$ 40,424
35,254
94,885
(10,287)
(1,150)
(210)

\$ 158,916

1,411,497

\$ 1,570,413

\$ 84,671

94.88%

\$ 587,559

14.41%

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Year Ended December 31, 2017
Total OPEB Liability	
Service Cost	\$ 795
Interest (on the Total OPEB Liability)	614
Economic/demographic gains or losses	(3,792)
Changes of assumptions or other inputs	516
Benefit payments	<u>(139)</u>
Net change in total OPEB liability	\$ (2,006)
Total OPEB liability, beginning	<u>15,518</u>
Total OPEB liability, ending	<u><u>\$ 13,512</u></u>
OPEB Covered-employee payroll	\$ 696,808
Net OPEB liability as a percentage of covered employee payroll	1.94%

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	OPEB Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 1,696	\$ 1,696	-0-	\$ 696,808	0.24%

⁽¹⁾Payroll is calculated based on contributions as reported to TCDRS.

All actuarial methods and assumptions used for this analysis were the same as those used in the December 31, 2017 funding valuation. Following are the key assumptions and methods used in this analysis.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line method over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	3.44%; 20-year Bond GO Index published by bondbuyer.com as of December 28, 2017
Cost-of-Living Adjustments	Does not apply
Retirement, Disability, Termination	Same as funding valuation
Mortality	Same as funding valuation, See Note 11

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2018

**BACLIFF MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective November 12, 2018.

	<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:	\$ 16.00	2,000	N	\$ 3.50	2,001 and up
WASTEWATER:	\$ 32.75*	2,000	N	\$ 3.25	2,001 and up
SURCHARGE:					
Commission					
Regulatory Assessments	0.50% of water and sewer bill				
Other – Street Lights	\$ 2.25				
VFD	\$ 7.00				

* Rate includes a solid waste fee of \$15.75

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$44.00 Wastewater: \$58.75 Surcharge: \$9.76

See accompanying independent auditor's report.

**BACLIFF MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	_____
≤¾"	<u>3,932</u>	<u>3,257</u>	x 1.0	<u>3,257</u>
1"	<u>15</u>	<u>14</u>	x 2.5	<u>35</u>
1½"	<u>8</u>	<u>8</u>	x 5.0	<u>40</u>
2"	<u>24</u>	<u>22</u>	x 8.0	<u>176</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>3,981</u>	<u>3,303</u>		<u>3,548</u>
Total Wastewater Connections	<u>4,242</u>	<u>3,564</u>	x 1.0	<u>3,564</u>

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

Gallons billed to customers:	195,319,000	Water Accountability Ratio: 87.69% (Gallons billed/Gallons purchased)
Gallons purchased:	222,733,000	From: <u>Gulf Coast Water Authority</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

PERSONNEL EXPENDITURES (Including Benefits)	
Salaries	\$ 677,781
Payroll Taxes	52,437
Pension	50,191
Insurance	<u>202,377</u>
TOTAL PERSONNEL EXPENDITURES	<u>\$ 982,786</u>
PROFESSIONAL FEES:	
Auditing	\$ 17,400
Engineering	16,065
Legal	11,961
Financial Advisor	<u>3,500</u>
TOTAL PROFESSIONAL FEES	<u>\$ 48,926</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 364,231</u>
UTILITIES:	
Electricity	\$ 193,274
Telephone	<u>18,135</u>
TOTAL UTILITIES	<u>\$ 211,409</u>
REPAIRS AND MAINTENANCE	<u>\$ 288,790</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,400
Dues	1,853
Insurance	45,821
Legal Notices	2,551
Office Supplies and Postage	107,225
Election Costs	10,800
Training	15,764
Other	<u>5,018</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 196,432</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

CAPITAL OUTLAY		\$	<u>270,543</u>
SOLID WASTE DISPOSAL		\$	<u>592,146</u>
STREET LIGHTING		\$	<u>77,453</u>
OTHER EXPENDITURES:			
Chemicals		\$	3,503
Equipment Rental			5,584
Fuel and Lubricant			11,478
Meter and Supplies			70,317
Laboratory Fees			50,166
Permit Fees			38,295
Sludge Hauling			27,317
Small Tools and Equipment			2,662
Uniforms			<u>3,121</u>
TOTAL OTHER EXPENDITURES		\$	<u>212,443</u>
TOTAL EXPENDITURES		\$	<u><u>3,245,159</u></u>

Number of persons employed by the District	<u>11</u>	Full-Time	<u>-0-</u>	Part-Time
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See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2018

<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>					
TexSTAR	XXXX3500	Varies	Daily	\$ 200,841	\$
TexSTAR	XXXX2990	Varies	Daily	<u>200,841</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 401,682</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3330	Varies	Daily	<u>\$ 200,841</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 602,523</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Debt Service Taxes	
TAXES RECEIVABLE -		
JANUARY 1, 2018	\$ 602,610	
Adjustments to Beginning Balance	(3,670)	\$ 598,940
Original 2018 Tax Levy	\$ 1,052,824	
Adjustment to 2018 Tax Levy	39,148	1,091,972
TOTAL TO BE ACCOUNTED FOR		\$ 1,690,912
TAX COLLECTIONS:		
Prior Years	\$ 496,468	
Current Year	312,663	809,131
TAXES RECEIVABLE - DECEMBER 31, 2018		\$ 881,781
TAXES RECEIVABLE BY		
YEAR:		
2018		\$ 779,309
2017		29,673
2016		15,524
2015		11,029
2014		9,316
2013		5,754
2012		4,342
2011		3,589
2010		3,403
2009		4,129
2008		3,242
2007 and Prior		12,471
TOTAL		\$ 881,781

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 88,231,690	\$ 87,105,981	\$ 85,879,950	\$ 84,673,080
Improvements	244,057,029	235,188,121	178,897,748	169,056,083
Personal Property	22,571,329	22,158,343	29,875,569	21,681,461
Exemptions	<u>(25,492,456)</u>	<u>(32,834,038)</u>	<u>(18,130,420)</u>	<u>(17,517,601)</u>
TOTAL PROPERTY VALUATIONS	<u>\$329,367,592</u>	<u>\$311,618,407</u>	<u>\$276,522,847</u>	<u>\$257,893,023</u>
TAX RATES PER \$100 VALUATION:				
Debt Service Tax	<u>\$ 0.331174</u>	<u>\$ 0.331174</u>	<u>\$ 0.376890</u>	<u>\$ 0.401964</u>
ADJUSTED TAX LEVY*	<u>\$ 1,091,972</u>	<u>\$ 1,032,683</u>	<u>\$ 1,043,398</u>	<u>\$ 1,037,715</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>28.63 %</u>	<u>97.13 %</u>	<u>98.51 %</u>	<u>98.94 %</u>

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

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 0 2			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 275,000	\$ 48,588	\$ 323,588
2020	285,000	39,924	324,924
2021	295,000	30,662	325,662
2022	305,000	20,928	325,928
2023	315,000	10,710	325,710
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	\$ 1,475,000	\$ 150,812	\$ 1,625,812

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 0 4

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 260,000	\$ 65,936	\$ 325,936
2020	270,000	58,004	328,004
2021	280,000	49,500	329,500
2022	285,000	40,540	325,540
2023	295,000	31,278	326,278
2024	305,000	21,396	326,396
2025	315,000	11,024	326,024
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
	<u>\$ 2,010,000</u>	<u>\$ 277,678</u>	<u>\$ 2,287,678</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 2			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$	\$ 90,238	\$ 90,238
2020		90,238	90,238
2021		90,238	90,238
2022		90,238	90,238
2023		90,238	90,238
2024	50,000	90,238	140,238
2025	50,000	88,738	138,738
2026	155,000	87,238	242,238
2027	160,000	82,588	242,588
2028	165,000	77,388	242,388
2029	175,000	72,026	247,026
2030	180,000	65,900	245,900
2031	190,000	59,600	249,600
2032	195,000	52,000	247,000
2033	205,000	44,200	249,200
2034	210,000	36,000	246,000
2035	220,000	27,600	247,600
2036	230,000	18,800	248,800
2037	240,000	9,600	249,600
	\$ 2,425,000	\$ 1,263,106	\$ 3,688,106

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 3

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$	\$ 300,900	\$ 300,900
2020		300,900	300,900
2021		300,900	300,900
2022		300,900	300,900
2023		300,900	300,900
2024	250,000	300,900	550,900
2025	250,000	289,650	539,650
2026	385,000	278,400	663,400
2027	405,000	261,075	666,075
2028	420,000	242,850	662,850
2029	440,000	223,950	663,950
2030	460,000	204,150	664,150
2031	485,000	183,450	668,450
2032	510,000	161,625	671,625
2033	530,000	138,038	668,038
2034	555,000	113,525	668,525
2035	585,000	87,162	672,162
2036	610,000	59,375	669,375
2037	640,000	30,400	670,400
	<u>\$ 6,525,000</u>	<u>\$ 4,079,050</u>	<u>\$ 10,604,050</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 535,000	\$ 505,662	\$ 1,040,662
2020	555,000	489,066	1,044,066
2021	575,000	471,300	1,046,300
2022	590,000	452,606	1,042,606
2023	610,000	433,126	1,043,126
2024	605,000	412,534	1,017,534
2025	615,000	389,412	1,004,412
2026	540,000	365,638	905,638
2027	565,000	343,663	908,663
2028	585,000	320,238	905,238
2029	615,000	295,976	910,976
2030	640,000	270,050	910,050
2031	675,000	243,050	918,050
2032	705,000	213,625	918,625
2033	735,000	182,238	917,238
2034	765,000	149,525	914,525
2035	805,000	114,762	919,762
2036	840,000	78,175	918,175
2037	880,000	40,000	920,000
	<u>\$ 12,435,000</u>	<u>\$ 5,770,646</u>	<u>\$ 18,205,646</u>

See accompanying independent auditor's report.

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

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Bacliff Municipal Utility District Unlimited Tax Bonds - Series 2002	\$ 4,890,000	\$ 1,740,000
Bacliff Municipal Utility District Unlimited Tax Bonds - Series 2004	4,890,000	2,265,000
Bacliff Municipal Utility District Unlimited Tax Bonds - Series 2012	2,425,000	2,425,000
Bacliff Municipal Utility District Unlimited Tax Bonds - Series 2013	<u>6,525,000</u>	<u>6,525,000</u>
 TOTAL	 <u>\$ 18,730,000</u>	 <u>\$ 12,955,000</u>
 Bond Authority:	 <u>Tax Bonds</u>	
Amount Authorized by Voters	\$ 21,811,000	
Amount Issued	<u>21,105,000</u>	
Remaining to be Issued	<u>\$ 706,000</u>	
 Debt Service Fund cash balances as of December 31, 2018:		 <u>\$ 698,900</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		 <u>\$ 958,192</u>

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

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Water Service	\$ 1,047,410	\$ 1,024,511	\$ 1,001,776
Wastewater Service	1,657,423	1,633,943	1,630,222
Street Lighting	86,641	86,190	74,939
Penalty and Interest	59,700	51,519	58,985
Tap Connection and Inspection Fees	113,750	169,250	88,200
Miscellaneous Revenues	175,420	115,412	78,017
TOTAL REVENUES	\$ 3,140,344	\$ 3,080,825	\$ 2,932,139
EXPENDITURES			
Personnel	\$ 982,786	\$ 1,058,155	\$ 935,784
Professional Fees	48,926	30,651	26,385
Solid Waste Disposal	592,146	549,924	494,686
Purchased Water Service	364,231	337,687	299,360
Utilities	211,409	207,602	222,625
Repairs and Maintenance	288,790	101,219	197,909
Street Lighting	77,453	84,315	70,140
Other	408,875	438,651	437,423
Capital Outlay	270,543	60,367	157,084
TOTAL EXPENDITURES	\$ 3,245,159	\$ 2,868,571	\$ 2,841,396
NET CHANGE IN FUND BALANCE	\$ (104,815)	\$ 212,254	\$ 90,743
BEGINNING FUND BALANCE	2,040,467	1,828,213	1,737,470
ENDING FUND BALANCE	\$ 1,935,652	\$ 2,040,467	\$ 1,828,213

See accompanying independent auditor's report.

		Percentage of Total Revenues									
		2018		2017		2016		2015		2014	
		2018	2017	2016	2015	2014	2015	2014	2015	2014	
\$	974,461	\$	945,359	33.3 %	33.3 %	34.1 %	42.5 %	42.1 %			
	1,004,161		972,232	52.8	53.0	55.6	43.7	43.2			
	72,349		71,626	2.8	2.8	2.6	3.1	3.2			
	47,958		49,623	1.9	1.7	2.0	2.1	2.2			
	90,400		115,050	3.6	5.5	3.0	3.9	5.1			
	108,784		95,038	5.6	3.7	2.7	4.7	4.2			
\$	<u>2,298,113</u>	\$	<u>2,248,928</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>			
\$	950,966	\$	861,187	31.3 %	34.3 %	31.9 %	41.4 %	38.3 %			
	30,259		34,537	1.6	1.0	0.9	1.3	1.5			
				18.9	17.8	16.9					
	256,838		203,583	11.6	11.0	10.2	11.2	9.1			
	217,322		214,824	6.7	6.7	7.6	9.5	9.6			
	90,965		135,451	9.2	3.3	6.7	4.0	6.0			
	61,278		55,192	2.5	2.7	2.4	2.7	2.5			
	452,182		479,827	13.0	14.2	14.9	19.7	21.3			
	517,741		155,792	8.6	2.0	5.4	22.5	6.9			
\$	<u>2,577,551</u>	\$	<u>2,140,393</u>	<u>103.4 %</u>	<u>93.0 %</u>	<u>96.9 %</u>	<u>112.3 %</u>	<u>95.2 %</u>			
\$	(279,438)	\$	108,535	<u>(3.4) %</u>	<u>7.0 %</u>	<u>3.1 %</u>	<u>(12.3) %</u>	<u>4.8 %</u>			
	<u>2,016,908</u>		<u>1,908,373</u>								
\$	<u>1,737,470</u>	\$	<u>2,016,908</u>								

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,026,240	\$ 1,038,346	\$ 1,029,061
Penalty and Interest	27,500	28,840	27,568
Investment Revenues	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 1,054,582</u>	<u>\$ 1,067,186</u>	<u>\$ 1,056,629</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 17,169	\$ 17,532	\$ 20,698
Debt Service Principal	520,000	505,000	490,000
Debt Service Interest and Fees	<u>523,693</u>	<u>537,718</u>	<u>552,314</u>
TOTAL EXPENDITURES	<u>\$ 1,060,862</u>	<u>\$ 1,060,250</u>	<u>\$ 1,063,012</u>
NET CHANGE IN FUND BALANCE	\$ (6,280)	\$ 6,936	\$ (6,383)
BEGINNING FUND BALANCE	<u>392,517</u>	<u>385,581</u>	<u>391,964</u>
ENDING FUND BALANCE	<u>\$ 386,237</u>	<u>\$ 392,517</u>	<u>\$ 385,581</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>3,303</u>	<u>3,238</u>	<u>3,185</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>3,564</u>	<u>3,524</u>	<u>3,412</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 1,006,732	\$ 718,451	97.3 %	97.3 %	97.4 %	97.4 %	96.4 %
27,060	26,740	2.6	2.7	2.6	2.6	3.6
<u>\$ 1,033,792</u>	<u>\$ 745,191</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 14,874	\$ 14,992	1.6 %	1.6 %	2.0 %	1.4 %	2.0 %
480,000	470,000	49.3	47.3	46.4	46.4	63.1
<u>565,273</u>	<u>546,952</u>	<u>49.7</u>	<u>50.4</u>	<u>52.3</u>	<u>54.7</u>	<u>73.4</u>
<u>\$ 1,060,147</u>	<u>\$ 1,031,944</u>	<u>100.6 %</u>	<u>99.3 %</u>	<u>100.7 %</u>	<u>102.5 %</u>	<u>138.5 %</u>
\$ (26,355)	\$ (286,753)	<u>(0.6) %</u>	<u>0.7 %</u>	<u>(0.7) %</u>	<u>(2.5) %</u>	<u>(38.5) %</u>
<u>418,319</u>	<u>705,072</u>					
<u>\$ 391,964</u>	<u>\$ 418,319</u>					
<u>3,087</u>	<u>2,980</u>					
<u>3,314</u>	<u>3,243</u>					

See accompanying independent auditor's report.

**BACLIFF MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018**

District Mailing Address - Bacliff Municipal Utility District
P.O. Box 8717
Bacliff, TX 77518

District's Telephone Number - (281) 339-1634

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>December 31, 2018</u>	Expense Reimbursements for the year ended <u>December 31, 2018</u>	<u>Title</u>
Brad Bingham	05/16 05/20 (Elected)	\$ 700	\$ -0-	President
Dale Patterson	05/18 05/22 (Elected)	\$ 2,200	\$ -0-	Vice President/ Secretary
Tony Poynor	05/18 05/22 (Elected)	\$ 1,600	\$ -0-	Director
Don Rodgers	05/18 05/22 (Elected)	\$ 1,500	\$ -0-	Director
Victor Medina	05/16 05/20 (Elected)	\$ 1,400	\$ -0-	Director

Note: 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 developer or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): January 18, 2016.

Limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 in accordance with Commission Requirements. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**BACLIFF MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018**

	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ended December 31, 2018</u>	<u>Title</u>
Key Administrative Personnel:			
James Wistinghausen	09/11/89	\$ 117,292	General Superintendent
Yvonne Manis	10/09	\$ 70,851	Office Manager/ Investment Officer
Trina Alexander	11/07/88	\$ 62,954	Supervisor
Consultants:			
Reid, Strickland & Gillette	Prior to 1990	\$ 9,185	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/12/10	\$ 17,400	Auditor
Freese & Nichols, Inc.	Prior to 1989	\$ 78,600	Engineer
Hilltop Securities Inc.		\$ 3,500	Financial Advisor

See accompanying independent auditor's report.

